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 September 30, 1999

Commission file number 0-26224

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

Delaware	51-0317849
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

105 Morgan Lane Plainsboro, New Jersey	08536
(Address of principal executive offices)	(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.

/X/ - Yes / / - No

As of November 10, 1999 the registrant had outstanding 16,142,976 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
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands, except per share amounts)

	September 30, 1999	December 31, 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,888	$ 5,277
Short-term investments	7,912	14,910
Accounts receivable, net	7,820	3,106
Inventories	10,815	2,713
Prepaid expenses and other current assets	683	921
Total current assets	40,118	26,927
Property and equipment, net	9,566	6,291
Intangible assets and goodwill, net	13,376	1,446
Other assets	917	43
Total assets	$ 63,977	$ 34,707
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term loans (including current maturities on long-term loan)	$ 2,021	--
Accounts payable, trade	1,330	573
Income taxes payable	560	--
Accrued expenses and other current liabilities	5,455	2,303
Customer advances and deposits	1,658	153
Total current liabilities	11,024	3,029
Long-term loan	8,250	--
Deferred revenue	6,957	--
Deferred tax liability	777	--
Other liabilities	402	312
Total liabilities	27,410	3,341
Stockholders' Equity:		
Preferred stock, $.01 par value (15,000 authorized shares; 500 Series A Convertible shares issued and outstanding at September 30, 1999 and December 31, 1998, $4,000 liquidation preference; 100 Series B Convertible shares issued and outstanding at September 30, 1999, $10,000 with a 10% compounded annual cumulative dividend liquidation preference)	6	5
Common stock, $.01 par value (60,000 authorized shares; 15,833 shares issued and outstanding at September 30, 1999 and 15,785 shares issued and outstanding at December 31, 1998)	158	158
Additional paid-in capital	130,207	120,046
Other	(130)	(183)
Accumulated other comprehensive loss	(31)	(40)
Treasury stock at cost (2 shares at September 30, 1999 and 52 shares at December 31, 1998)	(10)	(286)
Accumulated deficit	(93,633)	(88,334)
Total stockholders' equity	36,567	31,366
Total liabilities and stockholders' equity	$ 63,977	$ 34,707

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

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

(In thousands, except per share amounts)

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
REVENUE				
Product sales	$11,464	$ 3,704	$28,202	$10,234
Other revenue	663	586	1,443	2,444
Total revenue	12,127	4,290	29,645	12,678
COSTS AND EXPENSES				
Cost of product sales	6,051	1,706	16,434	5,036
Research and development	2,249	2,220	6,553	6,437
Selling and marketing	2,421	1,201	6,927	4,280
General and administrative	4,103	2,383	10,788	7,949
Total costs and expenses	14,824	7,510	40,702	23,702
Operating loss	(2,697)	(3,220)	(11,057)	(11,024)
Gain on disposition of product line	--	--	4,161	--
Interest income	270	324	781	996
Interest expense	(215)	--	(452)	--
Other income (expense), net	72	(14)	60	593
Loss before income taxes	(2,570)	(2,910)	(6,507)	(9,435)
Income tax benefit	541	--	1,322	--
Net loss	$(2,029)	$(2,910)	$(5,185)	$(9,435)
Basic and diluted net loss per share	$ (0.14)	$ (0.18)	$ (0.34)	$ (0.59)
Weighted average number of common and common share equivalents outstanding	16,810	15,952	16,792	15,950

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

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

(In thousands)

	Nine Months Ended September 30, 1999	1998
OPERATING ACTIVITIES:		
Net loss	$ (5,185)	$ (9,435)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,128	1,010
Gain on sale of product line and other assets	(4,158)	--
Gain on litigation settlement	--	(264)
Provision for impairment of assets	--	145
Deferred tax benefit	(1,807)	--
Amortization of discount and interest on investments	(266)	(327)
Amortization of deferred revenue	(210)	--
Amortization of unearned compensation	308	214
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	186	51
Inventories	2,450	(151)
Prepaid expenses and other current assets	203	90
Non-current assets	(27)	49
Accounts payable, accrued expenses and other current liabilities	(505)	1,524
Customer advances and deposits	1,505	--
Deferred revenues	6,404	250
Net cash provided by (used in) operating activities	1,026	(6,844)
INVESTING ACTIVITIES:		
Proceeds from sale of product line and other assets	6,354	48
Purchase of restricted securities	--	(500)
Purchases of available-for-sale investments	(12,768)	(23,274)
Proceeds from sale/maturity of investments	20,000	27,020
Cash acquired in a business acquisition	--	1,224
Cash used in a business acquisition, net of cash acquired	(14,794)	--
Purchases of property and equipment	(1,553)	(939)
Net cash (used in) provided by investing activities	(2,761)	3,579
FINANCING ACTIVITIES:		
Net proceeds from revolving credit facility	21	--
Repayments of term loan	(750)	--
Proceeds from exercise of stock options	211	8
Treasury stock purchases	--	(259)
Proceeds from sale of preferred stock	9,924	4,000
Preferred stock dividends paid	(60)	(7)
Net cash provided by financing activities	9,346	3,742
Net increase in cash and cash equivalents	7,611	477
Cash and cash equivalents at beginning of period	5,277	2,083
Cash and cash equivalents at end of period	$ 12,888	$ 2,560
Supplemental disclosure of non-cash investing and financing activities:		
Assumption of term loan in connection with the acquisition of NeuroCare	$ 11,000	$ --
Common stock and warrants issued in business acquisition	--	3,886

