

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
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FORM 8-K

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

Date of Report (Date of earliest event reported): December 27, 1997

INTEGRA LIFESCIENCES CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation)

0-26224  
(Commission  
File Number)

51-0317849  
(IRS Employer  
Identification No.)

105 Morgan Lane  
Plainsboro, New Jersey  
(Address of principal executive offices)

08536  
(Zip code)

(609) 275-0500  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

On December 27, 1997, Integra LifeSciences Corporation (the "Company") entered into an Employment Agreement, a Stock Option Grant and Agreement and a Restricted Units Agreement with Stuart M. Essig ("Executive").

Under the Employment Agreement, Executive is to serve as the President and Chief Executive Officer of the Company and report directly to the Board of Directors. As compensation for Executive's services during the first year of the agreement, the Company will pay Executive an annual salary of \$300,000. For each subsequent year of the Employment Agreement, Executive's salary will be \$300,000

plus any increases as may be established by the Board. Executive is also entitled to receive a performance bonus of up to 50% of Executive's base salary, based upon the satisfaction of certain performance goals pertaining to the trading price of the Company's common stock. Executive is also entitled to the lesser of (a) a \$3,000,000 four-year minimum renewable term life insurance policy, and (b) the four-year minimum renewable term life policy purchasable by the Company by paying premium payments of \$5,000 per year for such policy. At the request of Executive, the Company will disburse a loan in the amount of up to \$500,000 subject to certain conditions. Executive is also entitled to participate in the Company's medical, disability, pension and other employee benefit plans and programs maintained from time to time by the Company for the benefit of its senior executives. The Employment Agreement is for an initial term through December 31, 2001 and shall automatically extend on December 31, 2001 and on each subsequent one-year anniversary thereof for one year unless the Company or Executive provides written notice of termination at least six months prior to such anniversary.

Under the Stock Option Grant and Agreement, the Company granted Executive options under the Company's 1996 Incentive Stock Option and Non-Qualified Stock Option Plan, as amended (the "1996 Option Plan"), to purchase 1,000,000 shares (the "Option Shares") of the Company's common stock at an exercise price of \$2.9375 per share and with an expiration date of December 26, 2007. The options shall vest and become exercisable with respect to 250,000 shares on December 27, 1998 and shall vest and become exercisable thereafter with respect to 1/36th of the remaining shares on the first business day of each following month; provided that the option shall become immediately vested and exercisable in the event of (a) a change in control of the Company or (b) the termination of Executive's employment (i) by the Company without cause, (ii) by Executive for good reason or (iii) due to Executive's death.

Under the Restricted Units Agreement, the Company granted Executive 2,000,000 restricted units, each unit representing the right to receive one share of the Company's common stock. The shares of common stock underlying the restricted units (the "Unit Shares") shall be delivered to Executive on January 1, 2002 if Executive is employed by the Company on December 31, 2001. Executive has the right to defer delivery of the Unit Shares for a period of up to six years. The Unit Shares may be delivered to Executive prior to January 1, 2002 in the

event of (a) a change of control of the Company while he is employed by the Company or (b) a termination of Executive's employment with the Company other than (i) for cause or (ii) due to his voluntary departure (other than for good reason or due to disability). If, prior to December 31, 2001, (a) Executive's employment with the Company is terminated for cause or (b) he voluntarily leaves his employment with the Company (other than for good reason or due to disability), the Unit Shares shall be distributed to Executive on January 1, 2018. The Company also agreed to file, following the request of Executive, a

registration statement with the Securities and Exchange Commission to register the sale by Executive of the Option Shares and the Unit Shares pursuant to the Securities Act of 1933, as amended. In connection with the Restricted Units Agreement, the Company will incur a non-cash deferred compensation charge of \$5,875,000 in the fourth quarter of 1997.

In connection with the authorization by the Board of Directors of the execution and delivery of the foregoing agreements, the Board of Directors approved (a) an amendment to the Company's by-laws to provide that (i) the Company shall have a Chief Executive Officer, who shall have full authority with respect to the conduct of the business of the Company, subject only to approval of the Board, and (ii) in the absence of a duly appointed Chief Executive Officer, such authority shall devolve upon the Company's President, (b) an amendment to Section 4 of the Company's 1996 Stock Option Plan to increase the number of options issuable under the Plan to any one individual over any one-year period from 300,000 to 1,000,000, and (c) an amendment to Section 12(b) of the Company's 1996 Stock Option Plan to provide that the Plan may be amended by the Company's shareholders pursuant to written consent in lieu of a meeting.

ITEM 7. EXHIBITS

Exhibit Number	Description of Exhibit
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3	Amended and Restated By-Laws of Integra LifeSciences Corporation
10.1	Employment Agreement dated December 27, 1997 between Integra LifeSciences Corporation and Stuart M. Essig
10.2	Stock Option Grant and Agreement made December 27, 1997 between Integra LifeSciences Corporation and Stuart M. Essig
10.3	Restricted Units Agreement dated December 27, 1997 by and between Integra LifeSciences Corporation and Stuart M. Essig
10.4	Integra LifeSciences Corporation 1996 Incentive Stock Option and Non-Qualified Stock Option Plan (as amended through December 27, 1997)
10.5	Indemnity letter agreement dated December 27, 1997 from Integra LifeSciences Corporation to Stuart M Essig
99	Integra LifeSciences Corporation's press release dated December 30, 1997 announcing the appointment of Stuart M. Essig as the Company's Chief Executive Officer and President

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTEGRA LIFESCIENCES CORPORATION

Date: January 29, 1998

By: /s/ David B. Holtz

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David B. Holtz  
Vice President, Treasurer

EXHIBIT INDEX

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(As amended through  
December 18, 1997)

AMENDED AND RESTATED BY-LAWS  
of  
INTEGRA LIFESCIENCES CORPORATION  
(A Delaware Corporation)

ARTICLE 1  
OFFICES

Section 1.01. Offices. The Corporation may have offices at such places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2  
MEETINGS OF STOCKHOLDERS

Section 2.01. Place of Meeting. Meetings of the stockholders shall be held at such place, within the State of Delaware or elsewhere; as may be fixed from time to time by the Board of Directors. If no place is so fixed for a meeting, it shall be held at the Corporation's then principal executive office.

Section 2.02. Annual Meeting. The annual meeting of stockholders shall be held, unless the Board of Directors shall fix some other hour or date therefor, at nine o'clock A.M. on the first Monday of May in each year, if not a legal holiday under the laws of Delaware, and, if a legal holiday, then on the next succeeding secular day not a legal holiday under the laws of Delaware, at which the stockholders shall elect by plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 2.03. Notice of Annual Meetings. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 days nor more than 60 days before the date of the meeting.

Section 2.04. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each

stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be so specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 2.05. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Chairman of the Board or the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.06. Notice of Special Meetings. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than 10 days nor more than 60 days before the date of the meeting.

Section 2.07. Quorum: Voting. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. When a quorum is present at any meeting, except for elections of directors, which shall be decided by plurality vote, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one

upon which by express provision of statute or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless otherwise provided in the Certificate of Incorporation, each stockholder shall at every meeting of stockholders be entitled to one vote in person or by proxy

for each share of the capital stock having voting power held by such stockholder, but no shares shall be voted pursuant to a proxy more than three years after the date of the proxy unless the proxy provides for a longer period.

Section 2.08. Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the State, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days after the earliest dated consent delivered in the manner required by this Section to the corporation, written consents signed by a sufficient number of stockholders to take action are delivered in the manner required by this Section to the Corporation. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

### ARTICLE 3 DIRECTORS

Section 3.01. Number and Term of Office. The number of directors of the Corporation shall be not less than three nor more than thirteen, as designated from time to time by resolution of the Board of Directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 3.02 hereof. Each director elected shall hold office for a term of one year and shall serve until his successor is elected and qualified or until his earlier death, resignation or removal. Directors need not be stockholders.

Section 3.02. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10 percent of the total number of the shares at the time

outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3.03. Resignations. Any director may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary. Such resignation shall take effect at the time of receipt thereof or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04. Direction of Management. The business of the Corporation shall be managed under the direction of its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3.05. Place of Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 3.06. Annual Meeting. Immediately after each annual election of directors, the Board of Directors shall meet for the purpose of organization, election of officers, and the transaction of other business, at the place where such election of directors was held or, if notice of such meeting is given, at the place specified in such notice. Notice of such meeting need not be given. In the absence of a quorum at said meeting, the same may be held at any other time and place which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by the directors, if any, not attending and participating in the meeting.

Section 3.07. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 3.08. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, or the President on 2 days' notice to each director; either personally (including telephone), or in the manner specified in Section 4.01; special meetings shall be called by the Chairman of the Board, or the President or the Secretary in like manner and on like notice on the written request of two directors.

Section 3.09. Quorum: Voting. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business; and at all meetings of any committee of the Board, a majority of the members of such committee shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting of the Board of Directors or any committee thereof at which there is a quorum present shall be the act of the Board of Directors or such committee, as the case may be, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors or committee thereof, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.10. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.11. Participation in Meetings. One or more directors may participate in any meeting of the Board or committee thereof by means of conference telephone or similar communications equipment by which all persons participating can hear each other.

Section 3.12. Committees of Directors. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution, shall have and may exercise all of the powers and authority of the Board of Directors and may

authorize the seal of the Corporation to be affixed to all papers which may require it, but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution providing for the issuance of shares of stock adopted by the Board of Directors, fix any preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the By-Laws of the Corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when requested.

Section 3.13. Compensation of Directors. Each director shall

be entitled to receive such compensation, if any, as may from time to time be fixed by the Board of Directors. Members of special or standing committees may be allowed like compensation for attending committee meetings. Directors may also be reimbursed by the Corporation for all reasonable expenses incurred in traveling to and from the place of each meeting of the Board or of any such committee or otherwise incurred in the performance of their duties as directors. No payment referred to herein shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

#### ARTICLE 4 NOTICES

Section 4.01. Notices. Whenever, under the provisions of law or of the Certificate of Incorporation or of these By-Laws, notice is required to be given to any director or stockholder, such requirement shall not be construed to necessitate personal notice. Such notice may in every instance be effectively given by depositing a writing in a post office or letter box, in a postpaid, sealed wrapper, or by dispatching a prepaid telegram, cable, teletype or telex or by delivering a writing in a sealed wrapper prepaid to a courier service guaranteeing delivery within 2 business days, in each case addressed to such director or stockholder, at his address as it appears on the records of the Corporation in the case of a

stockholder and at his business address (unless he shall have filed a written request with the Secretary that notices be directed to a different address) in the case of a director. Such notice shall be deemed to be given at the time it is so dispatched.

Section 4.02. Waiver of Notice. Whenever, under the provisions of law or of the Certificate of Incorporation or of these By-Laws, notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent thereto. Neither the business nor the purpose of any meeting need be specified in such a waiver.

## ARTICLE 5 OFFICERS

Section 5.01. Number. The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Secretary and a Treasurer, and may also include one or more Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, and such other officers as may be elected by the Board of Directors. Any number of offices may be held by the same person.

Section 5.02. Election and Term of Office. The officers of the Corporation shall be elected by the Board of Directors. Officers shall hold office at the pleasure of the Board.

Section 5.03. Removal. Any officer may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 5.04. Chairman of the Board. The Chairman of the Board, if there is one, shall preside at all meetings of the Board of Directors and shall perform such other duties, if any, as from time to time may be assigned to him by the Board.

Section 5.05. Chief Executive Officer. The Chief Executive Officer, if there is one, shall have overall responsibility for the management of the business and operations of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. In the absence of the Chairman of the Board, he shall preside over meetings of the Board of Directors. In general, he shall perform such duties as from time to time may be assigned to him by the Board.

Section 5.06. President. In the absence of the Chief Executive Officer, the President shall have overall responsibility for the management of the business and operations

of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. In the absence of the Chairman of the Board and the Chief Executive Officer, he shall preside over meetings of the Board of Directors. In general, he shall perform such duties as from time to time may be assigned to him by the Board.

Section 5.07. Executive Vice Presidents or Senior Vice Presidents. The Executive Vice Presidents or Senior Vice Presidents shall perform such managerial duties and have such authority as may be specified in these By-Laws or by the Board of Directors, the Chairman of the Board, or the President. In the absence or disability of the President, the Executive Vice Presidents or Senior Vice Presidents, in order of seniority established by the Board of Directors or the Chairman of the Board, shall perform the duties and exercise the powers of the President.

Section 5.08. Vice Presidents. The Vice Presidents shall perform such duties and have such authority as may be specified in these By-Laws or by the Board of Directors, the Chairman of the Board, or the President.

Section 5.09. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board, or the President. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument, and when so affixed it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 5.10. Assistant Secretaries. The Assistant Secretary or Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the authority of the Secretary and shall perform such other duties and have such other authority as the Board of Directors, the Chairman of the Board, or the President may from time to time prescribe.

Section 5.11. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and

other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, the Chairman of the Board, or the President, or the Chief Financial Officer, taking proper vouchers for such disbursements, and shall render to the Board of Directors when the Board so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 5.12. Assistant Treasurers. The Assistant Treasurer or Treasurers shall, in the absence or disability of the Treasurer, perform the duties and exercise the authority of the Treasurer and shall perform such other duties and have such other authority as the Board of Directors may from time to time prescribe.

#### ARTICLE 6 INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 6.01. Indemnification. Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving while a director or officer of the Corporation at the request of the Corporation as a director, officer, employee, agent, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the full extent permissible under Delaware law.

Section 6.02. Advances. Any person claiming indemnification within the scope of Section 6.01 shall be entitled to advances from the Corporation for payment of the expenses of defending actions against such person in the manner and to the full extent permissible under Delaware law.

Section 6.03. Procedure. On the request of any person requesting indemnification under Section 6.01, the Board of Directors or a committee thereof shall determine whether such indemnification is permissible or such determination shall be made by independent legal counsel if the Board or committee so directs or if the Board or committee is not empowered by statute to make such determination.

Section 6.04. Other Rights. The indemnification and advancement of expenses provided by this Article 6 shall not be

deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any insurance or other agreement, vote of shareholders or disinterested directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.05. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, agent, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these By-laws.

Section 6.06. Modification. The duties of the Corporation to indemnify and to advance expenses to a director or officer provided in this Article 6 shall be in the nature of a contract between the Corporation and each such director or officer, and no amendment or repeal of any provision of this Article 6 shall alter, to the detriment of such director or officer, the right of such person to the advancement of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment, repeal or termination.

#### ARTICLE 7 CERTIFICATES OF STOCK

Section 7.01. Stock Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate in the form prescribed by the Board of Directors signed on behalf of the Corporation by the Chairman of the Board or the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares owned by him in the Corporation. Any or all signatures on the certificate may be a facsimile. In case any

officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

Section 7.02. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 7.03. Transfers of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 7.04. Fixing Record Date. The Board of Directors of the Corporation may fix a record date for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or to consent to corporate action in writing without a meeting, or to receive payment of any dividend or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action. Such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and such record date shall not be (i) in the case of such a meeting of stockholders, more than 60 nor less than 10 days before the date of the meeting of stockholders, or (ii) in the case of consents in writing without a meeting, more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors, or (iii) in other cases, more than 60 days prior to the payment or allotment or change, conversion or exchange or other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 7.05. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of stock to receive dividends and to vote as such owner, and shall be entitled to

hold liable for calls and assessments a person registered on its books as the owner of stock, and shall not be bound to recognize any equitable or other claim to, or interest in, such stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE 8  
AMENDMENTS

Section 8.01. Amendments. These By-Laws may be altered, amended or repealed, and new By-Laws may be adopted, by the stockholders or by the Board of Directors at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such special meeting.

EMPLOYMENT AGREEMENT

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EMPLOYMENT AGREEMENT dated as of December 27, 1997 between Integra LifeSciences Corporation, a Delaware corporation ("Company"), and Stuart M. Essig ("Executive").

