

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2000

Commission file number 0-26224

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

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0317849
(I.R.S. 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)

Indicate by check mark whether the registrant: (1)
has filed all reports required to be filed by Section
13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such
shorter period that the registrant was required to
file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

- Yes / / - No

As of May 5, 2000 the registrant had outstanding 16,347,810 shares of
Common Stock, \$.01 par value.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)

	March 31, 2000	December 31, 1999
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 23,366	\$ 19,301
Short-term investments.....	206	4,311
Accounts receivable, net of allowances of \$944 and \$944.....	8,719	8,365
Inventories.....	10,667	10,111
Prepaid expenses and other current assets.....	695	718
	-----	-----
Total current assets.....	43,653	42,806
Property and equipment, net.....	10,547	9,699
Goodwill and intangible assets, net.....	18,809	13,219
Other assets.....	684	529
	-----	-----
Total assets.....	\$ 73,693	\$ 66,253
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term loans and current maturities of long-term loans.....	\$ 2,601	\$ 2,254
Current portion of note payable.....	1,450	--
Accounts payable, trade.....	1,717	994
Accrued expenses.....	5,484	5,540
Income taxes payable.....	751	643
Customer advances and deposits.....	3,100	3,901
Deferred revenue.....	1,276	1,460
	-----	-----
Total current liabilities.....	16,379	14,792
Long-term loan.....	7,000	7,625
Note payable.....	1,204	--
Deferred revenue.....	4,824	5,049
Other liabilities.....	804	798
	-----	-----
Total liabilities.....	30,211	28,264
	-----	-----
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value (15,000 authorized shares; 500 Series A Convertible shares issued and outstanding at March 31, 2000 and December 31, 1999, \$4,000 liquidation preference; 100 Series B Convertible shares issued and outstanding at March 31, 2000 and December 31, 1999, \$10,100 with a 10% compounded annual dividend liquidation preference; 54 Series C Convertible shares issued and outstanding at March 31, 2000, \$5,400 with a 10% compounded annual dividend liquidation preference).....	7	6
Common stock, \$.01 par value (60,000 authorized shares; 16,314 and 16,131 shares issued at March 31, 2000 and December 31, 1999, respectively).....	163	161
Additional paid-in capital.....	138,754	132,340
Treasury stock, cost (1 share at March 31, 2000 and December 31, 1999). Other.....	(7)	(7)
	(128)	(143)
Accumulated other comprehensive income (loss).....	60	(64)
Accumulated deficit.....	(95,367)	(94,304)
	-----	-----
Total stockholders' equity.....	43,482	37,989
	-----	-----
Total liabilities and stockholders' equity.....	\$ 73,693	\$ 66,253
	=====	=====

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended March 31, 2000	1999
	-----	-----
REVENUES		
Product sales	\$ 13,236	\$ 4,605
Other revenue	1,171	363
	-----	-----
Total revenue	14,407	4,968
COSTS AND EXPENSES		
Cost of product sales, including depreciation of \$370 and \$292	6,592	2,694
Research and development	1,828	1,940
Selling and marketing	2,917	1,560
General and administrative	3,608	2,151
Amortization and other depreciation	712	151
	-----	-----
Total costs and expenses	15,657	8,496
Operating loss	(1,250)	(3,528)
Interest income	291	278
Interest expense	(280)	(27)
Gain on disposition of product line	115	4,161
Other income	123	2
	-----	-----
Net income (loss) before income taxes	(1,001)	886
Provision for income taxes	62	460
	-----	-----
Net income (loss)	\$ (1,063)	\$ 426
	=====	=====
Basic net income (loss) per share	\$ (0.32)	\$ 0.02
Diluted net income (loss) per share	\$ (0.32)	\$ 0.02
Weighted average common shares outstanding		
Basic	17,224	16,731
Diluted	17,224	17,256

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

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

(In thousands)

	Three Months Ended March 31,	
	2000	1999
	----	----
OPERATING ACTIVITIES:		
Net income (loss).....	\$ (1,063)	\$ 426
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization.....	1,082	443
Gain on sale of product line and investments.....	(326)	(4,161)
Amortization of discount and interest on investments.....	--	(104)
Amortization of unearned compensation.....	24	50
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable.....	(353)	(712)
Inventories.....	104	452
Prepaid expenses and other current assets.....	(31)	(51)
Non-current assets.....	(221)	(21)
Accounts payable, accrued expenses and other liabilities.....	734	755
Customer advances and deposits.....	(801)	244
Deferred revenue.....	(409)	--
	-----	-----
Net cash used in operating activities.....	(1,260)	(2,679)
	-----	-----
INVESTING ACTIVITIES:		
Proceeds from sale of product line and other assets.....	150	6,354
Proceeds from sale/maturity of investments.....	15,072	6,000
Purchases of available-for-sale investments.....	(10,601)	(2,966)
Cash used in business acquisition, net of cash acquired.....	(4,075)	(13,935)
Purchases of property and equipment.....	(1,351)	(388)
	-----	-----
Net cash used in investing activities.....	(805)	(4,935)
	-----	-----
FINANCING ACTIVITIES:		
Net proceeds from revolving credit facility.....	97	--
Repayments of term loan.....	(375)	--
Proceeds from sale of preferred stock.....	5,375	10,000
Proceeds from exercised stock options.....	1,053	--
Treasury stock purchases.....	--	--
Preferred dividends paid.....	(20)	(20)
	-----	-----
Net cash provided by financing activities.....	6,130	9,980
	-----	-----
Net increase in cash and cash equivalents.....	4,065	2,366
Cash and cash equivalents at beginning of period.....	19,301	5,277
	-----	-----
Cash and cash equivalents at end of period.....	\$ 23,366	\$ 7,643
	=====	=====
Non-cash investing and financing activities:		
Note issued in a business acquisition.....	\$ 2,654	\$ --
Term loan assumed in connection with a business acquisition.....	--	11,000

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. General

In the opinion of management, the March 31 unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which the Company considers necessary for a fair presentation of the financial position and results of operations of the Company. Operating results for the three-month period ended March 31, 2000 are not necessarily indicative of the results to be expected for the entire year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K.

2. Acquisition

On January 17, 2000, the Company purchased the business, including certain assets and liabilities, of Clinical Neuro Systems, Inc. ("CNS") for \$6.8 million. CNS designs, manufactures and sells neurosurgical external ventricular drainage systems, including catheters and drainage bags, as well as cranial access kits. The purchase price consisted of \$4.0 million in cash and a 5% \$2.8 million promissory note issued to the seller. The promissory note, which is payable in two principal payments of \$1.4 million each, plus accrued interest, in January 2001 and 2002, is collateralized by inventory, property and equipment of the CNS business and by a collateral assignment of a \$2.8 million promissory note from one of the Company's subsidiaries.