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

1. General

In the opinion of management, the September 30 unaudited condensed 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 periods ended September 30, 1999 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 condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 1998 included in the Company's Annual Report on Form 10-K.

2. Strategic Alliance

On June 3, 1999, the Company and Johnson & Johnson Medical, Division of Ethicon, Inc. ("JJM"), signed an agreement (the "JJM Agreement") providing JJM with exclusive marketing and distribution rights to INTEGRA(Registered) Artificial Skin worldwide, excluding Japan and subject to transitional arrangements in certain countries, for a minimum of ten years. JJM may extend the JJM Agreement for successive ten-year periods solely at its discretion. Under the JJM Agreement, the Company will continue to manufacture INTEGRA(Registered) Artificial Skin and will collaborate with JJM to conduct research and development and clinical research aimed at expanding indications and developing future products in the field of skin repair and regeneration.

Upon signing the JJM Agreement, the Company received a payment from JJM of $5.3 million for the exclusive use of the Company's trademarks and regulatory filings related to INTEGRA(Registered) Artificial Skin and certain other rights. This amount has been recorded as deferred revenue and is being amortized over the initial ten-year term of the JJM Agreement. Additionally, the JJM Agreement requires JJM to make non-refundable payments to the Company each year based upon minimum purchases of INTEGRA(Registered) Artificial Skin. As a result, the Company received a $1.2 million prepayment upon signing the JJM Agreement for minimum purchases in 1999, which was recorded in current liabilities as customer advances and deposits.

The JJM Agreement also provides for annual research funding beginning in 2000 and additional payments upon the occurrence of certain clinical and regulatory events and for funding expansion of the Company's Integra Artificial Skin(Registered) production capacity as certain sales targets are achieved.

3. Acquisition

On March 29, 1999 the Company acquired the business, including certain assets and liabilities, of the NeuroCare group of companies ("NeuroCare"), a leading provider of neurosurgical products. The $25.4 million acquisition price was comprised of $14.4 million of cash and $11.0 million of assumed indebtedness under a term loan from Fleet Capital Corporation ("Fleet"). Fleet is also providing a $4.0 million revolving credit facility to fund working capital requirements, of which $21,000 was drawn down as of September 30, 1999. The cash portion of the purchase price was financed in part by affiliates of Soros Private Equity Partners LLC, through the sale of $10 million of Series B Convertible Preferred Stock and warrants. The convertible preferred shares are convertible into 2,617,801 shares of the Company's common stock, have a liquidation preference of $10.0 million with a 10% compounded annual return, payable only upon the Company's conditional redemption of the preferred shares or in the event of a liquidation or change in control, and are senior to all other equity securities of the Company. The warrants issued are for the right to acquire 240,000 shares of the Company's common stock at an exercise price of $3.82 per share.

The acquisition has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated based on estimated fair values at the date of acquisition. This preliminary allocation has resulted in acquired intangibles and goodwill of approximately $13.5 million, which is being amortized on a straight-line basis over periods ranging from 2 to 15 years. The following is a summary of the preliminary allocation (in thousands):

Cash	$ 285
Accounts receivable	4,899
Inventory	10,803
Property and equipment	3,641
Other assets	572
Intangibles and goodwill	13,454
Accrued expenses and other liabilities	(8,251)
Term loan	(11,000)
	$ 14,403

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

	For the Nine Months Ended September 30,	
	1999	1998
Total revenue	$ 36,817	$ 36,355
Net loss	(8,642)	(10,825)
Basic and diluted loss per share	$ (0.56)	$ (0.73)

Excluded from the pro forma results for the nine months ended September 30, 1999 is the $3.7 million gain, net of tax, ($0.22 per share) from the sale of the Panafil(Registered) product line (see Note 4). Included in the historical and pro forma amounts for the nine months ended September 30, 1999 are inventory purchase accounting adjustments of $2.2 million and severance costs of $1.1 million relating to the NeuroCare acquisition. The pro forma amounts for the nine months ended September 30, 1998 also include the $2.2 million fair value inventory purchase accounting adjustments related to the NeuroCare acquisition. These pro forma amounts are based upon certain assumptions and estimates, and do not reflect any activities that might have occurred as a result of the acquisition. 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.