BACKGROUND

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Company wishes to employ Executive, and Executive wishes to enter into the employ of Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with Company's operations and management and will learn trade secrets and other confidential information relating to Company and its customers; accordingly, the noncompetition agreement and other restrictive covenants contained in Section 7 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

TERMS

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SECTION 1. CAPACITY AND DUTIES

1.1 Employment; Acceptance of Employment. Company hereby employs Executive and Executive hereby accepts employment by Company for the period and upon the terms and conditions hereinafter set forth.

1.2 Capacity and Duties.

(a) Executive shall serve as President and Chief Executive Officer of Company. Executive shall perform such other duties and shall have such authority consistent with his position as may from time to time be specified by the Board of Directors of Company (the "Board"). Executive shall report directly to the Board and shall perform his duties for Company principally at Company's office in Princeton, New Jersey, except for travel that may be necessary or appropriate in connection with the performance of Executive's duties hereunder. If Richard E. Caruso ("Caruso") is no longer Chairman of the Board for any reason and, unless Executive agrees in writing not to serve in such capacity, Executive shall be appointed as Chairman of the Board.

(b) Executive shall devote substantially all his working time, energy and attention (other than absences due to illness or vacation) to the performance of his duties hereunder, in a manner that will faithfully and diligently further the

business and interests of Company. Notwithstanding the above, Executive shall be permitted, to the extent such activities do not impair the performance by Executive of his duties and responsibilities hereunder or violate Sections 7.1, 7.2 and 7.3 of this Agreement, to (i) manage Executive's personal, financial and legal affairs, and (ii) to serve on civic or charitable boards or committees (it being expressly understood and agreed that Executive's continuing to serve on any such board and/or committees on which Executive is serving, or with which Executive is otherwise associated (each of which has been disclosed to the Company prior to the execution of this Agreement or will be disclosed promptly thereafter), as of the Commencement Date (as defined below), shall be deemed not to interfere or conflict with the performance by Executive of his duties and responsibilities under this Agreement). The Company acknowledges that Executive may provide consulting services through January 31, 1998 to assist his former employer with transitional matters in connection with Executive's former position. Executive has been elected, effective as of the Commencement Date, to the Board. The Company hereby agrees to add to the Board one or two chief executive officers of other entities who are reasonably acceptable to Executive as Board members.

## SECTION 2. TERM OF EMPLOYMENT

2.1 Term. The term of Executive's employment hereunder shall commence on December 27, 1997 (the "Commencement Date") and continue until December 31, 2001, as further extended or unless sooner terminated in accordance with the other provisions hereof (the "Term"). Except as hereinafter provided, on December 31, 2001 and on each subsequent one-year anniversary thereof, the Term shall be automatically extended for one year unless either party shall have given to the other party written notice of termination of this Agreement at least six months prior to such anniversary. If written notice of termination is given as provided above, Executive's employment under this Agreement shall terminate on the last day of the then-current Term.

### SECTION 3. COMPENSATION

3.1 Basic Compensation. As compensation for Executive's services during the period from the Commencement Date through December 31, 1998, Company shall pay to Executive a salary at the annual rate of \$300,000, payable in periodic installments in accordance with Company's regular payroll practices in effect from time to time. For each subsequent twelve-month period of Executive's employment hereunder, Executive's salary shall be in the amount of his initial annual salary with such increases, if any, as may be established by the Board, provided that in no event shall Executive's salary in any such subsequent

twelve-month period be less than the product of Executive's initial salary multiplied by a fraction, the numerator of which is the Consumer Price Index for All Urban Consumers for all items for the New York metropolitan area (the "CPI") for the last month in the preceding twelve-month period, and the denominator of which is the CPI for the first month of Executive's employment hereunder. Executive's annual salary, as determined in accordance with this Section 3.1, is hereinafter referred to as his "Base Salary."

3.2 Stock Options. The Company shall grant to Executive on the Commencement Date a non-qualified stock option (the "Company Stock Option") to purchase One Million (1,000,000) shares of the Company's common stock, par value \$.01 per share (the "Company Stock"), at an exercise price equal to the fair market value of the Company Stock. The Company Stock Option shall have a term until December 26, 2007 and shall be granted on the other terms and conditions set forth in the Stock Option Grant and Agreement attached as Exhibit A hereto. In the event of any inconsistency between the terms of this Agreement and the Company Stock Option Grant and Agreement, the Company Stock Option Grant and Agreement shall govern. The Company hereby represents and warrants to Executive that (a) the Company's Restated and Amended 1996 Incentive Stock Option and Non-Qualified Stock Option Plan (the "Company Stock Option Plan") has and will have sufficient shares available to effect the grant and exercise of the Company Stock Option, and the Company Stock Option Plan has been approved by its stockholders, (b) the Company Stock Option will be properly authorized and approved by the Board and/or its stock options committee, (c) the issuance of the Company Stock underlying the Company Stock Option will be registered on Form S-8 and (d) the Company has obtained written consent from the holders of a majority of its voting stock to permit the grant of the Company Stock Option under the Company Stock Option Plan and neither a stockholder meeting nor further stockholder approval is required to grant the Company Stock Option. The Company at its expense hereby undertakes and agrees, upon the written request of Executive, to as soon as practicable put an effective shelf-registration (the "Registration

Statement") in place in favor of Executive in respect of the Company Stock underlying the Company Stock Option and the Restricted Units (as defined in Section 3.3), subject to the terms of Exhibit B hereto.

3.3 Restricted Units Signing Award Bonus. The Company shall issue to Executive upon the Commencement Date a fully-vested equity-based signing award bonus in the form of 2,000,000 restricted units (the "Restricted Units") pursuant to the terms and conditions set forth in the Restricted Units Agreement attached as Exhibit C hereto. The shares underlying the Restricted Units (the "Unit Shares") shall be delivered to Executive on January 1, 2002 if Executive is still employed by the Company on December 31, 2001 unless the Unit Shares shall have been previously delivered to Executive pursuant to a Triggering Event under Section 5; provided, however, that Executive shall have the right, by giving notice no less than six months prior to such delivery date, to defer such delivery for a period of up to six years. In the event that Executive's employment is terminated prior to December 31, 2001, the Unit Shares shall be

delivered to Executive as provided in Section 4 below unless the Unit Shares shall have been previously delivered to Executive pursuant to a Triggering Event under Section 5. The Company hereby represents and warrants to Executive that the Company has obtained written consent from the holders of a majority of its voting stock to permit the grant of the Restricted Units and the distribution of the Unit Shares and neither a stockholder meeting nor further stockholder approval is required to grant the Restricted Units and to distribute to Executive the Unit Shares.

3.4 Performance Bonus. Executive shall, following the completion of each fiscal year of the Company during the Term, be entitled to receive a performance bonus of up to 50% of Executive's Base Salary, based upon the satisfaction of certain performance goals pertaining to the trading price of the Company Stock, as established at the beginning of the Company's fiscal year in the sole discretion of the compensation committee of the Board.

3.5 Employee Benefits. During the Term, Executive shall be entitled to participate in such of Company's employee benefit plans and benefit programs, including medical, hospitalization, dental, disability, accidental death and dismemberment and travel accident plans and programs, as may from time to time be provided by Company for its senior executives. In addition, during the Term Executive shall be eligible to participate in all pension, retirement, savings and other employee benefit plans and programs maintained from time to time by the Company for the benefit of its senior executives but, except as provided herein, shall have no right to participate in

any annual incentive or long-term performance plans maintained for the benefit of the Company's senior executives, other than as determined by the Board or the Company's Compensation Committee.

3.6 Other Benefits. During the Term, the Company shall provide Executive with the following benefits:

(i) the lesser of (A) a \$3 million four-year minimum renewable term life insurance policy, and (B) the four-year minimum renewable term life policy purchasable by the Company by paying premium payments of \$5,000 per year for such policy;

(ii) a Company-provided medical examination on an annual basis at a medical clinic selected by Executive and reasonably satisfactory to the Board; and

(iii) use of a lap-top computer for business purposes.

3.7 Vacation. During the Term, Executive shall be entitled to the number of weeks of vacation per year provided to senior executives of the Company, but in no event less than three weeks per year.

3.8 Company Loan. During the Term, upon the written request of

Executive, the Company shall disburse to Executive at any time, a loan in an amount of up to \$500,000. The loan shall be subject to the following terms and conditions:

(i) the principal amount of the loan shall be due and payable upon the first to occur of (A) 60 days following Executive's Date of Termination and (B) the fifth anniversary of the loan's date of disbursement;

(ii) the loan shall be subject to interest at the applicable Federal rate under Section 1274(d) of the Internal Revenue Code of 1986, as amended, on the date the loan is made;

(iii) interest on the loan shall be payable quarterly as set forth in the agreement evidencing such loan;

(iv) the agreement evidencing such loan shall contain such additional terms and conditions as are reasonably acceptable to Executive in good faith; and

(v) Executive shall not be required to pledge or otherwise hypothecate or encumber any of Executive's personal assets in connection with such loan.

3.9 Expense Reimbursement. Company shall reimburse

Executive for all reasonable expenses incurred by him in connection with the performance of his duties hereunder in accordance with its regular reimbursement policies as in effect from time to time. In addition, Company shall, upon receipt of appropriate documentation, reimburse Executive for reasonable moving expenses incurred by him in moving his and his family's residence during the Term from Brooklyn, New York to a location more convenient to commute to Princeton, New Jersey (including real estate brokers' fees and any costs incurred in terminating Executive's current apartment lease) in an amount not to exceed \$50,000 in the aggregate.

#### SECTION 4. TERMINATION OF EMPLOYMENT

4.1 Death of Executive. If Executive dies during the Term, Company shall pay to Executive's estate amounts (including Base Salary, bonuses, expense

reimbursement, etc.) accrued as of the date of Executive's employment termination (all such accrued amounts as of Executive's employment termination shall be referred to as "Accrued Obligations") and a lump sum equal to one (1) times Executive's annual rate of Base Salary. To the extent permitted by the Company's benefit plans and programs in effect on the date of such termination, Company shall also provide Executive's spouse and dependents with continued medical, dental, hospitalization and other health care benefits ("Health Benefits") (subject to continued contribution, if any, required by such spouse and dependents for such Health Benefits) for a period of one (1) year from such termination; provided, that if Executive's spouse or dependents cannot continue to participate in the Company programs providing such benefits, the Company shall pay or reimburse any premiums for a health care program for Executive's spouse and dependents that is substantially equivalent to the Company's then-current Health Benefits. Upon Executive's death, Executive's Company Stock Option shall immediately vest and shall be exercisable until the later of (a) one year following his death or (b) December 31, 2001, but in no event beyond December 26, 2007. As promptly as practicable following Executive's death, but in no event later than 90 days following such death, the Unit Shares shall be distributed to Executive's estate.

4.2 Disability of Executive. If Executive, in the reasonable opinion of a qualified physician jointly selected by Company and Executive (or a representative of Executive) (a "Qualified Physician"), has been materially unable to perform his duties hereunder for a period of 180 consecutive days by reason of physical or mental illness or disability ("Disability"), then the Board shall have the right to terminate Executive's employment upon 30 days' prior written notice to Executive at any time during the continuation of such Disability (a "Disability Termination"). Until a Disability Termination, he shall continue to receive his full Base Salary and other payments and benefits hereunder. In the event of a Disability Termination, Company shall not thereafter be obligated to make any further payments to Executive hereunder other than (a) Accrued Obligations, (b) the amount that is equal to (x) if such payments are taxable, then-current Base Salary or, alternatively, (y) if such payments are not taxable, the after tax equivalent of the then-current Base Salary, in either case until December 31, 2001, and (c) Health Benefits (subject to continued contributions required by Executive for such benefits) to the extent permitted by the

Company's benefit plans and programs in effect on the date of such termination (and the life insurance set forth in Section 3.6(i)) for one (1) year following the Date of Termination; provided, that if Executive, his spouse or his dependents cannot continue to participate in the Company programs providing Health Benefits, the Company shall pay or reimburse the premiums for a health care program for Executive, his spouse and his dependents that is substantially equivalent to the Company's then-current Health Benefits. Following December 31, 2001, Executive shall continue to be entitled to receive long-term disability benefits under the Company's long-term disability program in effect at such time to the extent Executive is eligible to receive such benefits. In the event of a Disability Termination, the vested portion of Executive's Company Stock Option

shall be exercisable until the later of (a) one year following the date of termination and (b) December 31, 2001, but in no event later than December 26, 2007, and the Unit Shares shall be distributed to Executive as promptly as practicable (but in no event later than 90 days) following such termination.

4.3 Termination for Cause. Executive's employment hereunder shall terminate immediately upon notice (following satisfaction of the procedures set forth below) that the Board is terminating Executive for Cause (as defined herein), in which event Company shall not thereafter be obligated to make any further payments hereunder other than Accrued Obligations excluding any bonus accruals. Upon termination for Cause in accordance with this Section 4.3 prior to December 31, 2001, the vested portion of Executive's Company Stock Option shall be exercisable until December 26, 2007 and the Unit Shares shall be distributed to Executive on January 1, 2018. "Cause" shall be limited to the following:

(i) willful and continued failure to use reasonable best efforts to substantially perform his duties as President and Chief Executive Officer (other than such failure resulting from Executive's physical or mental illness, in the reasonable opinion of a Qualified Physician, or the failure of Executive to perform such duties during the remedy period set forth in Section 4.4(b) hereof following the issuance of a Notice of Termination by Executive for Good Reason, unless an arbitration panel finds Executive to have acted in bad faith in issuing such Notice of Termination) after demand for substantial performance is delivered by the Company in writing that specifically identifies the manner in which the Company believes Executive has not used reasonable best efforts to substantially perform his duties;

(ii) willful misconduct that is materially and demonstrably injurious to the Company or any of its subsidiaries; or

(iii) 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.

For purposes of this Section 4.3, no act, or failure to act, by Executive shall be considered "willful" unless committed in bad faith, giving due consideration to Executive's duties and status as President and Chief Executive Officer of the Company, and without a reasonable belief that the act or omission was in the best interests of the Company or any of its subsidiaries. Cause shall not exist under this Section 4.3 unless and until the Company has delivered to Executive a copy of a resolution duly adopted by a majority of the Board (excluding Executive for purposes of determining such majority) at a meeting of the Board called and held for such purpose (after reasonable, but in no event less than ten (10) days' notice, to Executive and an opportunity for Executive, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board, Executive was guilty of the conduct set forth in this Section 4.3 and specifying the particulars thereof in detail. This Section 4.3

shall not prevent Executive from challenging in any court of competent jurisdiction the Board's determination that Cause exists or that Executive has failed to cure any act (or failure to act) that purportedly formed the basis for the Board's determination. The Company must provide notice to Executive that it is intending to terminate his employment for Cause within one hundred and twenty (120) days after the Company has knowledge of the occurrence of the event it believes constitutes Cause.

If, prior to December 31, 2001, Executive voluntarily leaves his employment with the Company (other than for Good Reason (as defined in Section 4.4(b)) or due to Disability), such voluntary leaving shall not be treated as a breach of this Agreement by Executive and shall not give rise to a claim by the Company for monetary damages, but shall be treated as if it were a termination for Cause under this Section 4.3. In such circumstance, the vested portion of Executive's Company Stock Option on the date of Executive's departure shall be exercisable until December 26, 2007, the non-vested portion of Executive's Company Stock Option shall terminate on the date of Executive's departure and the Unit Shares shall be distributed to Executive on January 1, 2018.