This acquisition has been accounted for using the purchase method of accounting, and the results of operations of the acquired business have been included in the consolidated financial statements since the date of acquisition. The allocation of the purchase price resulted in acquired intangible assets, consisting primarily of completed technology, customer list and trademarks, of \$4.2 million and residual goodwill of \$1.8 million, which are being amortized on a straight-line basis over a weighted average life of 14 years and 15 years, respectively.

The following unaudited pro forma financial information assumes that the acquisition had occurred as of the beginning of each period (in thousands):

	For the Three Months	
	Ended March 31,	
	2000	1999
	-----	-----
Total revenue	\$14,577	\$ 5,524
Net loss	(1,004)	(3,448)
Basic and diluted loss per share.....	\$ (0.32)	\$ (0.21)

Excluded from the pro forma results for the three months ended March 31, 1999 is the \$3.7 million gain, net of tax (\$0.22 per share), from the sale of a product line. The pro forma results do not necessarily represent results that would have occurred if the acquisition had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. Issuance of Series C Preferred Stock

On March 29, 2000, the Company issued 54,000 shares of Series C Convertible Preferred Stock ("Series C Preferred") and warrants to purchase 300,000 shares of common stock at \$9.00 per share to affiliates of Soros Private Equity Partners LLC for \$5,374,000, net of issuance costs. The Series C Preferred is convertible into 600,000 shares of common stock and has a liquidation preference of \$5.4 million with a 10% annual cumulative dividend associated with the liquidation preference. The Series C Preferred was issued with a beneficial conversion feature that resulted in a nonrecurring, non-cash dividend of \$4,170,000, which has been reflected in the net loss per share applicable to common stock for the three months ended March 31, 2000. The beneficial conversion dividend is based upon the excess of the closing price of the underlying common stock as compared to the fixed conversion price of the Series C Preferred Stock, after taking into account the value assigned to the common stock warrants.

4. Income (Loss) per Share

Basic and diluted net income (loss) per share for the three months ended March 31 were as follows:

	2000 -----	1999 -----
(In thousands)		
Basic per share computation:		
Net income (loss).....	\$ (1,063)	\$ 426
Dividends on Series A preferred stock.....	(20)	(20)
Dividends on Series B preferred stock.....	(275)	--
Beneficial conversion feature on Series C preferred stock.....	(4,170)	--
	-----	-----
Net income (loss) available to common stock.....	\$ (5,528)	\$ 406
	=====	=====
Average number of shares outstanding.....	17,224	16,731
Basic net income (loss) per share.....	\$ (0.32)	\$ 0.02
	=====	=====
Diluted per share computation:		
Net income (loss) available to common stock.....	\$ (5,528)	\$ 426
Average number of shares outstanding.....	17,224	16,731
Effect of dilutive stock options.....	--	187
Effect of preferred stock and dilutive warrants..	--	338
	-----	-----
Average dilutive number of shares outstanding....	17,224	17,256
	=====	=====
Diluted net income (loss) per share.....	\$ (0.32)	\$ 0.02
	=====	=====

Option and warrants to purchase 3,732,562 shares of common stock and preferred stock convertible into 3,467,801 shares of common stock at March 31, 2000 were not included in the computation of diluted net loss per share for the three months ended March 31, 2000 because their effect would have been antidilutive. Options and warrants to purchase 2,539,068 shares of common stock (at a price range of \$4.31 to \$23.00) outstanding at March 31, 1999 were not included in the computation of diluted net income per share for the three months ended March 31, 1999 because the exercise prices were greater than the average market price of the common stock for the period.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

5. Comprehensive Income (Loss)

Comprehensive income (loss) for the three months ended March 31 was as follows:

	2000	1999
	-----	-----
(In thousands)		
Net income (loss).....	\$ (1,063)	\$ 426
Unrealized gains on investments.....	300	16
Reclassification adjustment for gains included in net income.....	(176)	--
Comprehensive income (loss).....	<u>\$ (939)</u>	<u>\$ 442</u>

6. Inventories

Inventories consist of the following:

	March 31, 2000	December 31, 1999
	-----	-----
(In thousands)		
Finished goods.....	\$ 4,363	\$ 3,786
Work-in-process.....	2,962	2,224
Raw materials.....	3,342	4,101
	<u>\$10,667</u>	<u>\$ 10,111</u>

7. Current Liabilities

Accrued expenses consist of the following:

	March 31, 2000	December 31, 1999
	-----	-----
(In thousands)		
Legal fees.....	\$ 702	\$ 526
Vacation.....	578	533
Acquisition related costs....	--	658
Contract research.....	359	378
Other.....	3,845	3,445
	<u>\$ 5,484</u>	<u>\$ 5,540</u>

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

8. Segment Reporting

The Company's reportable business segments consist of the Integra NeuroSciences division, which is a leading provider of implants, instruments and monitors used in neurosurgery, neurotrauma, and related critical care, and the Integra LifeSciences division, which develops and manufactures a variety of medical products and devices, including products based on the Company's proprietary tissue regeneration technology, which are used to treat soft-tissue and orthopedic conditions. Integra NeuroSciences sells primarily through a direct sales organization, and Integra LifeSciences sells primarily through strategic alliances and distributors. Selected financial information on the Company's business segments is reported below (in thousands):

	Integra LifeSciences	Integra NeuroSciences	Total Reportable Segments	Corporate	Total
	-----	-----	-----	-----	-----
First Quarter 2000					
Product sales	\$ 4,479	\$ 8,757	\$ 13,236	\$ --	\$ 13,326
Total revenue	5,400	9,007	14,407	--	14,407
Operating costs	5,216	8,529	13,745	1,912	15,657
Operating income (loss)	184	478	662	(1,912)	(1,250)
First Quarter 1999					
Product sales	\$ 4,084	\$ 521	\$ 4,605	\$ --	\$ 4,605
Total revenue	4,447	521	4,968	--	4,968
Operating costs	6,222	773	6,995	1,501	8,496
Operating income (loss)	(1,775)	(252)	(2,027)	(1,501)	(3,528)

Included in operating expenses were the following amounts of depreciation and amortization:

	Integra LifeSciences	Integra NeuroSciences	Total Reportable Segments	Corporate	Total
	-----	-----	-----	-----	-----
First Quarter 2000	310	711	1,021	61	1,082
First Quarter 1999	371	40	411	32	443

For the three months ended March 31, 2000 and 1999, the Company's foreign sales, primarily to Europe and the Asia Pacific regions, were 20% and 18% of total product sales, respectively.