4. Panafil(Registered) Product Line Disposition

In January 1999, the Company sold the Rystan Panafil(Registered) product line, including the brand name and related production equipment, to Healthpoint, Ltd. for $6.4 million in cash. The Company recognized a pre-tax gain of $4.2 million after adjusting for the net cost of the assets sold and for expenses associated with the divestiture, including the closing of the Rystan facility.

5. Loss per share and comprehensive loss

Basic and diluted net loss per share and comprehensive loss for the three and nine months ended September 30 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Basic and diluted loss per share:				
Net loss	$ (2,029)	$ (2,910)	$ (5,185)	$ (9,435)
Dividends on Series A preferred stock	(20)	(7)	(68)	(14)
Dividends on Series B preferred stock	(250)	--	(500)	--
Net loss applicable to common stock	$ (2,299)	$ (2,917)	$ (5,753)	$ (9,449)
Average number of shares outstanding	16,810	15,952	16,792	15,950
Basic and diluted loss per share	$ (0.14)	$ (0.18)	$ (0.34)	$ (0.59)
Comprehensive loss:				
Net loss	$ (2,029)	$ (2,910)	$ (5,185)	$ (9,435)
Unrealized gain (loss) on investments	101	(33)	9	(78)
Comprehensive loss	$ (1,928)	$ (2,943)	$ (5,176)	$ (9,513)

Options and warrants to purchase 4,071,197 and 2,445,000 shares of common stock and preferred stock convertible into 2,867,801 and 250,000 shares of common stock at September 30, 1999 and 1998, respectively, were not included in the computation of diluted loss per share because their effect would be antidilutive.

6. Inventory

Inventories consist of the following (in thousands):

	September 30, 1999	December 31, 1998
Finished goods	$ 3,700	$ 1,433
Work-in-process	2,870	802
Raw materials	4,245	478
	$10,815	$ 2,713

7. Current Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	September 30, 1999	December 31, 1998
Acquisition costs	$ 785	$ --
Legal fees	914	591
Provision for facility closing	404	96
Contract research	526	401
Vacation	554	260
Royalties	244	101
Commissions	189	105
Interest	179	--
Other	1,660	749
	$5,455	$2,303

8. Segment Reporting

As outlined in Note 15 of the 1998 audited financial statements, the Company's operations were comprised of two reportable business segments, (1) medical products and (2) skin defects and burns. As a result of certain transactions occurring in 1999, including the sale of the Panafil(Registered) product line, the NeuroCare acquisition, and the transfer of all INTEGRA(Registered) Artificial Skin sales and marketing activities to JJM, the Company has reorganized its reportable segments into two new business units, (1) neurosurgical and (2) surgical products. Prior to the NeuroCare acquisition, the Company's neurosurgical business was included in the former medical products segment. The non-neurosurgical business of the former medical products segment and the products sold under the former skin defects and burns segment are now reported in the surgical products segment, as the majority of this segment's products are sold under OEM or distribution arrangements.

(In thousands) Business Segment	Neurosurgical	Surgical Products	Reportable Segments Sub-total	Corporate and All Other	Total
Three months ended September 30,					
1999					
Product sales	$ 7,920	$ 3,544	$ 11,464	$ --	$ 11,464
Total revenue	7,920	4,197	12,117	10	12,127
Operating costs	8,725	4,364	13,089	1,735	14,824
Operating income (loss)	(805)	(167)	(972)	(1,725)	(2,697)
1998					
Product sales	$ --	$ 3,704	$ 3,704	$ --	$ 3,704
Total revenue	--	4,198	4,198	92	4,290
Operating costs	476	4,853	5,329	2,181	7,510
Operating income (loss)	(476)	(655)	(1,131)	(2,089)	(3,220)
Nine months ended September 30,					
1999					
Product sales	$ 16,706	$ 11,496	$ 28,202	$ --	$ 28,202
Total revenue	16,706	12,789	29,495	150	29,645
Operating costs	19,929	15,549	35,478	5,224	40,702
Operating income (loss)	(3,223)	(2,760)	(5,983)	(5,074)	(11,057)
1998					
Product sales	$ --	$ 10,234	$ 10,234	$ --	$ 10,234
Total revenue	1,000	11,478	12,478	200	12,678
Operating costs	1,503	14,678	16,181	7,521	23,702
Operating income (loss)	(503)	(3,200)	(3,703)	(7,321)	(11,024)

9. Legal Matters

In July 1996, the Company filed a patent infringement lawsuit against three parties: Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps. The complaint charges, 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 on one of the Company's patents. This patent is one of a group of five 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 have filed a countersuit asking for an award of defendants' reasonable attorney fees. The case is currently expected to go to trial during 2000.