4.4 Termination without Cause or by Executive for Good Reason.  
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(a) If (i) Executive's employment is terminated by the Company for any reason other than Cause or the death or Disability Termination of Executive, or (ii) Executive's employment is terminated by Executive for Good Reason (as defined herein), then the Company shall pay to Executive a lump sum cash payment equal to the sum of (A) the Accrued Obligations and (B) his Base Salary (including the minimum increases provided therein) during the remainder of the then-current Term, the Company Stock Option granted to Executive shall become immediately vested on the date of such termination and exercisable through December 26, 2007, and the Unit Shares shall be delivered to Executive as soon as practicable (but in no event later than 90 days) following such termination. Further, the Company shall maintain in full force and effect, for the continued benefit of Executive, his spouse and his dependents for the remaining balance of the Term the Health Benefits and life insurance programs (including, without limitation, the insurance set forth in Section 3.6(i)) in which Executive, his spouse and his dependents were participating immediately prior to the date of such termination at the level in effect and upon substantially the same terms and conditions (including without limitation contributions required by Executive for such benefits) as existed immediately prior to the date of termination; provided, that if Executive, his spouse or his dependents cannot continue to participate in the Company programs providing such benefits, the Company shall pay or reimburse the premiums for a health care program for Executive, his spouse and his dependents that is substantially equivalent to the then-current Health Benefits; but further provided that such Health Benefits shall terminate upon the date or dates Executive receives equivalent coverage and benefits that do not include waiting period or pre-existing condition limitations, under the plans and programs of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis).

(b) "Good Reason" shall mean the following, provided that Executive shall have given written notice thereof to the Company within one hundred and twenty (120) days after Executive has knowledge of the occurrence of the event he believes constitutes Good Reason, and the Company shall have failed to remedy the circumstances within 90 days after receipt of such notice (or acknowledges in writing that Good Reason will not be remedied), except in the case of (iv) and (x) below, in which case the remedy period shall be 15 days, and (viii) below, in which case the remedy period shall be five days :

(i) material breach of the Company's obligations hereunder;

(ii) any decrease in Executive's salary as increased during the Term (except for decreases that are in conjunction with decreases in executive salaries generally) or a failure by the Company to pay any such amounts when due or any amounts due under Sections 3.1 and 3.4 or the assignment to Executive of duties and/or responsibilities inconsistent with his status as President and Chief Executive Officer of the Company, or a material diminution in the nature of Executive's duties and/or responsibilities, reporting obligations, titles or authority, or the removal of Executive from the Board;

(iii) the failure of Executive to be appointed to the positions set forth in Section 1.2(a) or to be appointed as a member of the Board;

(iv) the relocation by the Company of Executive's office location to a location more than thirty (30) miles from Princeton, New Jersey, or sixty (60) miles from New York, New York;

(v) the Company's failure to provide the Company Stock Option or the Restricted Units or the Company's material breach of the Company Stock Option Plan, the Company Stock Option Agreement or the Restricted Units Agreement;

(vi) the Company's material failure to provide the benefits set forth in Sections 3.5 and 3.6 or the failure of the Company to substantially provide any material employee benefits due to be provided to Executive (other than any such failure not inconsistent with any express provisions contained herein which failure affects all senior executive officers);

(vii) the Company's failure to provide in all material respects the indemnification set forth in Section 7.7 of this Agreement;

(viii) the failure of any successor in interest of the Company to become bound by the terms of this Agreement in accordance with Section 8.4 below;

(ix) Caruso is no longer serving as the Chairman of the Company and, unless otherwise approved in writing by Executive, Executive is not appointed to that position; and

(x) the Company's failure after notice from Executive, to initiate the procedures, as soon as practicable, to establish and maintain the Registration Statement subject to the terms of Exhibit B hereto.

Executive's right to terminate his employment hereunder for Good Reason shall not be affected by his Disability. Subject to

compliance by Executive with the notice provisions of this Section 4.4(b), Executive's continued employment prior to terminating employment for Good Reason shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason. In the event Executive delivers to the Company a notice of termination for Good Reason, Executive agrees to appear before a meeting of the Board called and held for such purpose (after reasonable notice, but no more than ten days (or four days under (viii) above) at Executive's election) and specify to the Board the particulars as to why Executive believes adequate grounds for termination for Good Reason exist. No action by the Board, other than the remedy of the circumstances within the time periods specified by the first sentence of Section 4.4(b), shall be binding on Executive.

No termination of Executive without Cause shall be effective unless such termination is in writing pursuant to action by a majority of the Board at a properly constituted meeting thereof.

4.5 Failure to Extend. A failure to extend this Agreement pursuant to Section 2.1 by either party shall not be treated as a termination of Executive's employment for purposes of this Agreement.

#### 4.6 Mitigation.

(a) Executive shall not be required to mitigate amounts payable under this Section 4 by seeking other employment or otherwise, and there shall be no offset against amounts due Executive under this Agreement on account of subsequent employment except as specifically provided herein; and

(b) Amounts owed to Executive under this Agreement or the Restricted Units Agreement shall not be offset by any claims the Company may have against Executive (other than an offset for any due and payable loan amount under Section 3.8 and any good faith liquidated dollar claim with respect to a breach of this Agreement) and, except with respect to such loan amount and any good faith liquidated dollar claim as set forth above, the Company's obligation to make the payments provided for in this Agreement, the Stock Option Agreement, the Registration Rights Agreement, and the Restricted Units Agreement, and otherwise to perform its obligations hereunder and under such agreements, shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense or other right which the Company may have against Executive or others.

#### SECTION 5. ACCELERATION OF OPTION VESTING AND DELIVERY OF UNIT SHARES

5.1 Triggering Events. Except as otherwise provided in Section 4.3 hereof, if (a) a Change in Control (as defined in Section 6.1 below) occurs or (b) Caruso or trusts or other entities for the benefit of Caruso or his immediate family members dispose of in the aggregate 7.5 million shares of the Common Stock (or its equivalent) now owned by such persons or trusts or other entities (each a "Triggering Event"), then the Company Stock Option shall vest and be exercisable through December 26, 2007 and the Unit Shares shall be distributed to Executive immediately prior to such transaction.

## SECTION 6. CHANGE IN CONTROL

6.1 Definition of Change in Control. A "Change in Control" of the Company shall be deemed to have occurred:

(a) 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 Caruso (or any entity controlled by Caruso), 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 (c) of this Section 6.1 shall not be a Change in Control under this paragraph (a); or

(b) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason 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

(c) 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 another entity (a "Business Combination"), in each case, unless immediately following such Business Combination; (i) more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of (x) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (y) 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"), is represented, directly or indirectly, by Company Voting Securities outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Company Voting Securities, (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; provided that a Business Combination that is a tax-free stock for stock merger between the Company and another entity shall not be treated as a Change in Control if Executive is the chief executive officer of the surviving public entity of such Business Combination immediately following its consummation, and such surviving entity remains publicly traded on a national securities exchange or on the NASDAQ; or

(d) upon approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

#### 6.2 Gross-Up.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) to or for the benefit of Executive (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any corresponding

provisions of state or local tax laws, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. The payment of a Gross-Up Payment shall not be conditioned upon the occurrence of a termination of employment.

(b) Subject to the provisions of Section 6.2(a), all determinations required to be made under this Section 6.2, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent accounting firm as of immediately prior to the Change in Control (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm, if reasonably acceptable to Executive, shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 6.2, shall be paid by the Company to Executive within five(5) days of receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that Executive thereafter is required to make a payment of any Excise Tax (or any additional Excise Tax), the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive. In the event of any claim by the Internal Revenue Service for any Excise Tax or additional Excise Tax, the Company shall have the right to control the defense of such claim and Executive shall cooperate and assist the Company in connection therewith as reasonably

requested by the Company; provided that all expenses of such claim (including any additional interest or penalties) shall be paid by the Company, and the Company shall indemnify and hold the Executive harmless, on an after-tax basis,

for any Excise Tax or income tax (including any interests and penalties) imposed as a result of such representation and payment of costs and expenses. In addition, Executive will cooperate as reasonably requested by the Company with the Company in making any refund claim for any Excise Tax already paid, and any refunds of any such tax (or any Gross-Up Payments or other payments made by the Company in respect thereof) obtained by the Executive shall be promptly returned to the Company.

If the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

## SECTION 7. RESTRICTIVE COVENANTS

7.1 Confidentiality. Executive acknowledges a duty of confidentiality owed to Company and shall not, at any time during or after his employment by 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 Company obtained or acquired by him while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, Company books, records, files and know-how acquired while an employee of Company are acknowledged to be the property of Company and shall not be duplicated, removed from Company's possession or premises or made use of other than in pursuit of 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 Company, without further demand, 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.

7.2 Inventions and Improvements. Executive shall promptly communicate to Company all ideas, discoveries and inventions which are or may be useful to 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 Company heretofore or hereafter gained by him at any time during his employment with Company are the property of Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions, and improvements to Company for its sole use and benefit, without additional compensation. The provisions of this Section 7.2 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 Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Executive shall, upon request of Company, but at no expense to Executive, at any time during or after his employment with Company, sign all instruments and documents reasonably requested by Company and otherwise cooperate with 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 Company shall determine.

7.3 Noncompetition. For a period of two (2) years following the Date of Termination of Executive's employment (other than a termination under Section 4.4(a) or the expiration of the Term), or for a period of one (1) year following the expiration of the Term, Executive shall not 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") or any other business the revenues of which constituted at least 30% of the Company's revenues during the six (6) month period prior to the Date of Termination (together with the Tissue Engineering 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 Company to procure orders from or do business with any customer of 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 Company; (v) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to Company; or (vi) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of Company to take any action which might be disadvantageous to 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, that Executive shall not be

prohibited from (1) making any investment in, being or becoming a partner, owner, officer, director or employee or agent of, or consultant to, or give financial or other assistance to, any business enterprise (including, without limitation, any investment or venture capital fund or investment bank) that makes or has made any investment in or that provides advisory, financing or underwriting services to any Person or entity engaged in the Business provided that Executive does not render services (whether as an employee, consultant, advisor or otherwise) to the division or portion of such person or entity engaged in the Business or (2) rendering services (including under (1) above) to an entity conducting its business operations or providing services in the Business, if such entity is diversified and Executive does not render services, directly or indirectly, to the division or portion of the entity which is conducting its business operations or

providing services in the Business. Executive shall not be prevented from engaging in the activities set forth in (i) through (vi) above if he terminates employment in accordance with Section 4.4(a) of this Agreement.

#### 7.4 Injunctive and Other Relief.

(a) Executive acknowledges and agrees that the covenants contained herein are fair and reasonable in light of the consideration paid hereunder, and that damages alone shall not be an adequate remedy for any breach by Executive of his covenants contained herein and accordingly expressly agrees that, in addition to any other remedies which Company may have, Company shall be entitled to injunctive relief in any court of competent jurisdiction for any breach or threatened breach of any such covenants by Executive. Nothing contained herein shall prevent or delay Company from seeking, in any court of competent jurisdiction, specific performance or other equitable remedies in the event of any breach or intended breach by Executive of any of its obligations hereunder.

(b) Notwithstanding the equitable relief available to Company, Executive, in the event of a breach of his covenants contained in Section 7 hereof, understands and agrees that the uncertainties and delay inherent in the legal process would result in a continuing breach for some period of time, and therefore, continuing injury to Company until and unless Company can obtain such equitable relief. Therefore, in addition to such equitable relief, Company shall be entitled to monetary damages for any such period of breach until the termination of such breach, in an amount up to the amount of all monies received by Executive as a result of said breach. If Executive should use or reveal to any other person or entity any confidential information, such use or revelation would be considered a continuing violation on a daily basis for as long as such confidential information is made use of by Executive.

(c) If any provision of Section 7 is determined to be invalid or unenforceable by reason of its duration or scope, such duration or scope, or both, shall be deemed to be reduced to a duration or scope to the extent necessary to render such provision valid and enforceable. In such event, Executive shall negotiate in good faith to provide Company with lawful and

enforceable protection that is most nearly equivalent to that found to be invalid or unenforceable.

7.5 Definition of "Company." "Company" as used in Section 7 includes all majority-owned subsidiaries of Company.

7.6 Continuing Operation. Except as specifically provided in this Section 7, the termination of Executive's

employment or of this Agreement shall have no effect on the continuing operation of this Section 7.

7.7 Indemnification. Executive shall be entitled to indemnification in accordance with the Company's by-laws in effect on the date hereof and to the fullest extent permitted under Delaware law.

#### SECTION 8. MISCELLANEOUS

8.1. Arbitration. Any dispute or controversy arising under or in connection with this Agreement, other than injunctive relief sought under Section 7.4 above, shall be settled exclusively by arbitration in Wilmington, Delaware, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Executive shall be entitled to recover from the Company the amount of his legal fees (and related expenses) in excess of \$50,000 in the aggregate in connection with claims or disputes under this Agreement, the Company Stock Option Agreement, the shelf-registration described in Section 3.2, and the Restricted Units Agreement, unless Executive is determined by the arbitrator or a court to have acted frivolously or in bad faith with respect to such claim or dispute. The reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses.

8.2. Prior Employment. Executive represents and warrants that his acceptance of employment at Company and his execution of this Agreement has not breached, and the performance of his duties hereunder will not breach, any obligation owed by him to, or any agreement with, any prior employer or other person.

8.3. Key Employee Insurance. Company shall have the right at its expense to purchase insurance on the life of Executive, in such amounts as it shall from time to time determine, of which Company shall be the beneficiary. Executive shall submit to such physical examinations as may reasonably be required and shall otherwise cooperate with Company in obtaining such insurance.

8.4. Assignment; Benefit. This Agreement shall not be assignable by Executive, other than his rights to payments or benefits hereunder, which may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Agreement. No rights or obligations of the Company under this Agreement may be assigned or transferred except that the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets (by merger, purchase or otherwise) which executes and delivers the agreement provided for in this Section 8.4 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

8.5 Notices. All notices hereunder shall be in writing and shall be sufficiently given if hand-delivered, sent by documented overnight delivery service or registered or certified mail, postage prepaid, return receipt requested or by telegram or telefax (confirmed by U.S. mail), receipt acknowledged, addressed as set forth below or to such other person and/or at such other address as may be furnished in writing by any party hereto to the other. Any such notice shall be deemed to have been given as of the date received, in the case of personal delivery, or on the date shown on the receipt or confirmation therefor, in all other cases. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against any party if given as provided in this Agreement; provided that nothing herein shall be deemed to affect the right of any party to serve process in any other manner permitted by law.

If to Company:

Integra LifeSciences Corporation  
105 Morgan Lane  
Plainsboro, NJ 08536  
Attention: Chairman  
Facsimile: (609) 799-3297

If to Executive:

Stuart M. Essig  
113 Willow Street  
Brooklyn, NY 11201  
Facsimile: (718) 643-0196

#### 8.6 Termination Procedures.

(a) Any termination of Executive's employment by the Company or by Executive during the Term (other than termination pursuant to death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 8.5. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated.

(b) "Date of Termination" shall mean (i) if Executive's employment is terminated by his death, the date of death, (ii) if Executive's employment is terminated pursuant to Section 4.2, thirty (30) days after Notice of Termination (provided that Executive shall not have returned to the substantial performance of his duties on a full-time basis during such thirty (30) day period), or (iii) if Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days after the giving of such notice) set forth in such Notice of Termination; provided that in the event of a termination for Good Reason, the Date of Termination shall not be prior to the expiration of any remedy period with respect to Good Reason in Section 4.4(b).

8.7 Entire Agreement and Modification. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters contemplated herein and supersedes all prior agreements and understandings with respect thereto. No amendment, modification, or waiver of this Agreement shall be effective unless in writing. Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power, or privilege with respect to such occurrence or with respect to any other occurrence.

8.8 Governing Law. This Agreement is made pursuant to, and shall be construed and enforced in accordance with, the laws of the State of Delaware and the federal laws of the United

States of America, to the extent applicable, without giving effect to otherwise applicable principles of conflicts of law.

8.9 Withholding. All payments hereunder shall be subject to any required withholding of Federal, state and local taxes pursuant to any applicable law or regulation.

8.10 Headings; Counterparts. The headings of paragraphs in this Agreement are for convenience only and shall not affect its interpretation. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to constitute the same Agreement.

8.11 Further Assurances. Each of the parties hereto shall execute such further instruments and take such other actions as the other party shall reasonably request in order to effectuate the purposes of this Agreement.

8.12 Shareholder Approval. The Company represents and warrants to Executive that no shareholder approval is required for the Company to enter into this Agreement and provide the benefits hereunder and to enter into the agreements described in Sections 3.2 and 3.3, or that such shareholder approval has been obtained.