9. Legal Matters

In July 1996, the Company filed a patent infringement lawsuit in the United States District Court for the Southern District of California against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues to willfully and deliberately induce, defendants Scripps Research Institute and Dr. David A. Cheresh to infringe certain of the Company's patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by the Company that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid (known as "RGD") peptide sequence found in many extracellular matrix proteins. The defendants filed a countersuit asking for an award of defendants' reasonable attorney fees. This case went to trial in February 2000, and on March 17, 2000, a jury found that Merck KGaA had willfully

INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

9. Legal Matters, continued

induced infringement of the Company's patents and awarded the Company \$15.0 million in damages. This award may be adjusted by the court. The Company expects that Merck KgaA will appeal various decisions of the court and request a new trial, and it has requested a reduction in damages and a judgment as a matter of law notwithstanding the verdict. No amounts for this favorable verdict have been reflected in the Company's financial statements.

Bruce D. Butler, Ph.D., Bruce A. McKinley, Ph.D., and C. Lee Parmley (the "Optex Claimants"), each parties to a Letter Agreement (the "Letter Agreement") with Camino NeuroCare, Inc., a wholly-owned subsidiary of the Company ("Camino"), dated as of December 18, 1996, have alleged that Camino breached the terms of the Letter Agreement prior to the Company's acquisition of the NeuroCare Group (Camino's prior parent company). The Letter Agreement contains arbitration provisions, and the Company and the Optex Claimants have agreed to negotiate rather than seek arbitration for a limited time. While we believe that Camino has valid legal and factual defenses, the Optex Claimants have asserted unspecified significant damages, and we believe that the Optex Claimants are likely to pursue arbitration under the Letter Agreement if the matter is not settled otherwise. We cannot predict the outcome of such an arbitration, were it to take place. In addition, we have asserted a right to indemnification from the seller of the NeuroCare businesses, but there can be no assurance that indemnification, if any, will be obtained.

10. Subsequent Events

On April 6, 2000, the Company purchased the Selector(R) Ultrasonic Aspirator, Ruggles(TM) hand-held neurosurgical instruments and cryosurgery product lines, including certain assets and liabilities, from NMT Medical, Inc. for \$12.0 million in cash. Revenues of the acquired product lines during 1999 were approximately \$12.1 million. This acquisition will be accounted for using the purchase method of accounting and its results of operations will be included in the Company's consolidated financial statements as of the date of acquisition.

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

The following discussion should be read in conjunction with the Company's consolidated financial statements, the notes thereto and the other financial information included elsewhere in this report and in the Company's 1999 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

General

The Company develops, manufactures and markets medical devices, implants and biomaterials. The Company's operations consist of (1) Integra NeuroSciences, which is a leading provider of implants, instruments, and monitors used in neurosurgery, neurotrauma, and related critical care and (2) Integra LifeSciences, which develops and manufactures a variety of medical products and devices, including products based on our proprietary tissue regeneration technology which are used to treat soft tissue and orthopedic conditions. Integra NeuroSciences sells primarily through a direct sales organization, and Integra LifeSciences sells primarily through strategic alliances and distributors.

As a result of the acquisitions of the NeuroCare Group of companies ("NeuroCare") in March 1999 and the business, including certain assets and liabilities, of Clinical Neuro Systems, Inc. ("CNS") in January 2000, and the transition of all selling and marketing efforts related to INTEGRA(R) Artificial Skin to Johnson & Johnson Medical ("JJM") under an agreement with JJM (the "JJM Agreement") in June 1999, the Company's segment financial results for the three months ended March 31, 2000 and 1999 may not be directly comparable. Additionally, the financial information discussed below should be considered in light of the acquisition of certain assets and liabilities from NMT Medical, Inc. in April 2000.

Results of Operations

Three Months Ended March 31, 2000 Compared to Three Months Ended March 31, 1999

Overall, the Company recorded a net loss of \$1.1 million for the three months ended March 31, 2000, as compared to net income of \$0.4 million for the comparable period in 1999. Included in the 1999 results is a \$4.2 million gain (\$3.7 million net of taxes) related to the sale of a product line. Operating results for the three months ended March 31, 2000 improved by \$2.2 million, with an operating loss of \$1.3 million recorded in 2000 as compared to a \$3.5 million operating loss in 1999. The improvement in 2000 operating results was primarily due to the successful integration of recent business acquisitions, including the \$25.4 million NeuroCare acquisition in March 1999 and the \$6.8 million acquisition of CNS in January 2000, the implementation of the JJM Agreement and the launch of the DuraGen(TM) Dural Graft Matrix product in the third quarter of 1999.

Total revenues increased by \$9.4 million to \$14.4 million for the three months ended March 31, 2000 as compared to \$5.0 million for the three months ended March 31, 1999, primarily as a result of business acquisitions. Product sales increased by \$8.6 million to \$13.2 million for the three months ended March 31, 2000 as compared to \$4.6 million for the three months ended March 31, 1999. Product sales and cost of product sales were as follows (in thousands):

	Integra NeuroSciences -----	Integra LifeSciences -----	Consolidated -----
Three months ended March 31, 2000:			
Product sales.....	\$ 8,757	\$ 4,479	\$ 13,236
Cost of product sales.....	4,119	2,473	6,592
Gross margin on product sales...	4,638	2,006	6,644
Gross margin percentage.....	53%	45%	50%

	Integra NeuroSciences -----	Integra LifeSciences -----	Consolidated -----
Three months ended March 31, 1999:			
Product sales.....	\$ 521	\$ 4,084	\$ 4,605
Cost of product sales.....	298	2,396	2,694
Gross margin on product sales...	223	1,688	1,911
Gross margin percentage.....	43%	41%	41%

Product sales in the Integra NeuroSciences division increased as a result of acquired product lines and the launch of the DuraGen(TM) product in the third quarter of 1999. Gross margin on product sales increased to 53% for the three months ended March 31, 2000, with \$95,000 of fair value purchase accounting adjustments from the CNS acquisition recorded in cost of product sales in the first quarter of 2000. Gross margin on product sales for the quarter ended March 31, 1999 included the effects of \$65,000 of fair value purchase accounting adjustments recorded in cost of product sales. Excluding purchase accounting adjustments, gross margin on product sales would have been 54% and 55% in the first quarter of 2000 and 1999, respectively.

Product sales in the Integra LifeSciences division increased primarily because of acquired product lines and the first commercial sale of tyrosine polycarbonate polymers for use in the clinical development of various fixation devices, all of which were offset by lower sales prices of INTEGRA(R) Artificial Skin to JJM under the JJM Agreement. Gross margin on product sales increased to 45% for the three months ended March 31, 2000, as compared to 41% for the three months ended March 31, 1999. Excluding \$145,000 of fair value purchase accounting adjustments recorded in the first quarter of 1999, gross margin on product sales in 1999 would have been 45%. Lower gross margins on sales of INTEGRA(R) Artificial Skin to JJM during the three months ended March 31, 2000 and lower utilization of the INTEGRA(R) Artificial Skin manufacturing facility in the comparable period ended March 31, 1999 resulted in lower overall margins for the Integra LifeSciences division.

Other revenue in the Integra NeuroSciences segment increased \$0.3 million to \$0.3 million for the three months ended March 31, 2000 and consisted of royalty income. Other revenue in the Integra LifeSciences segment increased to \$0.9 million for the three months ended March 31, 2000, as compared to \$0.4 million for the three months ended March 31, 1999. The majority of this increase relates to contract research funding related to INTEGRA(R) Artificial Skin received under the JJM Agreement.

Research and development expenses were as follows (in thousands):

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Integra NeuroSciences	\$ 491	\$ 112
Integra LifeSciences	1,337	1,828
	-----	-----
Total	\$1,828	\$1,940

Research and development expense in the Integra NeuroSciences segment increased \$0.4 million to \$0.5 million for the three months ended March 31, 2000 primarily due to the NeuroCare acquisition. Research and development activities within the Integra LifeSciences segment decreased \$0.5 million to \$1.3 million for the three months ended March 31, 2000 primarily because of reduced headcount and the elimination of several research programs that were ongoing in the first quarter of 1999. The Company has substantially completed the reorganization of its research and development resources and does not expect further reductions in research and development expense going forward. Future expenditures will

depend upon the progress of ongoing research and development programs, including those for which the Company receives funding from third parties.

Approximately 41% and 16% of the Company's total research and development expenses for the three months ended March 31, 2000 and 1999, respectively, were funded through external grants and development funding programs. The increase in funded research in 2000 is primarily the result of research funding received from JJM under the JJM Agreement related to research on INTEGRA(R) Artificial Skin.

Selling and marketing expenses were as follows (in thousands):

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Integra NeuroSciences	\$ 2,417	\$ 290
Integra LifeSciences	500	1,270
	-----	-----
Total	\$ 2,917	\$1,560

Integra NeuroSciences selling and marketing expenses increased by \$2.1 million to \$2.4 million for the three months ended March 31, 2000 primarily due to the NeuroCare and CNS acquisitions. The decrease of \$0.8 million in Integra LifeSciences selling and marketing expenses to \$0.5 million for the three months ended March 31, 2000 is primarily the result of the transition of INTEGRA(R) Artificial Skin selling and marketing activities to JJM.

General and administrative expenses were as follows (in thousands):

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Integra NeuroSciences	\$ 968	\$ 55
Integra LifeSciences	789	627
Corporate	1,851	1,469
	-----	-----
Total	\$3,608	\$2,151

Integra NeuroSciences general and administrative expenses increased to \$1.0 million for the three months ended March 31, 2000 primarily due to the NeuroCare and CNS acquisitions. General and administrative expenses in the Integra LifeSciences segment increased \$0.2 million to \$0.8 million for the three months ended March 31, 2000 primarily due to additional headcount. The increase of \$0.4 million in corporate general and administrative expenses to \$1.9 million for the three months ended March 31, 2000 resulted primarily from increased legal fees associated with the Merck KGaA litigation and additional headcount and facility costs.

Amortization and other depreciation (excluding \$370,000 and \$292,000 of depreciation included in cost of sales for the three months ended March 31, 2000 and 1999, respectively) were as follows (in thousands):

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Integra NeuroSciences	\$ 534	\$ 18
Integra LifeSciences	117	101
Corporate	61	32
	-----	-----
Total	\$ 712	\$ 151

Amortization and other depreciation in the Integra NeuroSciences segment increased to \$0.5 million for the three months ended March 31, 2000 as a result of the NeuroCare and CNS acquisitions. Included in this amount is \$473,000 of amortization of goodwill and other intangibles and \$61,000 of depreciation. Amortization and other depreciation in the Integra LifeSciences segment consisted almost entirely of depreciation.

Interest expense of \$280,000 for the three months ended March 31, 2000 consisted of interest associated with the term loan and revolving credit facility assumed in the NeuroCare acquisition and interest accrued on the \$2.8 million note payable to the seller of the CNS business.

For the three months ended March 31, 2000 and 1999, the Company recorded a gain of \$115,000 and \$4.2 million, respectively, in connection with the sale of a product line. In the first quarter of 1999, the Company recorded an income tax provision of \$460,000 in connection with the gain on the sale of the product line.

Liquidity and Capital Resources

The Company has incurred losses from operations since its inception and will continue to incur such losses unless and until product sales and research and collaborative arrangements generate sufficient revenue to fund continuing operations. As of March 31, 2000, the Company had an accumulated deficit of \$95.4 million.

The Company has funded its operations to date primarily through private and public offerings of equity securities, product revenues, research and collaboration funding, borrowings under a revolving credit line and cash acquired in connection with business acquisitions and dispositions. At March 31, 2000, the Company had cash, cash equivalents and short-term investments of approximately \$23.6 million (of which \$12.0 million was subsequently used in April 2000 in the acquisition of certain product lines assets and liabilities from NMT Medical, Inc.) and \$12.3 million in short and long-term borrowings. The Company's principal uses of funds during the three months ended March 31, 2000 were \$4.0 million for the acquisition of CNS, \$1.4 million in purchases of property and equipment and \$1.3 million used in operations. During this same period, the Company raised \$5.4 million from the sale of Series C Preferred Stock and warrants to affiliates of Soros Private Equity Partners LLC and \$1.1 million from the issuance of common stock through exercised stock options.

The Company maintains a term loan and the revolving credit facility from Fleet Capital Corporation (collectively, the "Fleet Credit Facility"), which is collateralized by all the assets and ownership interests of various subsidiaries of the Company including Integra NeuroCare LLC, and NeuroCare Holding Corporation (the parent company of Integra NeuroCare LLC) has guaranteed Integra NeuroCare LLC's obligations. Integra NeuroCare LLC is subject to various financial and non-financial covenants under the Fleet Credit Facility, including significant restrictions on its ability to transfer funds to the Company or the Company's other subsidiaries. The financial covenants specify minimum levels of interest and fixed charge coverage and net worth, and also specify maximum levels of capital expenditures and total indebtedness to operating cash flow, among others. While the Company anticipates that Integra NeuroCare LLC will be able to satisfy the requirements of these financial covenants, there can be no assurance that Integra NeuroCare LLC will generate sufficient earnings before interest, taxes, depreciation and amortization to meet the requirements of such covenants. The term loan is subject to mandatory prepayment amounts if certain levels of cash flow are achieved.