8.13 Noncontravention. The Company represents that the Company is not prevented from entering into or performing this Agreement by the terms of any law, order, rule or regulation, its by-laws or certificate of incorporation, or any agreement to which it is a party, other than which would not have a material adverse effect on the Company's abilities to enter into or perform this Agreement.

8.14 Below Market Issuances. The Company hereby agrees that, without the written consent of Executive, so long as Executive holds Restricted Units or Company Stock Options and so long as Caruso and trusts or other entities for the benefit of Caruso or his immediate family hold in the aggregate more than 45% of the Common Stock, neither the Company nor any subsidiary of the Company shall, directly or indirectly, issue or sell Common Stock (or any security, warrant or option convertible into or exercisable for Common Stock) at a price below fair market value, directly or indirectly, to (a) any entities or individuals (or immediate family members of any such individuals) which, directly or indirectly, own 45% or more of the Common Stock (an "Affiliate") or any entity, directly or indirectly, controlled by an Affiliate or any trusts or other entities established for the direct or indirect benefit of an Affiliate or (b) any entities under 45% or more common control with the Company.

8.15 Survivorship. The respective rights and obligations of the Company and Executive hereunder shall survive any termination of this Agreement or Executive's employment to the extent necessary for the intended preservation of such rights and obligations.

8.16 Validity. The invalidity or enforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

INTEGRA LIFESCIENCES CORPORATION

By: /s/ Richard E. Caruso

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Richard E. Caruso, Chairman

/s/ Stuart M. Essig

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STUART M. ESSIG

REGISTRATION UNDER THE SECURITIES ACT.  
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1. Registration for Registrable Securities Underlying Options or Units. The Company agrees to file a "shelf" registration statement, providing for the registration of, and the sale on a continuous or delayed basis by the Executive in accordance with the methods of distribution specified by the Executive and consistent with the terms and provisions hereof, of Registrable Securities pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), and/or any similar rule that may be adopted by the Securities and Exchange Commission (the "Commission") as soon as practicable following the request of the Executive, and to use its commercially reasonable best efforts to cause such registration statement to be declared effective by the Commission under the Securities Act as soon as practicable following such filing. The Company further agrees to use its commercially reasonable best efforts to maintain the effectiveness of such registration statement or registration statements until the securities registered thereunder cease to be Registrable Securities.

2. Registration Procedures. In connection with any shelf registration statement contemplated hereby, the following provisions shall apply:

(a) The Company shall furnish to the Executive, prior to the filing thereof with the Commission, a copy of such shelf registration statement, and each amendment thereto and each amendment or supplement, if any, to the prospectus included therein and, subject to Paragraph 1 above, shall use its best efforts to reflect in each such document, when so filed with the Commission, such comments as the Executive reasonably may propose; provided, however, that the Company shall not be obligated to include in any such shelf registration statement, prospectus, prospectus supplement or amendment to such shelf registration statement any requested information that is unreasonable in scope taking into account the Company's most recent prospectus or prospectus supplement used in connection with a primary or secondary offering of equity securities by the Company and the Company's periodic reports under the Exchange Act (as defined below).

(b) The Company shall take such action as may be necessary so that (i) such shelf registration statement and any amendment thereto and any prospectus forming part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by reference in each case) complies in all material respects with the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the respective rules and regulations thereunder, (ii) such shelf registration statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit

to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) such prospectus forming part of any shelf registration statement, and any amendment or supplement to such prospectus, does not include an untrue statement of a material fact or

omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

(c) (1) The Company shall advise the Executive:

(i) when such shelf registration statement and any amendment thereto has been filed with the Commission and when such shelf registration statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to such shelf registration statement or the prospectus included therein or for additional information.

(iii) of the issuance by the Commission of any stop order suspending effectiveness of such shelf registration statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included in such shelf registration statement for sale in any jurisdiction or the initiation of any proceeding for such purpose; and

(v) upon the receipt of a Request for Sale under paragraph 2(f), of the existence of any circumstances or the happening of any events that would require the making of any changes in such shelf registration statement or the prospectus so that, as of such date, such shelf registration statement and the prospectus would not contain an untrue statement of a material fact and would not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made).

(d) The Company shall use its commercially reasonable best efforts to prevent the issuance, and if issued to obtain the withdrawal, of any order suspending the effectiveness of such shelf registration statement at the earliest possible time.

(e) The Company shall furnish to the Executive, without charge, as many copies of the prospectus (including each preliminary prospectus) included in such shelf registration statement and any amendment or

supplement thereto as the Executive may reasonably request; and the Company consents (except during the continuance of any event described in Paragraph 2(c)(iii), (iv) (limited to the jurisdiction of such suspension) or (v) above) to the use of the prospectus and any amendment or supplement thereto by the Executive in connection with the offering and sale of the Registrable Securities covered by the prospectus and any amendment or supplement thereto until such time as the Securities so covered cease be Registrable Securities.

(f) The Executive shall notify the Company in writing of his intention to sell securities registered pursuant to any registration statement filed pursuant to Paragraph 1 above (any such notice, a "Request for Sale") not less than 10 days prior to the proposed Trade Date of any such sale, which Request for Sale shall include a request from the Executive or (if applicable) a managing underwriter to prepare and file an amendment or supplement to such shelf registration statement or the prospectus contained therein. "Trade Date" shall mean the date the Executive enters into any underwriting, agency or other purchase agreement or understanding for the sale of, or otherwise agrees to sell, securities registered pursuant to such registration statement. No such notification shall obligate the Executive to consummate any such sale.

(g) Prior to any offering of Registrable Securities pursuant to such shelf registration statement, the Company shall register or qualify or cooperate with the Executive in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions as the Executive reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Registrable Securities covered by such shelf registration statement; provided, however, that in no event shall the Company be obligated to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Paragraph 2(g) or (ii) file any general consent to service of process in any jurisdiction where it is not as of the date hereof so subject.

(h) The Company shall cooperate with the Executive to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to such shelf registration statement free of any restrictive legends and in such permitted denominations and registered in such names the Executive may request in connection with the sale of Registrable Securities pursuant to such shelf registration statement.

(i) Subject to Paragraph 8 below, upon the occurrence of any event contemplated by Paragraph 2(c)(v) above, the Company shall promptly prepare a post-effective amendment to such shelf registration statement or an amendment or supplement to the related prospectus or file any other

required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Company notifies the Executive of the occurrence of any event contemplated by Paragraph 2(c)(iii), (iv) (limited to the jurisdiction of such suspension) or (v) above or of a delay pursuant to Paragraph 8 below, the Executive shall suspend the use of the prospectus and any proposed sales of securities registered pursuant to such registration statement until the requisite changes to the prospectus have been made or the Company has notified the Executive that the reason for such delay no longer exists, as the case may be and the Executive has received copies of a supplemented or amended prospectus which is no longer defective.

(j) The Company shall use its best efforts to comply with all applicable rules and regulations of the Commission and shall make generally available to its security holders or otherwise provide in accordance with Section 11(a) of the Securities Act as soon as practicable after the effective date of such shelf registration statement an earnings statement satisfying the provisions of Section 11(a) of the Securities Act.

(k) The Company may require the Executive to furnish to the Company such information regarding the Executive and the distribution of such Registrable Securities as may be required by applicable law or regulation for inclusion in such shelf registration statement.

(l) The Company shall, if requested, promptly include or incorporate in a prospectus supplement or post-effective amendment to such shelf registration statement, such information as the managing underwriters reasonably agree should be included therein and to which the Company does not reasonably object and shall make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after they are notified of the matters to be included or incorporated in such prospectus supplement or post-effective amendment; provided, however, that the Company shall not be obligated to include in any such prospectus supplement or post-effective amendment to such shelf registration statement any requested information that is unreasonable in scope taking into account the Company's most recent prospectus or prospectus supplement used in connection with a primary or secondary offering of equity securities by the Company and the Company's periodic reports under the Exchange Act.

(m) The Company shall enter into such customary agreements (including an underwriting agreement in customary form in the event of an underwritten offering as set forth in Paragraph 7 below) to take all other appropriate actions in order to expedite or facilitate the

registration and the disposition of the Registrable Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures substantially identical to those set forth in Paragraph 5 below with respect to the underwriters and controlling persons of the underwriters.

(n) The Company shall:

(i) make reasonably available for inspection by the Executive, any underwriter participating in any disposition pursuant to such shelf registration statement, and any attorney, accountant or other agent retained by the Executive or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries;

(ii) cause the Company's officers, directors and employees to make reasonably available for inspection all relevant information reasonably requested by the Executive or any such underwriter, attorney, accountant or agent in connection with any shelf registration statement, in each case, as is customary for similar due diligence examinations; provided, however, that any information that

is designated in writing by the Company, in good faith, as confidential at the time of delivery of such information shall be kept confidential by the Executive or any such underwriter, attorney, accountant or agent, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality;

(iii) make such representations and warranties to the Executive and the managing underwriters, if any, in form, substance and scope as are customarily made by the Company to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in Paragraph 4 below;

(iv) obtain opinions of counsel to the Company (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any) addressed to the Executive and underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings; provided, however, that the Company shall not be obligated to obtain such opinions in connection with any sale (other than in an underwritten offering) of securities by the Executive more than twice during any 12 consecutive month period;

(v) obtain "cold comfort" letters from the independent public accountants of the Company addressed to the Executive and the underwriters, if any, in customary form and covering matters of the

type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; provided, however, that the Company shall not be obligated to obtain such letters in connection with any sale (other than in an underwritten offering) of securities by the Executive more than twice during any 12 consecutive month period or, if applicable accounting procedures and practices do not permit the rendering of such "cold comfort" letter in an offering of the type being effected;

(vi) deliver such documents and certificates as may be reasonably requested by managing underwriters, if any, and in accordance with customary conditions contained in the underwriting agreement or other agreement entered into by the Company.

(o) The Company shall use its commercially reasonable best efforts to take all other steps necessary to effect the registration, offering and sale of the Registrable Securities covered by such shelf registration statement contemplated hereby.

(p) Executive shall not, during any period in which of any his Registrable Securities are included in any effective registration statement: effect any stabilization or other transactions or engage in any stabilization or other activity in connection with equity securities of the Company in contravention of Rule 10b-7, Regulation M, or Rule 10b-2 under the Exchange Act.

Executive shall furnish each broker through whom Executive offers Registrable Securities such number of copies of the prospectus as the broker may require and otherwise comply with the prospectus delivery requirements under the Securities Act.

3. Expenses. The Company agrees to pay all Registration Expenses in connection with any registration pursuant to Paragraph 1 above.
4. Representations. The Company represents and warrants to, and agrees with, the Executive that:

- a. Any registration statement and each prospectus contained therein filed pursuant to Paragraph 1 above and any further amendments or supplements to any such registration statement or prospectus, when it becomes effective or is filed with the Commission and, in the case of an underwritten offering of Registrable Securities, at the time of the closing under the underwriting agreement relating thereto, will conform in all material respects to the requirements of the Securities Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or

omissions made in reliance upon and in conformity with information set forth in a questionnaire (or any other written information) furnished to the Company by the Executive.

- b. Any documents incorporated by reference in any Prospectus referred to in Paragraph 3(a) above, when they become or became effective or are or were filed with the Commission, as the case may be, will conform or conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and none of such documents will contain or contained an untrue statement of a material fact or will omit or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

- c. No person has been or shall be granted registration rights inconsistent with this Agreement; provided, however, that the Company may permit any registration statement filed pursuant hereto to include securities of securityholders other than the Executive. Notwithstanding the foregoing, the Company agrees that no other securityholder of the Company shall be granted any "piggyback" rights with respect to any underwritten offering of securities being made by the Executive in accordance with the terms hereof.

5. Indemnification

- a. Upon the registration of the Registrable Securities pursuant to a registration statement filed as contemplated by Paragraph 1 hereof (a "Registration Statement"), the Company shall, and it hereby agrees to, indemnify and hold harmless the Executive against any losses, claims, damages or liabilities to which the Executive may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions (pending or threatened) in respect thereof) arise out of or

are based upon an untrue statement or alleged untrue statement of a material fact contained in any such Registration Statement under which such Registrable Securities were registered under the Securities Act, or any prospectus contained therein or furnished by the Company to the Executive, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company shall, and it hereby agrees to, reimburse the Executive for any legal or other expenses reasonably incurred by him in connection with investigating or defending any such action or claim; provided, however, that the Company shall not be liable to the Executive in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or prospectus, or amendment or supplement, in reliance upon and in conformity with any written information (including without limitation, any questionnaire) furnished to the Company by the Executive expressly for use therein or from the

failure of the Executive to comply with the prospectus delivery requirements or other applicable provisions of the securities laws.

b. The Company may require, as a condition to filing any Registration Statement, that the Company shall have received an undertaking reasonably satisfactory to it from the Executive to (i) indemnify and hold harmless the Company, its directors, officers who sign any Registration Statement, each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and any other holder of Common Stock that are included in such Registration Statement against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement, or any prospectus contained therein or furnished by the Company to any such holder or underwriter, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished in writing to the Company by the Executive expressly for use therein (including, without limitation, any questionnaire), and (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim;

c. Promptly after receipt by an indemnified party under Paragraph 5(a) or (b) above of written notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party pursuant to the indemnification provisions of or contemplated by this Paragraph 5, notify such indemnifying party in writing of the commencement of such action; but the omission to so notify the indemnifying party shall not relieve it from any liability which it may have

to any indemnified party other than under the indemnification provisions of or contemplated by Paragraph 5(a) or (b) above, and then only to the extent that the indemnifying party is actually prejudiced thereby. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and (unless the indemnified party reasonably concludes that such representation would involve a conflict of interest), to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be

counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which shall not be unreasonably withheld).

d. Each party hereto agrees that, if for any reason the indemnification provisions contemplated by Paragraph 5(a) or (b) are unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Paragraph 5(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Paragraph 5(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages

or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending

any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

6. Definitions.

a. "Registrable Securities" shall mean (i) the 1,000,000 shares of common stock, par value \$0.01 per share, of the Company and any securities into which such shares are exchanged or reclassified ("Common Stock") issuable upon exercise of the Company Options to be granted by the Company to the Executive pursuant to Section 3.2 of the Agreement and (ii) the 2,000,000 shares of Common Stock issuable upon payment of the Restricted Units to be granted to the Executive pursuant to Section 3.3 of the Agreement, and in each case, any securities issued as a distribution on or acquired upon exercise of rights distributed with respect to such shares of Common Stock (collectively with the Common Stock, the "Securities"); provided that such Securities shall cease to be Registrable Securities when such Securities (i) have been sold or otherwise transferred by the Executive, whether pursuant to an effective registration statement or otherwise or (ii) have become eligible for sale pursuant to Rule 144(k) (or any similar provision then in force) under the Securities Act.

b. "Registration Expenses" means all expenses incident to the Company's performance of or compliance with its obligations hereunder, including without limitation, (a) all Commission and any NASD registration and filing fees and expenses, (b) all fees and expenses in connection with the qualification of the Registrable Securities for offering and sale under the State securities and blue sky laws of such States as may be reasonably requested by the Executive (provided, however, that nothing herein shall require the Company to qualify as a foreign corporation in any jurisdiction where it would not otherwise be required to qualify but for such qualification, to consent to general service of process or taxation in any such jurisdiction or to make any changes to the Company's certificate of incorporation or bylaws, (c) all expenses relating to the preparation, printing, distribution and reproduction of any registration statement required to be filed as contemplated herein, each prospectus included therein or prepared for distribution, each amendment or supplement to the foregoing, the certificates representing the Securities and all other documents relating there, (d) messenger and delivery expenses, (e) internal expenses (including, without limitation, all salaries and expenses of the Company officers and employees performing legal or accounting duties), (f) fees, disbursements and expenses of counsel and independent certified public accountants of the Company and (g) reasonable fees, disbursements and expenses of one counsel for the Executive retained in connection with such registration and reasonable fees and disbursements of underwriters and distribution participants customarily paid by the issuer. To the extent that any Registration Expenses are incurred, assumed or paid by the Executive, the Company shall reimburse the Executive for the full amount of the

Registration Expenses so incurred, assumed or paid promptly after receipt of a request therefor. Notwithstanding the foregoing, the Executive shall pay all agency fees and commissions and underwriting discounts and commissions and the legal and other fees of underwriters, if any, resulting from any failure by Executive to consummate an underwritten offering or not covered by clause (g), if any, attributable to the sale of such Registrable Securities and the fees and disbursements of any counsel or other advisors or experts retained by the Executive or underwriters, other than those specifically referred to above.