Additionally, in January 2000, the Company issued a 5% \$2.8 million promissory note to the seller of the CNS business. The promissory note, which is payable in two principal payments of \$1.4 million each, plus accrued interest, in January 2001 and 2002, is collateralized by inventory, property and equipment of the CNS business and by a collateral assignment of a \$2.8 million promissory note from one of the Company's subsidiaries.

In the short-term, the Company believes that it has sufficient resources to fund its operations. However, in the longer-term, there can be no assurance that the Company will be able to generate sufficient revenues to obtain positive operating cash flows or profitability.

Other Matters

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Investments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivatives and hedging activities and supercedes several existing standards. SFAS No. 133, as amended by SFAS No. 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company does not expect that the adoption of SFAS No. 133 will have a material impact on the consolidated financial statements.

In December 1999 (as amended in March 2000) the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101, Revenue Recognition (the "SAB"). To the extent the guidance in the SAB differs from generally accepted accounting principles previously utilized by an SEC registrant, the SAB indicates that the SEC staff will not object to reporting the cumulative effect of a change in accounting principle.

Prior to promulgation of the SAB, the Company had reported some non-refundable, up-front and milestone fees received pursuant to distribution agreements in the period earned, which was deemed to be the date when all related material commitments had been satisfied and no future consideration was required. While the Company believes the related supply arrangements entered into with its distributors provides for arms-length pricing of product sales, the SAB requires that the distribution agreement fees now be linked to the supply arrangements and reported as additional revenue from product sales made pursuant to those arrangements. As a result, up-front distribution agreement fees are initially deferred and subsequently amortized on a straight-line basis over the contractual period of the supply arrangements.

The Company is currently assessing the full impact that the SAB will have on its financial statements. Once the final assessment is complete, the total financial impact of the SAB will be recorded as a cumulative effect of a change in accounting principle in the second quarter of 2000. The Company currently anticipates that the cumulative effect as of April 1, 2000 of the change in accounting principle (if measured at April 1, 2000) would be within a range of \$1.3 million to \$3.2 million.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In July 1996, the Company filed a patent infringement lawsuit in the United States District Court for the Southern District of California against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues to willfully and deliberately induce, defendants Scripps Research Institute and Dr. David A. Cheresh to infringe certain of the Company's patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by the Company that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid (known as "RGD") peptide sequence found in many extracellular matrix proteins. The defendants filed a countersuit asking for an award of defendants' reasonable attorney fees. This case went to trial in February 2000, and on March 17, 2000, a jury found that Merck KGaA had willfully induced infringement of the Company's patents and awarded the Company \$15.0 million in damages. This award may be adjusted by the court. The Company expects that Merck KGaA will appeal various decisions of the court and request a new trial, and it has requested a reduction in damages and a judgment as a matter of law notwithstanding the verdict. No amounts for this favorable verdict have been reflected in the Company's financial statements.

Item 2. Changes in Securities and Use of Proceeds

On March 29, 2000, the Company issued and sold to affiliates of Soros Private Equity Partners LLC 54,000 shares of Series C Convertible Preferred Stock and warrants to purchase 300,000 shares of common stock of the Company at an exercise price of \$9.00 per share. The aggregate purchase paid by the purchasers was \$5.4 million. The shares of Series C Preferred Stock are currently convertible into 600,000 shares of common stock of the Company. The foregoing securities were issued by the Company in reliance upon Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement, dated as of January 14, 2000, among Clinical Neuro Systems Holdings LLC, Clinical Neuro Systems, Inc., Surgical Sales Corporation (trading as Connell Neurosurgical) and George J. Connell.
2.2	Asset Purchase Agreement dated March 20, 2000 by and among Integra Selector Corporation, NMT Neurosciences (US), Inc. and NMT Medical, Inc.
2.3	Purchase Agreement dated March 20, 2000 by and among NMT Medical, Inc., NMT Neurosciences (US), Inc., NMT Neurosciences Holdings (UK) Ltd., NMT Neurosciences (UK) Ltd., Spembly Medical Ltd., Spembly Cryosurgery Ltd., Swedemed AB, Integra Neurosciences Holdings (UK) Ltd. and Integra Selector Corporation.
4.1	Certificate of Designation, Rights and Preferences of Series C Convertible Preferred Stock of Integra LifeSciences Holdings Corporation dated March 21, 2000.

- 4.2 Certificate of Amendment of Certificate of Designation, Rights and Preferences of Series B Convertible Preferred Stock of Integra LifeSciences Holdings Corporation dated March 21, 2000.
- 4.3 Warrant to Purchase 270,550 Shares of Common Stock of Integra LifeSciences Holdings Corporation issued to Quantum Industrial Partners LDC.
- 4.4 Warrant to Purchase 29,450 Shares of Common Stock of Integra LifeSciences Holdings Corporation issued to SFM Domestic Investments LLC.
- 10.1 Secured Promissory Note, dated January 14, 2000, from Clinical Neuro Systems Holdings LLC to Clinical Neuro Systems, Inc.
- 10.2 Security Agreement, dated as of January 14, 2000, among Clinical Neuro Systems Holdings LLC, Clinical Neuro Systems, Inc. and George J. Connell.
- 10.3 Collateral Assignment, dated as of January 14, 2000, from Clinical Neuro Systems Holdings LLC to Clinical Neuro Systems, Inc. and George J. Connell.
- 10.4 Subordinated Promissory Note, dated January 14, 2000, from Integra LifeSciences Corporation to Clinical Neuro Systems Holdings LLC.
- 10.5 Consulting Agreement, dated January 14, 2000, between Integra LifeSciences Corporation and George J. Connell
- 10.6 Series C Convertible Preferred Stock and Warrant Purchase Agreement dated February 16, 2000 among Integra LifeSciences Holdings Corporation, Quantum Industrial Partners LDC and SFM Domestic Investments LLC.
- 10.7 Amended and Restated Registration Rights Agreement dated March 29, 2000 among Integra LifeSciences Holdings Corporation, Quantum Industrial Partners LDC and SFM Domestic Investments LLC.
- 10.8 Employment Agreement between Michael D. Pierschbacher and the Company dated December 31, 1998.
- 10.9 Employment Agreement between Donald R. Nociolo and the Company dated December 31, 1998.
- 27 Financial Data Schedule

(b) Reports on Form 8-K

The Company filed with the Securities and Exchange Commission a Report on Form 8-K dated January 14, 2000 with respect to the Company's acquisition of the business, including certain assets and liabilities, of Clinical Neuro Systems, Inc.

The Company filed with the Securities and Exchange Commission a Report on Form 8-K dated March 20, 2000 with respect to (i) the verdict reached in the case Integra LifeSciences (and certain affiliates) and The Burnham Institute vs. Merck KGaA and (ii) the announcement of the Company's agreement to acquire certain assets and liabilities from NMT Medical, Inc.