7. Underwritten Offering. The Executive, if he so desires, may sell Registrable Securities in an underwritten offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto will be approved by the Executive; provided, however, that (i) such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to the Company, such satisfaction not to be unreasonably withheld, (ii) the Company, shall not be obligated to arrange for more than one underwritten offering during any consecutive twelve month period or more than a total of 5 underwritten offerings and (iii) each underwritten offering shall include at least the lesser of (x) \$5 million in value of Registrable Securities, or (y) 1,500,000 shares of Common Stock (or the equivalent thereof), or (z) the balance of the Executive's Registrable Securities, are included in such underwritten offering. In connection with any such underwritten offering of securities, the Company will agree, to customary restrictions on the ability of the Company to sell securities substantially similar to the Registrable Securities for a period not to exceed 90 days from the date of the related prospectus supplement.
8. Suspension. Notwithstanding anything contained herein, upon receipt of a Request for Sale or for registration from the Executive or a managing underwriter, the Company may delay the filing of any such registration statement or amendment or supplement if the Company in good faith has a valid business reason for such delay, including without limitation, (i) that the filing of such amendment or supplement would require the Company to include therein material information that has not theretofore been made public and which the Company is not then prepared to disclose or (ii) that the offering and sale of Registrable Securities by the Executive at such time will adversely affect any offering by the Company as the case may be, of its securities or any material acquisition or financing transaction then contemplated or pending. In connection with any public offering of its securities by the Company, Executive shall enter into such "Lock up" or other agreements restricting his sales of securities of the Company for such reasonable periods not to exceed 180 days as the lead underwriters may require.

INTEGRA LIFESCIENCES CORPORATION

STOCK OPTION GRANT AND AGREEMENT

Pursuant to

1996 INCENTIVE STOCK OPTION AND NON-QUALIFIED STOCK OPTION PLAN

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STOCK OPTION GRANT AND AGREEMENT made as of the 27th day of December, 1997 (the "Grant Date"), between INTEGRA LIFESCIENCES CORPORATION, a Delaware corporation (the "Company"), and STUART M. ESSIG, an employee of the Company (the "Employee").

WHEREAS, the Company desires to afford the Employee an opportunity to purchase shares of common stock of the Company ("Common Stock"), par value \$.01 per share, as hereinafter provided, under the Restated and Amended Integra LifeSciences Corporation 1996 Incentive Stock Option and Non-Qualified Stock Option Plan (the "Plan"), a copy of which is attached.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration the legal sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Option. Pursuant to the Employment Agreement, the Company hereby grants to the Employee a non-qualified stock option (the "Option") to purchase all or any part of an aggregate of 1,000,000 shares of Common Stock.

2. Purchase Price. The purchase price per share of the shares of Common Stock covered by the Option shall be \$2.9375. It is the determination of the Company's Stock Option Committee (the "Committee") that on the Grant Date the Option price was not less than the greater of one hundred percent (100%) of the fair market value of the Common Stock, or the par value thereof.

3. Term. Unless earlier terminated pursuant to any provision of this Stock Option Grant and Agreement or the Employment Agreement, this Option shall expire on December 26, 2007 (the "Expiration Date"), which date is not more than ten (10) years from the Grant Date. Notwithstanding anything herein to the contrary, this Option shall not be exercisable after the Expiration Date.

4. Exercise of Option. The Committee, using its authority and discretion under Sections 2 and 8(d) of the Plan to set the terms of Options granted under the Plan, has determined that this Option, subject to law and regulation, shall vest and become exercisable in such installments and on such dates, as follows:

This Option shall vest and become exercisable with respect to 250,000 shares on

the first anniversary of the date hereof. Thereafter, this Option shall vest and become exercisable with respect to 1/36th of the remaining shares on the first business day of each following month. Except as provided in Section 8(i) hereof, this Option shall vest and become exercisable in its entirety, and shall remain exercisable until the Expiration Date, (i) immediately prior to the occurrence of a "Triggering Event" (as defined in the employment agreement by and between the Employee and the Company, dated December 27, 1997 (the "Employment Agreement")), or (ii) upon the receipt of a bona fide two-tier tender offer with respect to the outstanding shares of Common Stock.

The portion of the Option that becomes exercisable in accordance with the foregoing shall remain exercisable, subject to the provisions contained in this Stock Option Grant and Agreement, until the expiration of the term of this Option as set forth in Paragraph 3 or until other termination of the Option as set forth in this Stock Option Grant and Agreement.

5. Method of Exercising Option. Subject to the terms and conditions of this Stock Option Grant and Agreement, the Option may be exercised in whole or in part by written notice to the Company, at its principal office, which is located at 105 Morgan Lane, Plainsboro, New Jersey 08536. Such notice shall state the election to exercise the Option, and the number of shares with respect to which it is being exercised, shall be signed by the person or persons so exercising the Option; shall, unless the Company otherwise notifies the Employee, be accompanied by the investment certificate referred to in Paragraph 6; and shall be accompanied by payment of the full Option price of such shares.

The Option price shall be paid to the Company in: (i) cash; (ii) cash equivalent; (iii) Common Stock of the Company, in accordance with Section 8(d)(2)(B)(i) of the Plan (as in effect on the date of this Stock Option Grant and Agreement); (iv) any combination of (i)-(iii); or (v) by delivering a properly executed notice of exercise of the Option in accordance with Section 8(d)(2)(B)(iv) of the Plan (as in effect on the date of this Stock Option Grant and Agreement).

Upon receipt of such notice and payment, the Company, as promptly as practicable, shall deliver or cause to be delivered a certificate or certificates representing the shares with respect to which the Option is so exercised. Such certificate(s) shall be registered in the name of the person or persons so exercising the Option (or, if the Option is exercised by the Employee and if the Employee so requests in the notice exercising the Option, shall be registered in the name of the Employee and the Employee's spouse, jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person or persons exercising the Option. In the event the Option is exercised by any person or persons after the legal disability or death of the Employee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise the Option. All shares that are purchased upon the exercise of the Option as provided herein shall be fully paid and not assessable by the Company.

6. Shares to be Purchased for Investment. Unless the Company has theretofore

notified the Employee that a registration statement covering the shares to be acquired upon the exercise of the Option has become effective under the Securities Act of 1933 and the Company has not thereafter notified the Employee that such registration statement is no longer effective, it shall be a condition to any exercise of this Option that the shares acquired upon such exercise be acquired for investment and not with a view to distribution, and the person effecting such exercise shall submit to the Company a certificate of such investment intent, together with such other evidence supporting the same as the Company may request. Notwithstanding the foregoing, upon the written request of Optionee, the Company shall provide the Optionee with a shelf registration pursuant to a registration statement subject to the terms set forth in Exhibit B to the Employment Agreement. The Company shall be entitled to delay the transferability of the shares issued upon any such exercise to the extent necessary to avoid a risk of violation of the Securities Act of 1933 (or of any rules or regulations promulgated thereunder) or of any state laws or regulations. Such restrictions may, at the option of the Company, be noted or set forth in full on the share certificates. If any law or regulation requires the Company to take any additional action regarding the Common Stock before the Company issues certificates for the Common Stock subject to this Option or before such Common Stock may be transferred by the Optionee, the Company shall use its commercially reasonable best efforts to resolve such problem.

7. Non-Transferability of Option. This Option is not assignable or transferrable, in whole or in part, by the Employee other than by will or by the laws of descent and distribution, and during the lifetime of the Employee the Option shall be exercisable only by the Employee or by his/her guardian or legal representative.

8. Termination of Employment. If the Employee's employment with the Company and all related corporations, as defined in the Plan, is terminated for any reason other than death or disability prior to the Expiration Date of this Option as set forth in Paragraph 3, this Option shall vest and become exercisable in the following manner:

(i) Termination for Cause. If the Employee is terminated for "Cause", as defined in Section 4.3 of the Employment Agreement, or if the Executive voluntarily leaves his employment with the Company (other than for "Good Reason", as defined in Section 4.4 of the Employment Agreement, or "Disability", as defined in Section 4.2 of the Employment Agreement) prior to December 31, 2001, then the portion of this Option that is vested on the date of termination shall be exercisable until the Expiration Date and the non-vested portion of this Option shall terminate on the date of termination.

(ii) Termination without Cause or by Employee for Good Reason. If Employee is terminated without "Cause" or terminates employment for "Good Reason", then this Option shall become immediately vested and exercisable and shall remain exercisable in full until the Expiration Date.

(iii) Termination After December 31, 2001. If the Employee's employment terminates for any reason following December 31, 2001 (including if the

Employment Agreement is not renewed following December 31, 2001), then this Option shall remain exercisable in full until the Expiration Date.

9. Disability. If the Employee is terminated for Disability during his employment and, prior to the Expiration Date of this Option as set forth in Paragraph 3, the vested portion of this Option shall be exercisable until the later of (i) one year from the date of termination or (ii) December 31, 2001, but in no event beyond the Expiration Date, and the non-vested portion of this Option shall terminate on the date of termination.

10. Death. If the Employee dies during his employment and prior to the Expiration Date of this Option as set forth in Paragraph 3, or if the Employee dies during any period following termination of employment but while this Option is still exercisable, then this Option will immediately vest and become exercisable, and may be exercised by the Employee's estate, personal representative or beneficiary who acquired the right to exercise this Option by bequest or inheritance or by reason of the Employee's death, at any time prior to the later of (i) December 31, 2001 or (ii) one (1) year after the Employee's death, but in no event beyond the Expiration Date.

11. Withholding of Taxes. The obligation of the Company to deliver shares of Common Stock upon the exercise of the Option shall be subject to applicable federal, state and local tax withholding requirements. If the exercise of any Option is subject to the withholding requirements of applicable federal, state or local tax laws, the Committee, in its discretion, may permit the Employee, subject to the provisions of the Plan (as in effect on the date of this Stock Option Grant and Agreement) and such additional withholding rules (the "Withholding Rules") as shall be adopted by the Committee, to satisfy the withholding tax, in whole or in part, by electing to have the Company withhold (or by returning to the Company) shares of Common Stock, which shares shall be valued, for this purpose, at their fair market value on the date of exercise of the Option (or, if later, the date on which the Employee recognizes ordinary income with respect to such exercise). An election to use shares of Common Stock to satisfy tax withholding requirements must be made in compliance with and subject to the Withholding Rules. The Committee may not withhold shares in excess of the number necessary to satisfy the minimum tax withholding requirements.

12. Adjustment of and Changes in the Common Stock.

(a) In the event the outstanding shares of the Common Stock shall be changed into an increased number of shares, through a share dividend or a split-up of shares, or into a decreased number of shares, through a combination of shares, then immediately after the record date for such change, the number of shares of Common Stock then subject to the Option shall be proportionately

increased, in case of such share dividend or split-up of shares, or proportionately decreased, in case of such combination of shares. In the event the Company shall issue any of its shares of Common Stock or other securities or property (other than common stock which is covered by the preceding sentence), in a reclassification of the Common Stock (including without limitation any such reclassification in connection with a consolidation or merger in which the

Company is the continuing entity), the Option shall be adjusted so that the Optionee shall be entitled to receive upon exercise of the Option the same kind and number of shares or other securities or property which the Optionee would have owned or have been entitled to receive after the happening of any of the events described above, had he owned the shares of the Common Stock subject to the Option immediately prior to the happening of such event or any record date with respect thereto, which adjustment shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In the event the Company shall distribute to all holders of the Common Stock evidences of its indebtedness or assets (including leveraged recapitalizations with special cash distributions), but excluding regular quarterly cash dividends, then in each case the number of shares of Common Stock thereafter subject to the Option shall be determined by multiplying the number of shares theretofore subject to the Option by a fraction, (i) the numerator of which shall be the then current market price per share of Common Stock (as determined in paragraph (c) below) on the record date for such distribution, and (ii) the denominator of which shall be the then current market price per share of the Common Stock less the then fair value (as mutually determined in good faith by the Board of Directors of the Company (the "Board") and the Optionee) of the portion of the assets or evidences of indebtedness so distributed applicable to a share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of shareholders entitled to receive such distribution.

(c) For the purpose of any computation under paragraph (b) of this Section 12, the current market price per share of the Common Stock at any date shall be deemed to be the average of the daily Stock Prices for 15 consecutive Trading Days commencing 20 Trading Days before the date of such computation. "Stock Price" for each Trading Day shall be the "Fair Market Value" of the Common Stock (as defined in the Plan, as in effect on the date of this Stock Option Grant and Agreement) for such Trading Day. "Trading Day" shall be each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which the Common Stock is not traded on the exchange or in the market which is the principal United States market for the Common Stock.

(d) Notwithstanding anything in this Agreement to the contrary, in the event of a spin-off by the Company to its shareholders, the adjustment of the Option shall be determined in an appropriate and equitable manner, and it is the intention of the parties hereto that, to the extent practicable, such

adjustment shall include an option grant to acquire an equity interest in the spun-off entity.

(e) Whenever the number of shares of Common Stock subject to the Option is adjusted as herein provided, the purchase price per share of Common Stock issuable thereunder shall be adjusted by multiplying such purchase price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of shares of Common Stock subject to the Option immediately prior to such adjustment, and the denominator of which shall be the number of shares of Common Stock subject to the Option immediately thereafter.

(f) For the purpose of this Section 12, the term "Common Stock" shall mean (i) the class of Company securities designated as the Common Stock at the date of this Stock Option and Grant Agreement, or (ii) any other class of equity interest resulting from successive changes or reclassifications of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to the second sentence of Section 12(a) above, the Optionee shall become entitled to, upon exercise of the Option, any shares other than the Common Stock, thereafter the number of such other shares issuable on exercise of the Option and the exercise price per share of Common Stock issuable thereunder shall be subject to adjustment from time to time in a manner and on the terms as nearly equivalent as practicable to the provisions with respect to the shares contained in this Section 12 and the provisions of this Stock Option and Grant Agreement with respect to the shares of Common Stock issuable on exercise of the Option shall apply on like terms to any such other shares.

(g) In case of any consolidation of the Company or merger of the Company with another corporation as a result of which Common Stock is converted or modified or in case of any sale or conveyance to another corporation of the property, assets and business of the Company as an entirety or substantially as an entirety, the Company shall modify the Option so as to provide the Optionee with an option for the kind and amount of shares and other securities and property that he would have owned or have been entitled to receive immediately after the happening of such consolidation, merger, sale or conveyance had the Option, immediately prior to such action, actually been exercised for shares and, if applicable, other securities of the Company subject to the Option. The provisions of this Section 12(g) shall similarly apply to successive consolidations, mergers, sales or conveyances.

(h) Notwithstanding anything to the contrary contained herein, the provisions of this Section 12 shall not apply to, and no adjustment is required to be made in respect of, any of the following: (i) the issuance of shares of Common Stock upon the exercise of any other rights, options or warrants that entitle the holder to subscribe for or purchase such shares (it being understood that the sole adjustment pursuant to this Section 12 in respect of the issuance of shares of Common Stock upon exercise of rights, options or warrants shall be made at the time of the issuance by the Company of such rights, options or warrants, or a change in the terms thereof); (ii) the issuance of shares of Common Stock to the Company's employees, directors or consultants pursuant to bona fide benefit plans or employment or consulting arrangements adopted by the Company's Board of Directors; (iii) the issuance of shares of Common Stock in a bona fide public offering; (iv) the issuance of shares of Common Stock pursuant to any dividend reinvestment or similar plan adopted by the Company's Board of Directors to the extent that the applicable discount from the current market price for shares issued under such plan does not exceed 5%; and (v) the issuance of shares of Common Stock in any arm's length transaction (including, without limitation, any acquisition, financing, private placement, or, except as provided in Section 12(g), merger or combination or consolidation), directly or indirectly, to any party.