SIGNATURES

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

Date: May 12, 2000 /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: May 12, 2000 /s/ David B. Holtz

David B. Holtz
Vice President, Finance and Treasurer

INDEX OF EXHIBITS

Exhibit Number - - - - -	Description of Exhibit - - - - -	Location - - - - -
2.1	Asset Purchase Agreement, dated as of January 14, 2000, among Clinical Neuro Systems Holdings LLC, Clinical Neuro Systems, Inc., Surgical Sales Corporation (trading as Connell Neurosurgical) and George J. Connell. (1)	(Exh. 2)
2.2	Asset Purchase Agreement dated March 20, 2000 by and among Integra Selector Corporation, NMT Neurosciences (US), Inc. and NMT Medical, Inc. (2)	(Exh. 2.1)
2.3	Purchase Agreement dated March 20, 2000 by and among NMT Medical, Inc., NMT Neurosciences (US), Inc., NMT Neurosciences Holdings (UK) Ltd., NMT Neurosciences (UK) Ltd., Spembly Medical Ltd., Spembly Cryosurgery Ltd., Swedemed AB, Integra Neurosciences Holdings (UK) Ltd. and Integra Selector Corporation.(2)	(Exh. 2.2)
4.1	Certificate of Designation, Rights and Preferences of Series C Convertible Preferred Stock of Integra LifeSciences Holdings Corporation dated March 21, 2000. (3)	(Exh. 4.1)
4.2	Certificate of Amendment of Certificate of Designation, Rights and Preferences of Series B Convertible Preferred Stock of Integra LifeSciences Holdings Corporation dated March 21, 2000. (3)	(Exh. 4.2)
4.3	Warrant to Purchase 270,550 Shares of Common Stock of Integra LifeSciences Holdings Corporation issued to Quantum Industrial Partners LDC. (3)	(Exh. 4.3)
4.4	Warrant to Purchase 29,450 Shares of Common Stock of Integra LifeSciences Holdings Corporation issued to SFM Domestic Investments LLC. (3)	(Exh. 4.4)
10.1	Secured Promissory Note, dated January 14, 2000, from Clinical Neuro Systems Holdings LLC to Clinical Neuro Systems, Inc. (1)	(Exh. 10.1)
10.2	Security Agreement, dated as of January 14, 2000, among Clinical Neuro Systems Holdings LLC, Clinical Neuro Systems, Inc. and George J. Connell. (1)	(Exh. 10.2)
10.3	Collateral Assignment, dated as of January 14, 2000, from Clinical Neuro Systems Holdings LLC to Clinical Neuro Systems, Inc. and George J. Connell. (1)	(Exh. 10.3)
10.4	Subordinated Promissory Note, dated January 14, 2000, from Integra LifeSciences Corporation to Clinical Neuro Systems Holdings LLC. (1)	(Exh. 10.4)
10.5	Consulting Agreement, dated January 14, 2000, between Integra LifeSciences Corporation and George J. Connell (1)	(Exh. 10.5)
10.6	Series C Convertible Preferred Stock and Warrant Purchase Agreement dated February 16, 2000 among Integra LifeSciences Holdings Corporation, Quantum Industrial Partners LDC and SFM Domestic Investments LLC. (3)	(Exh. 10.1)

- 10.7 Amended and Restated Registration Rights Agreement dated March 29, 2000 among Integra LifeSciences Holdings Corporation, Quantum Industrial Partners LDC and SFM Domestic Investments LLC. (3) (Exh. 10.2)
- 10.8 Employment Agreement between Michael D. Pierschbacher and the Company dated December 31, 1998. (4)
- 10.9 Employment Agreement between Donald R. Nociolo and the Company dated December 31, 1998. (4)
- 27 Financial Data Schedule (4)

- (1) Incorporated by reference to the indicated exhibit to the Company's Report on Form 8-K filed with the Commission on January 27, 2000.
- (2) Incorporated by reference to the indicated exhibit to the Company's Report on Form 8-K filed with the Commission on March 28, 2000.
- (3) Incorporated by reference to the indicated exhibit to the Company's Report on Form 8-K filed with the Commission on April 10, 2000.
- (4) Filed herewith.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made this 31st day of December, 1998 by and between Integra LifeSciences Corporation, a Delaware corporation, and Michael Pierschbacher ("Executive").

Background

Executive is currently the Senior Vice President, Research & Development and Director, Corporate Research Center of Company. Company desires to continue to employ Executive, and Executive desires to remain in 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 covenant and other restrictive covenants contained in Section 14 of this Agreement constitute essential elements hereof.

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

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has --

(1) failed to perform his stated duties and not cured such failure (if curable) within 15 days of his receipt of written notice of the failure;

(2) breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by Company;

(4) engaged in willful misconduct;

(5) engaged in a breach of fiduciary duty;

(6) willfully violated any law, rule or regulation, or final cease-and-desist order (other than traffic violations or similar offenses); or

(7) engaged in other serious misconduct of such a nature that his continued employment may reasonably be expected to affect Company adversely.

(d) A "Change in Control" of Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired, by any individual, entity or group (a "Person"), Company, any trustee or other fiduciary holding securities under any employee of benefit plan of Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of Company in substantially the same proportions as their ownership of stock of Company (for purposes of this Agreement, "Company Voting in Securities" shall mean the then outstanding voting

securities of Company entitled to vote generally in the election of directors); provided, however, that any acquisition from Company or any acquisition pursuant to a transaction which complies with clauses (i) , (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason 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 Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be, considered as though such individual were a member of the, Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) upon consummation by Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of 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 Company or all or substantially all of Company's assets either directly or through one or more subsidiaries (the "Parent Corporation"), is represented, directly or indirectly, [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 Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly,] by 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving corporation) except to the extent that such ownership of the Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(4) Upon approval by the stockholders of company if a complete liquidation or dissolution of company.

(e) "Code" shall mean the internal Revenue code of 1986, as amended.

(f) "Company" shall mean Integra LifeSciences corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Corporation

(g) "Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.

(h) "Good Reason" shall mean:

- (1) a material breach of this Agreement by company which is not cured by Company within 15 days of its receipt of written notice of the breach;
- (2) without Executive's express written consent, the Board reduces Executive's Base Salary or the aggregate fringe benefits provided to Executive (except to the extent permitted by Section 5 or section 6, respectively); provided, Executive resigns with 30 days after the change objected to; or
- (3) Company fails to obtain the assumption of this Agreement by any successor to Company.

(i) "Principal Executive Office" shall mean Company's principal office for executives, presently located at 105 Morgan Lane, Plainsboro, New Jersey 08536.

(j) "Retirement" shall mean the termination of Executive's employment with Company in accordance with the retirement policies, including early retirement policies, generally applicable to Company's salaried employees.

(k) "Termination Date" shall mean the date specified in the Termination

Notice.

(1) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 15(h).

2. Employment. Company hereby employs Executive as Senior Vice President, Research & Development and Director, Corporate Research Center and Executive hereby agrees to continue such employment and agrees to render services to Company in such capacity (or in such other capacity in the future as the Chief Executive Officer may decide in his sole discretion) on the terms and conditions set forth in this Agreement.

Executive's primary place of employment shall be at the Principal Executive Office or other corporate location, as the Chief Executive Officer deems appropriate.

3. Term.

(a) Term and Renewal of Agreement. Unless earlier terminated by Executive or Company as provided in Section 10 hereof, the term of Executive's employment under this Agreement shall be two (2) years, commencing on the date of this Agreement and, subject to subsection 3(b), shall be deemed automatically, without further action, to extend for an additional year on each annual anniversary of the date of this Agreement.

(b) Annual Review. Prior to the second annual anniversary of the date of this Agreement and each annual anniversary thereafter, the Board shall consider extending the term of this Agreement. The term shall continue to extend in the manner set forth in subsection 3(a) unless either the Board does not approve the extension and provides written notice to Executive of such event, or Executive gives written notice to Company Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 30 days prior to any such anniversary date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

4. Duties. Executive shall:

(a) Faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such additional or different acts, duties and services as the Chief Executive Officer may assign in the future; and

(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than Company without the prior written consent of the Board, which consent may be granted or withheld in its sole discretion.

5. Compensation. Company shall compensate Executive for his services at a minimum base salary of \$198,000 per year ("Base Salary"), payable in periodic installments in accordance with Company's regular payroll practices in effect from time to time. Executive's Base Salary may be increased from time to time in such amounts as may be determined by the Board, but may not be decreased without Executive's express written consent (unless the decrease is pursuant to a general compensation reduction applicable to all, or substantially all, executive officers of Company). Bonus payments may be made as determined appropriate by the Board in its sole discretion.

6. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock-based plan of Company, and shall be eligible for any other plans and benefits covering executives of Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. Company shall not make any change in such plans or benefits, which would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of Company.

7. Vacation. Executive shall be entitled to pay annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than three weeks per annum. Regardless of what the Company's standard vacation policy may be, Executive shall not be entitled to extra cash payments for any vacation he does not utilize.

8. Business Expenses. Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Board.

9. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.

10. Termination

(a) Termination without Salary Continuation. In the event (i) Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by Company due to his Retirement, Disability or death, or for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment.

(b) Termination with Salary Continuation (No Change in Control}. Except as provided in subsection 10(c) in the event of a Change in Control, in the event (i) Executive's employment is terminated by Company for a reason other than Retirement, Disability, death or Cause, or (ii) Executive terminates his employment for Good Reason, then Company shall:

(1) Pay Executive a severance amount equal to the greater of (i) one times Executive's Base Salary as of his last day of active employment, or (ii) the unpaid portion of Executive's Base Salary for the remainder of the then current term of this Agreement; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date (unless Executive elects, in writing and on, or not later than 30 days after, the date this Agreement is executed, to receive the severance payment divided into 24 equal monthly installments, paid beginning on the first business day of the month following the Termination Date); and

(2) Maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the expiration of 12 months from Executive's last day of active employment; (ii) the date of Executive's full-time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons.

(c) Termination with Salary Continuation (Change in Control}. Notwithstanding anything to the contrary set forth in subsection 10(b), in the event within six months of a Change in Control: (i) Executive terminates his employment for Good Reason; or (ii) Executive's employment is terminated by Company for a reason other than Retirement, Disability, death or Cause, then Company shall:

(1) Pay Executive a severance amount equal to 2.99 times Executive's Base Salary as of his last day of active Employment; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date (unless Executive elects, in writing and on, or not later than 30 days after, the date this Agreement is executed, to receive the severance payment divided into 24 equal monthly installments, paid beginning on the first business day of the month following the Termination Date); and

(2) Maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the expiration of 12 months from Executive's last day of active employment; (ii) the date of Executive's full-time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons.

(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.

11. Withholding. Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.

12. Assignability. Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of Company hereunder as fully as if it had been originally made a party hereto. Company may not otherwise assign this Agreement or its rights and obligations hereunder. This

Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by Company.

13. Death of Executive. Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.

14. Restrictive Covenants.

(a) Covenant Not to Compete. During the term of this Agreement and for a period of one (1) year following the Termination Date, Executive shall not directly or indirectly: (i) engage, anywhere within the geographical areas in which 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 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 primarily 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) solicit (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) intentionally undertake 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.

(b) 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 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.

(c) 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 14(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to 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.

(d) Breach of Covenant. Any breach or violation of the provisions in this Section 14 by Executive will result in forfeiture by Executive and all other persons of all rights to any further payments or benefits under this Agreement, and in such event Company shall have no further obligation to pay any amounts related thereto. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 14 and that Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and

specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 14 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.

15 .Miscellaneous

(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on Company's behalf.

(b) Nature of Obligations. Nothing contained herein shall create or require Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from Company hereunder, such right shall be no greater than the right of any unsecured general creditor of Company.

(c) Prior Employment. Executive represents and warrants that his acceptance of employment with Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.

(d) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

(e) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.

(f) Severability .If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.

(g) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the party's hereto and their respective successors, permitted assigns, heirs, executors, and administrators.

(h) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand-delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:

Integra LifeSciences Corporation
105 Morgan Lane
Plainsboro, New Jersey 08536
Attn: President

To the Executive:

Mr. Michael Pierschbacher
148 W. Spruce Street
San Diego, CA 92103

(i) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.

(j) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

INTEGRA LIFESCIENCES CORPORATION

/s/ Stuart Essig

President

EXECUTIVE

/s/ Michael D. Pierschbacher

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made this 31st day of December, 1998 by and between Integra LifeSciences Corporation, a Delaware corporation, and Donald Nociolo ("Executive").

Background

Executive is currently the Vice President, Manufacturing Operations of Company. Company desires to continue to employ Executive, and Executive desires to remain in 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 covenant and other restrictive covenants contained in Section 13 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

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of Company, or any successor thereto.

(c) "Cause, " as determined by the Board in good faith, shall mean Executive has -

(1) failed to perform his stated duties and not cured such failure (if curable) within 15 days of his receipt of written notice of the failure;

(2) breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by Company;

(4) engaged in willful misconduct;

(5) engaged in a breach of fiduciary duty;

(6) willfully violated any law, rule or regulation, or final cease-and-desist order (other than traffic violations or similar offenses); or

(7) engaged in other serious misconduct of such a nature that his continued employment may reasonably be expected to affect Company adversely.