(i) In the event the parties hereto cannot agree upon an appropriate and equitable adjustment to the Option, the services of an independent investment banker mutually acceptable to Optionee and the Company shall (at the sole expense of the Company) be retained to determine an appropriate and equitable adjustment, and such determination shall be binding upon the parties.

(j) For purposes of this Stock Grant and Option Agreement, "Affiliate" of an entity or individual means any entity or individual, directly or indirectly, controlling, controlled by or under common control with such entity or individual.

13. Legal Fees. If any contest or dispute shall arise between the Company and the Employee regarding any provisions of this Stock Grant and Option Agreement, the Company shall reimburse the Employee for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, pursuant to the provisions of Section 8.1 of the Employment Agreement. The application of this Section 13 (and Section 8.1 of the Employment Agreement) shall survive the termination of the Employment Agreement. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses. Notwithstanding any determination or interpretation by the Committee, any dispute or controversy arising under or in connection with this Agreement, shall be settled exclusively by arbitration in Wilmington, Delaware in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

14. Construction. Except as would be in conflict with any specific provision herein, this Stock Grant and Option Agreement is made under and subject to the provisions of the Plan as in effect on the Grant Date and, except as would conflict with the provisions of this Stock Grant and Option Agreement, all of the provisions of the Plan as in effect on the Grant Date are hereby incorporated herein as provisions of this Stock Grant and Option Agreement.

15. Governing Law. This Stock Option Grant and Agreement shall be governed by applicable federal law and otherwise by the laws of the State of Delaware.

16. Amendment or Modification: Waiver. No provision of this Agreement may be amended, modified or waived unless such amendment or modification is agreed to in writing, signed by the Employee and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by any party hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

IN WITNESS WHEREOF, the undersigned have executed this Stock Option Grant and Agreement as of the date first written above.

INTEGRA LIFESCIENCES CORPORATION

By: /s/ Richard E. Caruso

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Richard E. Caruso, Chairman

/s/Stuart M. Essig

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STUART M. ESSIG

## RESTRICTED UNITS AGREEMENT

AGREEMENT, dated as of December 27, 1997, by and between Integra LifeSciences Corporation, a Delaware corporation (the "Company") and Stuart M. Essig ("Executive").

WHEREAS, the Company and Executive have entered into an agreement (the "Employment Agreement"), dated as of December 27, 1997, pursuant to which Executive will serve as President and Chief Executive Officer of the Company, on the terms and conditions set forth and described therein; and

WHEREAS, pursuant to the Employment Agreement the Company has agreed to grant to Executive an aggregate of 2,000,000 restricted units (the "Units") representing an equal number of shares of common stock of the Company, par value \$.01 per share ("Common Stock"), on the terms set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Employment Agreement, unless otherwise indicated.

2. Grant of Units. Pursuant to the Employment Agreement, Executive is hereby granted, as of December 27, 1997, deferred compensation in the form of 2,000,000 (two million) Units pursuant to the terms of this Agreement.

3. Dividend Equivalents. Executive shall be paid, on a quarterly basis with respect to all outstanding Units (as such Units may be adjusted under Section 6), dividend equivalent amounts equal to the regular quarterly cash dividend payable to holders of Common Stock (to the extent regular quarterly cash dividends are paid) as if Executive were an actual shareholder with respect to the number of shares of Common Stock equal to his outstanding Units. Such dividend equivalents shall be paid on the same date as the regular quarterly cash dividend is paid by the Company in respect of the Common Stock.

4. Payments of Units. (a) The shares of Common Stock underlying the Units shall be paid out to Executive on January 1, 2002, if Executive is still employed by the Company on December 31, 2001. In the event Executive's employment with the Company terminates prior to December 31, 2001 or a Triggering Event occurs, the timing of the payment of the Common Stock underlying the Units shall be governed by the terms of the Employment Agreement.

(b) Any shares of Common Stock delivered shall be deposited in an account designated by Executive and maintained at a brokerage house selected by Executive. Any such shares of Common Stock shall be duly authorized, fully paid and non-assessable shares, listed with NASDAQ or the principal United States securities exchange on which the Common Stock

is admitted to trading and registered on the Company Registration Statement, if registration is requested by Executive.

(c) Except as otherwise provided in this Agreement, Executive shall not be deemed to be a holder of any Common Stock pursuant to a Unit until the date of the issuance of a certificate to him for such shares and, except as otherwise provided in this Agreement, Executive shall not have any rights to dividends or any other rights of a shareholder with respect to the shares of Common Stock covered by a Unit until such shares of Common Stock have been issued to him, which issuance shall not be unreasonably delayed.

(d) The Company may require that Executive pay to the Company, or the Company may otherwise withhold, at the time of payment of the value of a Unit, any such amount as is required by law or regulation to be withheld for Federal, state or local income tax or any other taxes incurred by reason of the payment.

(e) Executive's right to receive payment of any amounts under this Agreement shall be an unfunded entitlement and shall be an unsecured claim against the general assets of the Company.

5. Representations. The Company represents and warrants that this Agreement has been authorized by all necessary action of the Company, has been approved by the Board and is a valid and binding agreement of the Company enforceable against it in accordance with its terms and that the shares of Common Stock described in Section 12 of this Agreement will be listed with NASDAQ or the principal United States securities exchange on which the Common Stock is admitted to trading, and will be validly issued, fully paid and non-assessable shares. The Company further represents and warrants that the grant of Units under this Agreement has been approved by the Committee and that the Company will file a Hart Scott Rodino application with respect to Executive on a timely basis, if necessary, in connection with the acquisition of Common Stock by Executive under this Agreement.

6. Changes in the Common Stock and Adjustment of Units. (a) In the event the outstanding shares of the Common Stock shall be changed into an increased number of shares, through a share dividend or a split-up of shares, or into a decreased number of shares, through a combination of shares, then immediately after the record date for such change, the number of Units then subject to this Agreement shall be proportionately increased, in case of such share dividend or split-up of shares, or proportionately decreased, in case of such combination of shares. In the event the Company shall issue any of its shares of stock or other securities or property (other than Common Stock which is covered by the preceding sentence), in a reclassification of the Common Stock (including without limitation any such reclassification in connection with a consolidation or merger in which the Company is the continuing entity), the kind and number of Units subject to this Agreement immediately prior thereto shall be adjusted so that the Executive shall be entitled to receive the same kind and number of shares or other securities or property which the Executive would have owned or have been entitled to receive after the happening of any of the events described above, had he owned the shares of the Common Stock represented by the Units under this Agreement immediately prior to the

happening of such event or any record date with respect thereto, which adjustment shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In the event the Company shall distribute to all holders of the Common Stock evidences of its indebtedness or assets (including leveraged recapitalizations with special cash distributions, but excluding regular quarterly cash dividends), then in each case the number of Units thereafter subject to this Agreement shall be determined by multiplying the number of Units theretofore subject to this Agreement by a fraction, (i) the numerator of which shall be the then current market price per share of Common Stock (as determined in paragraph (c) below) on the record date for such distribution, and (ii) the denominator of which shall be the then current market price per share of the Common Stock less the then fair value (as mutually determined in good faith by the Board and the Executive) of the portion of the assets or evidences of indebtedness so distributed applicable to a share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of shareholders entitled to receive such distribution.

(c) For the purpose of any computation under paragraph (b) of this Section 6, the current market price per share of the Common Stock at any date shall be deemed to be the average of the daily Stock Prices for 15 consecutive Trading Days commencing 20 Trading Days before the date of such computation. "Stock Price" for each Trading Day shall be the "Fair Market Value" of the Common Stock (as defined in the Company Stock Option Plan, as in effect on the date of this Agreement) for such Trading Day. "Trading Day" shall be each Monday, Tuesday, Wednesday, Thursday and Friday, other than any day on which the Common Stock is not traded on the exchange or in the market which is the principal United States market for the Common Stock.

(d) For the purpose of this Section 6, the term "Common Stock" shall mean (i) the class of Company securities designated as the Common Stock at the date of this Agreement, or (ii) any other class of equity interest resulting from successive changes or reclassifications of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to the second sentence of Section 6(a) above, the Executive shall become entitled to Units representing any shares other than the Common Stock, thereafter the number of such other shares represented by a Unit shall be subject to adjustment from time to time in a manner and on the terms as nearly equivalent as practicable to the provisions with respect to the shares contained in this Section 6, and the provisions of this Agreement with respect to the shares of Common Stock represented by the Units shall apply on like terms to any such other shares.

(e) In case of any consolidation of the Company or merger of the Company with another corporation as a result of which Common Stock is converted or modified, or in case of any sale or conveyance to another corporation of the property, assets and business of the Company as an entirety or substantially as an entirety, the Company shall modify the Units so as to provide the Executive

with Units reflecting the kind and amount of shares and other securities

and property that he would have owned or have been entitled to receive immediately after the happening of such consolidation, merger, sale or conveyance had his Units immediately prior to such action actually been shares and, if applicable, other securities of the Company represented by those Units. The provisions of this Section 6(e) shall similarly apply to successive consolidations, mergers, sales or conveyances.

(f) If the Company distributes rights or warrants to all holders of its Common Stock entitling them to purchase shares of Common Stock at a price per share less than the current market price per share on the record date for the distribution, the Company shall distribute to Executive equivalent amounts of such rights or warrants as if Executive were an actual shareholder with respect to the number of shares of Common Stock equal to his outstanding Units. Such rights or warrants shall be exercisable at the same time, on the same terms, and for the same price as the rights or warrants distributed to holders of the Common Stock.

(g) In case any event shall occur as to which the provisions of this Section 6 are not applicable but the failure to make any adjustment would not fairly protect the rights represented by the Units in accordance with the essential intent and principles of this Section 6 then, in each such case, the Company shall make an adjustment, if any, on a basis consistent with the essential intent and principles established in this Section 6, necessary to preserve, without dilution, the rights represented by the Units. The Company will promptly notify the Executive of any such proposed adjustment.

(h) Notwithstanding anything to the contrary contained herein, the provisions of Section 6 shall not apply to, and no adjustment is required to be made in respect of, any of the following: (i) the issuance of shares of Common Stock upon the exercise of any other rights, options or warrants that entitle the holder to subscribe for or purchase such shares (it being understood that the sole adjustment pursuant to this Section 6 in respect of the issuance of shares of Common Stock upon exercise of rights, options or warrants shall be made at the time of the issuance by the Company of such rights, options or warrants, or a change in the terms thereof); (ii) the issuance of shares of Common Stock to the Company's employees, directors or consultants pursuant to bona fide benefit plans adopted by the Company's Board; (iii) the issuance of shares of Common Stock in a bona fide public offering pursuant to a firm commitment offering; (iv) the issuance of shares of Common Stock pursuant to any dividend reinvestment or similar plan adopted by the Company's Board to the extent that the applicable discount from the current market price for shares issued under such plan does not exceed 5%; and (v) the issuance of shares of Common Stock in any arm's length transaction, directly or indirectly, to any party.

(i) Notwithstanding anything in this Agreement to the contrary, in the event of a spin-off by the Company to its shareholders, Executive's

participation in such spin-off with respect to the Units and the adjustment of the Units shall be determined in an appropriate and equitable manner, and it is the intention of the parties hereto that, to the extent practicable, such adjustment shall include an equity interest in the spin-off entity.

(j) In the event the parties hereto cannot agree upon an appropriate and equitable adjustment to the Units, the services of an independent investment banker mutually acceptable to Executive and the Company shall (at the sole expense of the Company) be retained to determine an appropriate and equitable adjustment, and such determination shall be binding upon the parties.

7. No Right to Employment. Nothing in this Agreement shall confer upon Executive the right to remain in employ of the Company or any subsidiary of the Company.

8. Nontransferability. This Agreement shall not be assignable or transferable by the Company (other than to successors of the Company) and this Agreement and the Units shall not be assignable or transferable by the Executive otherwise than by will or by the laws of descent and distribution, and the Units may be paid out during the lifetime of the Executive only to him. More particularly, but without limiting the generality of the foregoing, the Units may not be assigned, transferred (except as provided in the preceding sentence), pledged, or hypothecated in any way (whether by operation of law or otherwise), and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Units contrary to the provisions of this Agreement, and any levy of any attachment or similar process upon the Units, shall be null and void and without effect.

9. Arbitration, Legal Fees and Expenses. If any contest or dispute shall arise between the Company and Executive regarding any provision of this Agreement, the Company shall reimburse Executive for all legal fees and expenses reasonably incurred by Executive in connection with such contest or dispute, pursuant to the provisions of Section 8.1 of the Employment Agreement. The application of this Section 9 (and Section 8.1 of the Employment Agreement) shall survive the termination of the Employment Agreement. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses. Any dispute or controversy arising under or in connection with this Agreement, shall be settled exclusively by arbitration in Wilmington, Delaware in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

10. Entire Agreement. This Agreement and the Employment Agreement contain all the understandings between the parties hereto pertaining to the matters referred to herein, and supersede all undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto. The Executive represents that, in executing this Agreement, he does not rely and has not relied upon any representation or statement not set forth herein made by the Company with regard to the subject matter, bases or effect of this Agreement or otherwise.

11. Amendment or Modification; Waiver. No provision of this Agreement may be amended, modified or waived unless such amendment or modification is agreed to in writing, signed by the Executive and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by any party

hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

12. Notices. Any notice to be given hereunder shall be in writing and shall be deemed given when delivered personally, sent by courier or telecopy or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To the Executive:

Stuart M. Essig  
113 Willow Street  
Brooklyn, NY 11201  
Facsimile: 718-643-0196

To the Company:

Integra LifeSciences Corporation  
105 Morgan Lane  
Plainsboro, NJ 08536  
Attention: Chairman  
Facsimile: 609-799-3297

Any notice delivered personally or by courier under this Section 12 shall be deemed given on the date delivered and any notice sent by telecopy or registered or certified mail, postage prepaid, return receipt requested, shall be deemed given on the date telecopied or mailed.

13. Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

14. Noncontravention. The Company represents that the Company is not prevented from entering into, or performing, this Agreement by the terms of any law, order, rule or regulation, its certificate of incorporation or by-laws, or any agreement to which it is a party.

15. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement or Executive's employment to the extent necessary for the intended preservation of such rights and obligations.

16. Successors. This Agreement shall inure to the benefit of and be binding upon each successor of the Company, and upon the Executive's beneficiaries, legal representatives or estate, as the case may be.

17. Governing Law. This agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles.

18. Headings. All descriptive headings of sections and paragraphs in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

19. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

INTEGRA LIFESCIENCES CORPORATION

By: /s/ Richard E. Caruso

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Richard E. Caruso, Chairman

/s/ Stuart M. Essig

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Stuart M. Essig

INTEGRA LIFESCIENCES CORPORATION

1996 INCENTIVE STOCK OPTION  
AND  
NON-QUALIFIED STOCK OPTION PLAN

(As Amended Through  
December 27, 1997)

INTEGRA LIFESCIENCES CORPORATION

1996 INCENTIVE STOCK OPTION AND  
NON-QUALIFIED STOCK OPTION PLAN  
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SECTION 1

Purpose  
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This INTEGRA LIFESCIENCES CORPORATION 1996 INCENTIVE STOCK OPTION AND NON-QUALIFIED STOCK OPTION PLAN ("Plan") is intended to provide a means whereby Integra LifeSciences Corporation ("Company") may, through the grant of incentive stock options and non-qualified stock options (collectively, "Options") to purchase common stock of the Company ("Common Stock") to Key Employees and Associates (both as defined in Section 3 hereof), attract and retain such Key Employees and Associates and motivate them to exercise their best efforts on behalf of the Company and of any Related Corporation (as defined below).