(d) A "Change in Control" of Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), Company, any trustee or other fiduciary holding securities under any employee benefit plan of Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of Company in substantially the same proportions as their ownership of stock of Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of Company entitled to vote generally in the election of directors); provided, however, that any acquisition from Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason 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 Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) upon consummation by Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of 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 Company or all or substantially all of 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 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 Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

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

(e)"Code" shall mean the Internal Revenue Code of 1986, as amended.

(f)"Company" shall mean Integra LifeSciences Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Corporation.

(g)"Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.

(h)"Good Reason" shall mean:

(1)a material breach of this Agreement by Company which is not cured by Company within 15 days of its receipt of written notice of the breach;

(2)without Executive's express written consent, the Board reduces Executive's Base Salary or the aggregate fringe benefits provided to Executive (except to the extent permitted by Section 5 or Section 6, respectively); provided, Executive resigns within 30 days after the change objected to; or

(3)Company fails to obtain the assumption of this Agreement by any successor to Company.

(i)"Principal Executive Office" shall mean Company's principal office for executives, presently located at 105 Morgan Lane, Plainsboro, New Jersey 08536.

(j)"Retirement" shall mean the termination of Executive's employment with Company in accordance with the retirement policies, including early retirement policies, generally applicable to Company's salaried employees.

(k)"Termination Date" shall mean the date specified in the Termination Notice.

(l)"Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the

manner specified in Section 14(h).

2. Employment. Company hereby employs Executive as Vice President, Manufacturing Operations and Executive hereby agrees to continue such employment and agrees to render services to Company in such capacity (or in such other capacity in the future as the Chief Executive Officer may decide in his sole discretion) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office or other corporate location, as the Chief Executive Officer deems appropriate.

3. Term.

(a) Term and Renewal of Agreement. Unless earlier terminated by Executive or Company as provided in Section 9 hereof, the term of Executive's employment under this Agreement shall be two (2) years, commencing on the date of this Agreement and, subject to subsection 3(b), shall be deemed automatically, without further action, to extend for an additional year on each annual anniversary of the date of this Agreement.

(b) Annual Review. Prior to the second annual anniversary of the date of this Agreement and each annual anniversary thereafter, the Board shall consider extending the term of this Agreement. The term shall continue to extend in the manner set forth in subsection 3(a) unless either the Board does not approve the extension and provides written notice to Executive of such event, or Executive gives written notice to Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 30 days prior to any such anniversary date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

4. Duties. Executive shall:

(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such additional or different acts, duties and services as the Chief Executive Officer may assign in the future; and

(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than Company without the prior written consent of the Board or the Chief Executive Officer, which consent may be granted or withheld in its or his sole discretion.

5. Compensation. Company shall compensate Executive for his services at a minimum base salary of \$125,000 per year ("Base Salary"), payable in periodic installments in accordance with Company's regular payroll practices in effect from time to time. Executive's Base Salary shall be subject to annual reviews, but may not be decreased without Executive's express written consent (unless the decrease is pursuant to a general compensation reduction applicable to all, or substantially all, executive officers of Company). Bonus payments may be made as determined

appropriate by the Board in its sole discretion.

7. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock-based plan of Company, and shall be eligible for any other plans and benefits covering executives of Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. Company shall not make any change in such plans or benefits which would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of Company.

8. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than three weeks per annum:

9. Disability .In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.

10. Termination.

(a) Termination without Salary Continuation. In the event (i) Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by Company due to his Retirement, Disability or death, or for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment.

(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 9(c) in the event of a Change in Control, in the event (i) Executive's employment is terminated by Company for a reason other than Retirement, Disability, death or Cause, or (ii) Executive terminates his employment for Good Reason, then Company shall:

(1) pay Executive a severance amount equal to the greater of (i) one times Executive's Base Salary as of his last day of active employment, or (ii) the unpaid portion of Executive's Base Salary for the remainder of the then current term of this Agreement; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date (unless Executive elects, in writing and on, or not later than 30 days after, the date this Agreement is executed, to receive the severance payment divided into 24 equal monthly installments, paid beginning on the first business day of the month following the Termination Date); and

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the expiration of 12 months from Executive's last day of active employment; (ii) the date of Executive's full-time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to

participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons.

(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 9(b), in the event within six months of a Change in Control: (i) Executive terminates his employment for Good Reason; or (ii) Executive's employment is terminated by Company for a reason other than Retirement, Disability, death or Cause, then Company shall:

(1) pay Executive a severance amount equal to 1.99 times Executive's Base Salary as of his last day of active employment prior to the Change in Control; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date (unless Executive elects, in writing and on, or not later than 30 days after, the date this Agreement is executed, to receive the severance payment divided into 24 equal monthly installments, paid beginning on the first business day of the month following the Termination Date); and

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the expiration of 12 months from Executive's last day of active employment; (ii) the date of Executive's full-time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by Company for legal reasons.

(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.

11. Withholding. Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.

12. Assignability. Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of Company hereunder as fully as if it had been originally made a party hereto. Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by Company.

13. Death of Executive. Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.

14.Restrictive Covenants.

(a)Covenant Not to Compete. During the term of this Agreement and for a period of two (2) years following the Termination Date, Executive shall not directly or indirectly: (i) engage, anywhere within the geographical areas in which 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 Company's revenues during the six (6) month period prior to the Termination Date (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.

(b) 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 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.

(c) 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 13(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to 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.

(d)Breach of Covenant. Any breach or violation of the provisions in this Section 13 by Executive will result in forfeiture by Executive and all other persons of all rights to any further payments or benefits under this Agreement, and in such event Company shall have no further obligation to pay any amounts related thereto. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 13 and that Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 13 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.

15.Miscellaneous.

(a)Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on Company's behalf.

(b)Nature of Obligations. Nothing contained herein shall create or require Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from Company hereunder, such right shall be no greater than the right of any unsecured general creditor of Company.

(c)Prior Employment. Executive represents and warrants that his acceptance of employment with Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.

(d)Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

(e)Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and

feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.

(f) Severability .If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.

(g) Binding Effect. This Agreement shall be binding upon and inure to the-benefit of the parties hereto and their respective successors, permitted assigns, heirs, executors, and administrators.

(h) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand- delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:

Integra LifeSciences Corporation
105 Morgan Lane
Plainsboro, New Jersey 08536
Attn: President

To the Executive:

Mr .Donald Nociolo
98 Nassau Street
Apt 2
Princeton, NJ 08540

(i) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.

(j) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

INTEGRA LIFESCIENCES
CORPORATION

By: /s/ Stuart Essig

Title: President

EXECUTIVE

/s/ Donald Nociolo

3-MOS
DEC-31-2000
JAN-01-2000
MAR-31-2000
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