For purposes of the Plan, a "Related Corporation" shall mean either a corporate subsidiary of the Company, as defined in section 424(f) of the Internal Revenue Code of 1986, as amended ("Code"), or the corporate parent of the Company, as defined in section 424(e) of the Code. Further, as used in the Plan (a) the term "ISO" shall mean an Option which, at the time such Option is granted under the Plan, qualifies as an incentive stock option within the meaning of section 422 of the Code; and (b) the term "NQSO" shall mean an Option which, at the time such Option is granted, does not qualify as an incentive stock option.

SECTION 2

Administration

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The Plan shall be administered by the Company's Stock Option Committee ("Committee"), which shall consist of at least two and no more than three directors of the Company who shall be appointed by, and shall serve at the pleasure of, the Company's Board of Directors ("Board"). Each member of such Committee, while serving as such, shall be deemed to be acting in his capacity as a director of the Company. Except as otherwise permitted under section 16(b) of the Securities Exchange Act of 1934, and the rules and regulations thereunder, no member of the Committee shall have been granted or awarded Options pursuant to the Plan or equity securities (within the meaning of 17 C.F.R. ss. 240.16a-1(d)) pursuant to any other plan of the Company or of any of its affiliates, as defined in the Securities Exchange Act of 1934, at any time during the period commencing with the date which is one year prior to the date his service on the Committee began and ending on the date which is one day after the date on which his service on the Committee ceased. Each member of the Committee shall also be an "outside director" within the meaning of Treas. Reg. ss.1.162-27(e)(3), or any successor thereto.

The Committee shall have full authority, subject to the terms of the Plan, to select the Key Employees and Associates (both as defined in Section 3 hereof) to be granted ISOs and/or NQSOs under the Plan, to grant Options on behalf of the Company,

and to set the date of grant and the other terms of such Options. The Committee may correct any defect, supply any omission and reconcile any inconsistency in this Plan and in any Option granted hereunder in the manner and to the extent it shall deem desirable. The Committee also shall have the authority to establish such rules and regulations, not inconsistent with the provisions of the Plan, for the proper administration of the Plan, and to amend, modify or rescind any such rules and regulations, and to make such determinations and interpretations under, or in connection with, the Plan, as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Company, its stockholders and all officers and employees and former officers and employees, and upon their respective legal representatives, beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it.

SECTION 3

Eligibility

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(a) In General. Key Employees and Associates shall be eligible to receive Options under the Plan. Key Employees and Associates who have been granted an Option under the Plan shall be referred to as "Optionees." More than one Option may be granted to an Optionee under the Plan.

(b) Key Employees. "Key Employees" are officers, executives, and managerial employees of the Company and/or a Related Corporation. Key Employees shall be eligible to receive ISOs and/or NQSOs.

(c) Associates. "Associates" are designated non-employee directors, consultants and other persons providing services to the Company and/or Related Corporation. Associates shall be eligible to receive only NQSOs.

SECTION 4

Stock

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Options may be granted under the Plan to purchase up to a maximum of 1,500,000 shares of the Company's Common Stock, par value \$0.01 per share; provided, however, that no Key Employee shall receive Options for more than 1,000,000 shares of Common Stock over any one-year period. However, both limits in the preceding sentence shall be subject to adjustment as hereinafter provided. Shares issuable under the Plan may be authorized but unissued shares or reacquired shares, and the Company may purchase shares required for this purpose, from time to time, if it deems such purchase to be advisable.

If any Option granted under the Plan expires or otherwise terminates for any reason whatsoever (including, without limitation, the Optionee's surrender thereof) without having been exercised, the shares subject to the unexercised portion of such Option shall continue to be available for the granting of Options under the Plan as fully as if such shares had never been subject to an Option; provided, however, that (a) if an Option is cancelled, the shares of Common Stock covered by the cancelled option shall be counted against the maximum number of shares specified above for which Options may be granted to a single Key Employee, and (b) if the exercise price of an Option is reduced after the date of grant, the transaction shall be treated as a cancellation of the original Option and the grant of a new Option for purposes of counting the maximum number of shares for which

Options may be granted to a Key Employee.

SECTION 5

Granting of Options  
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From time to time until the expiration or earlier suspension or discontinuance of the Plan, the Committee may, on behalf of the Company, grant to Key Employees and Associates under the Plan such Options as it determines are warranted, subject to the limitations of the Plan; provided, however, that grants of ISOs and NQSOs shall be separate and not in tandem. The granting of an Option under the Plan shall not be deemed either to entitle the Key Employee or Associate to, or to disqualify the Key Employee or Associate from, any participation in any other grant of Options under the Plan. In making any determination as to whether a Key Employee or Associate shall be granted an Option, the type of Option to be granted, and the number of shares to be covered by such Option, the Committee shall take into account the duties of the Key Employee or Associate, his or her present and potential contributions to the success of the Company or a Related Corporation, the tax implications to the Company and the Key Employee or Associate of any Option granted, and such other factors as the Committee shall deem relevant in accomplishing the purposes of the Plan. Moreover, the Committee may provide in the Option that said Option may be exercised only if certain conditions, as determined by the Committee, are fulfilled.

SECTION 6

Annual Limit

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(a) ISOs. The aggregate Fair Market Value (determined as of the date the ISO is granted) of the Common Stock with respect to which ISOs are exercisable for the first time by a Key Employee during any calendar year (counting ISOs under this Plan and incentive stock options under any other stock option plan of the Company or a Related Corporation) shall not exceed \$100,000. The term "Fair Market Value" shall mean the value of the shares of Common Stock arrived at by a good faith determination of the Committee and shall be:

(1) The mean between the highest and lowest quoted selling price, if there is a market for the Common Stock on a registered securities exchange or in an over-the-counter market, on the date specified;

(2) The weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the specified date, if there are no such sales on the specified date but there are such sales on dates within a reasonable period both before and after the specified date;

(3) The mean between the bid and asked prices, as reported by the National Quotation Bureau on the specified date, if actual sales are not available during a reasonable period beginning before and ending after the specified date; or

(4) If (1) through (3) above are not applicable,

such other method of determining Fair Market Value as shall be authorized by the Code, or the rules or regulations thereunder, and adopted by the Committee.

Where the Fair Market Value of shares of Common Stock is determined under (2) above, the average of the means between the highest and lowest sales on the nearest date before and the nearest date after the specified date shall be weighted inversely by the respective numbers of trading days between the dates of reported sales and the specified date (i.e., the valuation date), in accordance with Treas. Reg. ss. 20.2031-2(b)(1), or any successor thereto.

(b) Options Over Annual Limit. If an Option intended as an ISO is granted to a Key Employee and such Option may not be treated in whole or in part as an ISO pursuant to the limitation in Subsection (a) above, such Option shall be treated as an ISO to the extent it may be so treated under such limitation and as an NQSO as to the remainder. For purposes of determining whether an ISO would cause such limitation to be exceeded, ISOs shall be taken into account in the order granted.

(c) NQSOs. The annual limits set forth above for ISOs shall not apply to NQSOs.

SECTION 7

Option Agreements - Other Provisions  
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Options granted under the Plan shall be evidenced by written documents ("Option Agreements") in such form as the Committee shall, from time to time, approve. An Option Agreement shall specify whether the Option is an ISO or NQSO; provided, however, if the Option is not designated in the Option Agreement as an ISO or NQSO, the Option shall constitute an ISO if it complies with the terms of section 422 of the Code, and otherwise, it shall constitute an NQSO. Each Optionee shall enter into, and be bound by, such Option Agreements, as soon as practicable after the grant of an Option.

In connection with the grant of any Option, the associated Option Agreement may, in the discretion of the Committee, modify or vary any of the terms of this Plan, including, without limitation, the terms relating to the vesting and exercise of options, both in general and upon termination of employment or service, disability, and death, the terms relating to the number of shares issuable upon the exercise of outstanding Options and the treatment of Options upon the occurrence of certain corporate transactions; provided, however, that any further increase in the maximum number of shares which may be granted to an individual in a single grant pursuant to the Plan shall require such shareholder approval as may be then required under the applicable rules and regulations under the Internal Revenue Code of 1986, as amended, or any successor thereto; and

that with respect to any grant of an option which is intended to be an incentive stock option the terms of the Plan, as in effect on the date hereof or subsequently amended, and not the terms of the applicable Option Agreement, shall control. In all other cases, in the event of any inconsistency or conflict between an Option Agreement approved by the Committee and this Plan, the terms of the Option Agreement shall control to the extent provided in the Option Agreement. No Option Agreement may be amended except in a writing executed by a duly authorized officer of the Company and the Optionee or his permitted successors and assigns.

#### SECTION 8

##### Terms and Conditions of Options

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Options granted pursuant to the Plan shall include expressly or by reference the following terms and conditions, as well as such other provisions not inconsistent with the provisions of this Plan and, for ISOs granted under this Plan, the provisions of section 422(b) of the Code, as the Committee shall deem desirable:

(a) Number of Shares. A statement of the number of shares to which the Option pertains.

(b) Price. A statement of the Option price which shall be determined and fixed by the Committee in its discretion, but shall not be less than the higher of 100% (110% in the case of ISOs granted to more than 10% shareholders as discussed in

Subsection (j) below) of the fair market value of the optioned shares of Common Stock, or the par value thereof, on the date the Option is granted.

(c) Term.

(1) ISOs. Subject to earlier termination as provided in Subsections (e), (f) and (g) below and in Section 9 hereof, the term of each ISO shall be not more than ten years (five years in the case of more than 10% shareholders as discussed in Subsection (j) below) from the date of grant.

(2) NQSOs. Subject to earlier termination as provided in Subsections (e), (f) and (g) below and in Section 9 hereof, the term of each NQSO shall be not more than ten years from the date of grant.

(d) Exercise.

(1) General. Options shall be exercisable in such installments and on such dates, not less than six months from the date of grant, as the

Committee may specify, provided that:

(A) in the case of new Options granted to an Optionee in replacement for options (whether granted under the Plan or otherwise) held by the Optionee, the new Options may be made exercisable, if so determined by the Committee, in its discretion, at the earliest date the replaced options were exercisable, but not earlier than three months from the date of grant of the new Options; and

(B) the Committee may accelerate the

exercise date of any outstanding Options (including, without limitation, the three-month exercise date referred to in (i) above), in its discretion, if it deems such acceleration to be desirable.

Any Option shares, the right to the purchase of which has accrued, may be purchased at any time up to the expiration or termination of the Option. Exercisable Options may be exercised, in whole or in part, from time to time by giving written notice of exercise to the Company at its principal office, specifying the number of shares to be purchased and accompanied by payment in full of the aggregate Option exercise price for such shares. Only full shares shall be issued under the Plan, and any fractional share which might otherwise be issuable upon exercise of an Option granted hereunder shall be forfeited.

(2) Manner of Payment. The Option price shall be payable:

(A) in cash or its equivalent;

(B) in the case of an ISO, if the Committee in its discretion causes the Option Agreement so to provide, and in the case of an NQSO, if the Committee in its discretion so determines at or prior to the time of exercise:

(i) in Common Stock previously acquired by the Optionee; provided that if such shares of Common Stock were acquired through the exercise of an incentive stock option and are used to pay the Option price of an ISO, such shares have been held by the Optionee for a period of not less than the holding

period described in section 422(a)(1) of the Code on the date of exercise, or if such shares of Common Stock were acquired through exercise of a non-qualified stock option or through exercise of an incentive stock option and are used to pay the Option price of an NQSO, such shares have been held by the Optionee for a period of more than 12 months on the date of exercise;

(ii) in Common Stock newly acquired by the Optionee upon exercise of such Option (which shall constitute a disqualifying disposition in the case of an ISO);

(iii) in the discretion of the Committee, in any combination of (A), (B)(i) and (B)(ii) above; or

(iv) by delivering a properly executed notice of exercise of the Option to the Company and a broker, with irrevocable instructions to the broker promptly to deliver to the Company the amount of sale or loan proceeds necessary to pay the exercise price of the Option.

In the event the Option price is paid, in whole or in part, with shares of Common Stock, the portion of the Option price so paid shall be equal to the Fair Market Value on the date of exercise of the Option of the Common Stock surrendered in payment of such Option price.

(e) Termination of Employment or Service. If an Optionee's employment by or service with the Company (and Related Corporations) is terminated by either party prior to the expiration date fixed for his or her Option for any reason other than death or disability, such Option may be exercised, to the extent of the number of shares with respect to which the Optionee could have exercised it on the date of such termination, or to any greater extent permitted by the Committee, by the Optionee at any time prior to the earlier of (i) the expiration date specified in such Option, or (ii) an accelerated termination date determined by the Committee, in its discretion, except that, subject to Section 9 hereof, such accelerated termination date shall not be earlier than the date of the Optionee's termination of employment or service, and in the case of an ISO, such termination date shall not be later than three months after the date of the Key Employee's termination of employment.

(f) Exercise upon Disability of Optionee. If an Optionee shall become disabled (within the meaning of section 22(e)(3) of the Code) during his or her employment by or service with the Company (and Related Corporations) and, prior to the expiration date fixed for his or her Option, his or her employment or service is terminated as a consequence of such disability, such Option may be exercised, to the extent of the number of shares with respect to which the Optionee could have exercised it on the date of such termination, or to any greater extent permitted by the Committee, by the Optionee at any time prior to the earlier of (i) the expiration date specified in such Option, or (ii) an accelerated termination date determined by the Committee, in its discretion, except that, subject to Section 9 hereof, such accelerated termination date shall not be earlier than the date of the Optionee's termination of employment or service by reason of disability, and in the case of an ISO, such date shall not be later than one year after the date of the Key Employee's termination of employment. In the event of the Optionee's legal disability, such Option may be so exercised by the Optionee's legal representative.

(g) Exercise upon Death of Optionee. If an Optionee shall die during his or her employment by or service with the Company (and Related Corporations), and prior to the expiration date fixed for his or her Option, or if an Optionee whose employment or service is terminated for any reason, shall die following his or her termination of employment or service but prior to the earliest of (i) the expiration date fixed for his or her Option, (ii) the expiration of the period determined under Subsections (e) and (f) above, or (iii) in the case of an ISO, three months following termination of the Key Employee's employment, such Option may be exercised, to the extent of the number of shares with respect to which the Optionee could have exercised it on the date of his or her death, or to any greater extent permitted by the Committee, by the Optionee's estate, personal representative or beneficiary who acquired the right to exercise such Option by bequest or inheritance or by reason of the death of the Optionee, at any time prior to the earlier of (i) the expiration date specified in such Option or (ii) an accelerated termination date determined by the Committee, in its discretion except that, subject to Section 9 hereof, such accelerated termination date shall not be earlier than one year, nor later than three years after the date of death.

(h) Non-Transferability. No Option shall be assignable or transferable by the Optionee otherwise than by will or by the laws of descent and distribution, and during the lifetime of the Optionee, the Option shall be exercisable only by him or her or by his or her guardian or legal representative. If the Optionee is married at the time of exercise and if the Optionee so requests at the time of exercise, the certificate or certificates shall be registered in the name of the Optionee and the Optionee's spouse, jointly, with right of survivorship.

(i) Rights as a Stockholder. An Optionee shall have no rights as a stockholder with respect to any shares covered by his or her Option until the issuance of a stock certificate to him for such shares.

(j) Ten Percent Shareholder. If the Optionee owns more than 10% of the total combined voting power of all shares of stock of the Company or of a Related Corporation at the time an ISO is granted to him or her, the Option price for the ISO shall be not less than 110% of the fair market value of the optioned shares of Common Stock on the date the ISO is granted, and such ISO, by its terms, shall not be exercisable after the expiration of five years from the date the ISO is granted. The conditions set forth in this Subsection (j) shall not apply to NQS0s.

(k) Listing and Registration of Shares. Each Option shall be subject to the requirement that, if at any time the Committee shall determine, in its

discretion, that the listing, registration or qualification of the shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Option or the purchase of shares thereunder, or that action by the Company or by the Optionee should be taken in order to obtain an exemption from any such requirement, no such Option may be exercised, in whole or in part, unless and until such listing, registration, qualification, consent, approval, or action shall have been effected, obtained, or taken under conditions acceptable to the Committee. Without limiting the generality of the foregoing, each Optionee or his legal representative or beneficiary may also be required to give satisfactory assurance that shares purchased upon exercise of an Option are being purchased for investment and not with a view to distribution, and certificates representing such shares may be legended accordingly.

(l) Withholding and Use of Shares to Satisfy Tax Obligations. The obligation of the Company to deliver shares of Common Stock upon the exercise of any Option shall be subject to applicable federal, state and local tax withholding requirements.

If the exercise of any Option is subject to the withholding requirements of applicable tax laws, the Committee,

in its discretion (and subject to such withholding rules ("Withholding Rules") as shall be adopted by the Committee), may permit the Optionee to satisfy the withholding tax, in whole or in part, by electing to have the Company withhold (or by returning to the Company) shares of Common Stock, which shares shall be valued, for this purpose, at their Fair Market Value on the date of exercise of the Option (or if later, the date on which the Optionee recognizes ordinary income with respect to such exercise) (the "Determination Date"); provided, however, that with respect to Optionees who are subject to section 16 of the Exchange Act, any such amount of taxes required to be withheld automatically shall be satisfied by withholding Common Stock or, in the discretion of the Committee, by receipt of cash. An election to use shares of Common Stock to satisfy tax withholding requirements must be made in compliance with and subject to the Withholding Rules. The Committee may not withhold shares in excess of the number necessary to satisfy the minimum federal income tax withholding requirements. In the event shares of Common Stock acquired under the exercise of an ISO are used to satisfy such withholding requirement, such shares of Common Stock must have been held by the Optionee for a period of not less than the holding period described in section 422(a)(1) of the Code on the Determination Date, or if such shares of Common Stock were acquired through exercise of an NQSO or of an option under a similar plan, such option was granted to the Optionee at least six months prior to the Determination Date.

SECTION 9

Capital Adjustments

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The number of shares which may be issued under the Plan, the maximum number of shares with respect to which Options may be granted to any Key Employee under the Plan, both as stated in Section 4 hereof, and the number of shares issuable upon exercise of outstanding Options under the Plan (as well as the Option price per share under such outstanding Options), shall, subject to the provisions of section 424(a) of the Code, be adjusted, as may be deemed appropriate by the Committee, to reflect any stock dividend, stock split, share combination, or similar change in the capitalization of the Company.

In the event of a corporate transaction (as that term is described in section 424(a) of the Code and the Treasury Regulations issued thereunder as, for example, a merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation), each outstanding Option shall be assumed by the surviving or successor corporation; provided, however, that, in the event of a proposed corporate transaction, the Committee may terminate all or a portion of the outstanding Options if it determines that such termination is in the best interests of the Company. If the Committee decides to terminate outstanding Options, the Committee shall give each Optionee holding an outstanding Option to be terminated not less than seven days' notice prior to any such termination by reason of

such a corporate transaction, and any such Option which is to be so terminated may be exercised (if and only to the extent that it is then exercisable) up to, and including the date immediately preceding such termination. Further, as provided in Section 8(d) hereof the Committee, in its discretion, may accelerate, in whole or in part, the date on which any or all Options become exercisable.

The Committee also may, in its discretion, change the terms of any outstanding Option to reflect any such corporate transaction, provided that, in the case of ISOs, such change is excluded from the definition of a "modification" under section 424(h) of the Code.

SECTION 10

Acquisitions

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Notwithstanding any other provision of this Plan, Options may be granted hereunder in substitution for options held by directors, key employees, and associates of other corporations who are about to, or have, become Key Employees or Associates of the Company or a Related Corporation as a result of a merger, consolidation, acquisition of assets or similar transaction by the Company or a Related Corporation. The terms, including the option price, of the substitute options so granted may vary from the terms set forth in this Plan to such extent as the Committee may deem appropriate to conform, in whole

or in part, to the provisions of the options in substitution for which they are granted.

SECTION 11

Amendment or Replacement of Outstanding Options  
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The Committee shall have the authority to effect, at any time and from time to time, with the consent of the affected Optionees, the cancellation of any or all outstanding Options under the Plan and to grant in substitution therefor new Options under the Plan covering the same or a different number of shares of Common Stock but having a per share purchase price not less than the greater of par value or 100% of the Fair Market Value of a share of Common Stock on the new date of the grant. The Committee may permit the voluntary surrender of all or a portion of any Option to be conditioned upon the granting to the Optionee under the Plan of a new Option for the same or a different number of shares of Common Stock as the Option surrendered, or may require such voluntary surrender as a condition precedent to a grant of a new Option to such Optionee. Any new Option shall be exercisable at the price, during the period, and in accordance with any other terms and conditions specified by the Committee at the time the new Option is granted, all determined in accordance with the provisions of the Plan without regard to the price, period of exercise, and any other terms or conditions of the Option surrendered.

SECTION 12

Amendment or Discontinuance of the Plan  
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(a) General. The Board from time to time may suspend

or discontinue the Plan or amend it in any respect whatsoever, except that the following amendments shall require shareholder approval (given in the manner set forth in Subsection (b) below):

(1) Any amendment which would:

(A) materially increase the benefits accruing to directors and officers, within the meaning of 17 CFR ss. 240.16a-1(f) (hereinafter referred to as "Officers"), under the Plan;

(B) materially increase the number of shares of Common Stock which may be issued to directors and Officers under the Plan; or

(C) materially modify the requirements as to eligibility for directors and Officers to participate in the Plan;

(2) With respect to ISOs, any amendment which would:

(A) change the class of employees eligible to participate in the Plan;

(B) except as permitted under Section 9 hereof, increase the maximum number of shares of Common Stock with respect to which ISOs may be granted under the Plan; or

(C) extend the duration of the Plan under Section 18 hereof with respect to any ISOs granted hereunder;

(3) Any amendment which would require shareholder approval pursuant to Treas. Reg. ss.1.162-27(e)(4)(vi), or any successor thereto.

Notwithstanding the foregoing, no such suspension, discontinuance or amendment shall materially impair the rights of any holder of an outstanding Option without the consent of such holder.

(b) Shareholder Approval Requirements. Shareholder approval must meet the following requirements:

(i) The approval of shareholders must be by a majority of the outstanding shares of Common Stock either (A) present, or represented, and entitled to vote at a meeting duly held in accordance with the applicable laws of the State of Delaware or (B) pursuant to written consent of shareholders in lieu of a meeting in accordance with the applicable laws of the State of Delaware; and

(ii) The approval of shareholders must comply with all applicable provisions of the corporate charter, bylaws, and applicable state law prescribing the method and degree of shareholder approval required for the issuance of corporate stock or options. If the applicable state law does not prescribe a method and degree of shareholder approval in such case, the approval of shareholders must be effected:

(A) By a method and in a degree that would be treated as adequate under applicable state law in the case of an action requiring shareholder approval (i.e., an action on which shareholders would be entitled to vote if the action were taken at a duly held shareholders' meeting); or

(B) By a majority of the votes cast at a duly held shareholders' meeting at which a quorum representing a majority of all outstanding voting stock is, either in person or by proxy, present and voting on the plan.

#### SECTION 13

##### Rights

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Neither the adoption of the Plan nor any action of the Board or the Committee shall be deemed to give any individual any right to be granted an Option, or any other right hereunder, unless and until the Committee shall have granted such individual an Option, and then his rights shall be only such as are provided by the Option Agreement.

Any Option under the Plan shall not entitle the holder thereof to any rights as a stockholder of the Company prior to the exercise of such Option and the issuance of the shares pursuant thereto. Further, notwithstanding any provisions of the Plan or the Option Agreement with an Optionee, the Company shall have the right, in its discretion, to retire an Optionee at any time pursuant to its retirement rules or otherwise to terminate his or her employment or service at any time for any reason whatsoever.

SECTION 14

Indemnification of Board and Committee  
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Without limiting any other rights of indemnification which they may have from the Company and any Related Corporation, the members of the Board and the members of the Committee shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any claim, action, suit, or proceeding to which they or any of them may be a party by reason of any action taken or failure to act under, or in connection with, the Plan, or any Option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit, or proceeding, except a judgment based upon a finding of willful misconduct or recklessness on their part. Upon the making or institution of any such claim, action, suit, or proceeding, the Board or Committee member shall notify the Company in writing, giving the Company an opportunity, at its own expense, to handle and defend the same before such Board or Committee member undertakes to handle it on his own behalf.

SECTION 15

Application of Funds

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The proceeds received by the Company from the sale of Common Stock pursuant to Options granted under the Plan shall be used for general corporate purposes. Any cash received in payment for shares upon exercise of an Option to purchase Common Stock shall be added to the general funds of the Company and

shall be used for its corporate purposes. Any Common Stock received in payment for shares upon exercise of an Option to purchase Common Stock shall become treasury stock.

SECTION 16

Shareholder Approval

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This Plan shall become effective as of March 22, 1996 (the date the Plan was adopted by the Board); provided, however, that if the Plan is not approved in the manner described in Section 12(b) within 12 months before or after said date, the Plan and all Options granted hereunder shall be null and void and no additional options shall be granted hereunder.

SECTION 17

No Obligation to Exercise Option

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The granting of an Option shall impose no obligation upon an Optionee to exercise such Option.

SECTION 18

Termination of Plan  
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Unless earlier terminated as provided in the Plan, the Plan and all authority granted hereunder shall terminate absolutely at 12:00 midnight on March 21, 2006, which date is within ten years after the date the Plan was adopted by the Board (or the date the Plan was approved by the shareholders of the Company, whichever is earlier), and no Options hereunder shall be granted thereafter. Nothing contained in this Section 18, however, shall terminate or affect the continued existence of rights created under Options issued hereunder and outstanding on March 21, 2006, which by their terms extend beyond such date.

SECTION 19

Governing Law  
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With respect to any ISOs granted pursuant to the Plan and the Option Agreements thereunder, the Plan, such Option Agreements and any ISOs granted pursuant thereto shall be governed by the applicable Code provisions to the maximum extent possible. Otherwise, the laws of the state of Delaware shall govern the operation of, and the rights of Optionees under, the Plan, the Option Agreements and any Options granted thereunder.

[LETTERHEAD OF INTEGRA LIFESCIENCES CORPORATION]

December 27, 1997

Stuart M. Essig  
113 Willow Street  
Brooklyn, NY 11201

RE: Indemnification

Dear Stuart,

You are currently serving as a director and/or officer of Integra LifeSciences Corporation, a Delaware corporation (the "Company"), at the request of the Company. In connection therewith, the Company hereby agrees to indemnify you to the fullest extent permitted by the General Corporation Law of the State of Delaware (the "GCL"), to the extent you are a party or are threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative, by reason of the fact that you are or were a director, officer, employee or agent of the Company or any of its subsidiaries, against expenses (including attorney's fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by you in connection in such action, suit or proceeding if you acted in good faith and in a manner you reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe your conduct was unlawful. Any indemnification pursuant to this letter shall be made in accordance with Section 145 (d) of the GCL.

Very truly yours,

Integra LifeSciences Corporation

By: /s/ Richard E. Caruso  
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Richard E. Caruso, Ph. D.  
Chairman

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News Release:  
December 30, 1997

Integra LifeSciences Announces Stuart M. Essig as New CEO and President

Plainsboro, NJ, December 30/PR Newswire/ -- Dr. Richard E. Caruso, Chairman and Founder of Integra LifeSciences Corporation (NASDAQ: IART), today announced that Stuart M. Essig, formerly a managing director at Goldman Sachs, was appointed as Integra's new President and Chief Executive Officer, effective immediately. Mr. Essig was also elected to the Company's Board of Directors.

Mr. Essig supervised the medical technology practice of Goldman Sachs as a managing director. He has 10 years of broad health care experience, including acquisitions, divestitures, strategic alliances, principal investing and capital markets. While at Goldman Sachs, Mr. Essig, 36, served as a senior merger and acquisitions advisor to a broad range of domestic and international medical technology, pharmaceutical and biotechnology clients. His experience also includes substantial financing and investing experience. He holds an MBA and Ph.D. in Financial Economics from the University of Chicago and a BA from Princeton University.

In making the announcement, Dr. Caruso, who will continue to serve as Chairman, as well as maintain full-time executive participation, said, "We are delighted to have Stuart on board. We believe that his demonstrated leadership strengthens our senior management team. Further, Stuart's experience at Goldman Sachs will give Integra access to a considerable wealth of relationships and business opportunities that will help us to continue to fulfill our mission.

"One of the founding visions of Integra is substantive rapid growth through technology and business consolidation, and meaningful business alliances," continued Caruso. "We are convinced that to continue to implement this vision properly in a rapidly changing medical industry, we must have successfully demonstrated medical industry skills at the very top of the Company. We have spent the past seven years building a purposeful infrastructure and we are now turning our attention to completing the executive management team that will lead us into the future."

Dr. Caruso added, "We already have in place an outstanding operating team for our tissue regeneration business, led by the Company's Chief Operating Officer and Vice Chairman, Dr. George W. McKinney. We believe Stuart's experience will complement both Dr. McKinney's operations expertise and my own entrepreneurial background. Mr. Essig has substantial expertise in negotiating corporate alliances and in public company mergers and acquisitions. Integra is a company that has grown through acquisition of technologies and products as well as through internal development. We expect Stuart to continue to drive that activity, as well as to build upon our and his relationships with the investment community."

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In accepting the appointment, Mr. Essig said, "The medical technology industry is consolidating rapidly. Only companies that adapt quickly to the changing marketplace will prosper. Integra already has a corporate culture that successfully accepts rapid change. The Company is extremely well positioned technologically with a pipeline of BioSmart(TM) implantable products for a variety of surgical markets. The Company is already an emerging leader in reaching the surgical skin business with its lead product, INTEGRA(TM) Artificial Skin, and expects to initiate significant activities in the neurosurgical market in 1998. Integra has additional products for the wound care, dental, orthopedic, and cardiovascular markets. Working closely with Drs. Caruso and McKinney, I expect to focus on acquisitions and alliances that will improve the speed and likeliness of success in bringing these new products to market. The Company has a number of significant initiatives underway in this regard, which I look forward to bringing to fruition in the near future."

Mr. Essig has entered into a four-year employment contract with Integra under which he will receive options for one million Integra common shares. He will also receive a deferred payment consisting of two million Integra shares. Integra expects to take a one-time, non-cash compensation charge of approximately \$6 million for this deferred payment in the fourth quarter of this year. "We are pleased to have been able to work with Stuart to align his compensation directly with the financial interests of our shareholders. Very simply, as our stock rises, Mr. Essig's ultimate financial reward increases," said Dr. Caruso.

Integra LifeSciences Corporation is dedicated to the development and manufacture of proprietary BioSmart(TM) absorbable materials-based therapeutic applications and pharmacological products, which are designed to control the behavior of cells within the patient's body to regenerate tissue that has been irreversibly lost to disease, accident or surgery, or to prevent or cure diseases or age-associated disorders. Integra(TM) Artificial Skin is the first of a series of products that the Company is developing to regenerate a variety of body tissues, including articular cartilage and peripheral nerves, which ordinarily do not regenerate themselves.

Please feel free to visit the Company's Website (<http://www.integra-LS.com>). Integra LifeSciences Corporation press releases are also available at no charge through PR Newswire's Company News On-Call fax Service. For a menu of Integra LifeSciences Corporation press releases or to retrieve a specific release, call 800-758-5804, extension 106047 or <http://www.prnewswire.com> on the Internet.

Certain statements made in this press release related to possible corporate alliances, mergers and acquisitions, government approvals, development of extended product lines and new tissue regeneration products and their potential uses, as well as rises in Integra LifeSciences' stock valuation, are forward-looking and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties, which may differ materially from those set forth in these

statements. In addition, the economic, competitive, governmental, technological and other factors identified in the Company's filings with the Securities and Exchange Commission could affect such results.

Contact: Judy Brenna, Director of Public Relations  
 (609) 936-2370; [jbrenna@integra-LS.com](mailto:jbrenna@integra-LS.com)  
 Integra LifeSciences Corporation Main Telephone (609) 275-0500

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