The ultimate liability of any litigation matter cannot be determined because of the considerable uncertainties that exist. The Company's financial statements do not reflect any significant amounts related to possible unfavorable outcomes of the matter above. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by an unfavorable outcome of the above matter.

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 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

GENERAL

The Company has developed principally by combining existing businesses, acquiring synergistic technologies and forming strategic business and technological alliances. The Company's operations consist of 1) the neurosurgical business segment, which sells a comprehensive portfolio of implants, instruments and monitors used in neurosurgical operations and by intensive care units, primarily for the treatment of hydrocephalus and neurotrauma, and 2) the surgical products business segment, which manufactures INTEGRA(Registered) Artificial Skin ("INTEGRA Skin"), which is used for treatment of skin defects and burns, and various biomaterials-based medical products and devices for infection control and general and dental surgery and as components for other implantation devices. Through its surgical products segment, the Company also supplies technology and products to the biomaterials-based orthopedic market. The majority of the products manufactured by the surgical products segment are sold to customers under the terms of multiple-year marketing and distribution agreements that provide for purchase and supply commitments on the part of the customer and the Company, respectively. In many cases, marketing and distribution partners have paid license fees for the marketing and distribution rights or development funding for the products.

As a result of the following transactions which occurred in 1999 and 1998, the Company's segment financial results for the three and nine months ended September 30, 1999 and 1998 may not be directly comparable:

- The Company acquired the Rystan Company, Inc. ("Rystan") in September 1998, and subsequently sold the Rystan Panafil(Registered) product line in January 1999;
- The Company acquired the NeuroCare Group of companies ("NeuroCare" or "Integra NeuroCare") in March 1999; and
- The Company and Johnson & Johnson Medical, Division of Ethicon, Inc. ("JJM") signed an agreement (the "JJM Agreement") providing JJM with exclusive marketing and distribution rights to INTEGRA Skin worldwide, excluding Japan, for a minimum of ten years. Under the JJM Agreement, the Company will continue to manufacture INTEGRA Skin and will collaborate with JJM to conduct research and development and clinical research aimed at expanding indications and developing future products in the field of skin repair and regeneration.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1999 Compared to Three Months Ended September 30, 1998

Product sales and cost of product sales were as follows (in thousands):

1999

	Neurosurgical	Surgical Products	Consolidated
Products sales	$ 7,920	$ 3,544	$11,464
Cost of product sales	4,090	1,961	6,051
Gross margin on product sales	3,830	1,583	5,413
Gross margin percentage	48%	45%	47%

1998

	Neurosurgical	Surgical Products	Consolidated
Products sales	$ --	$3,704	$3,704
Cost of product sales	--	1,706	1,706
Gross margin on product sales	--	1,998	1,998
Gross margin percentage	--	54%	54%

Consolidated product sales increased $7.8 million to $11.5 million for the three months ended September 30, 1999 primarily as a result of the NeuroCare acquisition in March 1999, offset by the lower sales prices for INTEGRA Skin sold under the JJM Agreement. Consolidated export sales increased $1.8 million to $2.5 million in the third quarter of 1999, primarily as a result of the NeuroCare acquisition. Consolidated gross margin on product sales during such period decreased to 47% of product sales primarily because of the lower gross margins associated with the distribution of INTEGRA Skin through JJM and $493,000 of fair value inventory purchase accounting adjustments included in the neurosurgical segment cost of product sales. Excluding the effects of the inventory purchase accounting adjustments, consolidated gross margin on product sales would have been 52% for the third quarter of 1999.

Neurosurgical product sales and cost of product sales were generated primarily as a result of the NeuroCare acquisition in March 1999. Included in the cost of neurosurgical product sales is $493,000 of fair value inventory purchase accounting adjustments. Excluding these adjustments, gross margin on neurosurgical product sales would have been 55% of product sales for the third quarter of 1999.

Surgical Products sales decreased $160,000 to $3.5 million for the three months ended September 30, 1999 primarily as a result of an $815,000 decrease in sales of INTEGRA Skin, which was offset by an increase of $354,000 in sales of dental products and an increase of $357,000 in sales of Rystan's Panafil(Registered) and Derifil(Registered) products. The decrease in INTEGRA Skin sales was primarily due to lower sales prices to JJM associated with the transfer of all INTEGRA Skin direct sales and marketing efforts to JJM under the JJM Agreement in June 1999. The increase in sales of dental products was led by the introduction of the Company's second generation BioMend(Registered) Extend Absorbable Collagen Membrane product in the third quarter of 1999. There were no sales of Panafil(Registered) and Derifil(Registered) in the third quarter of 1998, as Rystan was acquired at the end of September 1998. Although the Company is entitled to revenue based on identified sales into the podiatry and burn care markets (less certain fees) under the terms of the Panafil(Registered) disposition agreement, the Company anticipates a decline in Panafil(Registered) revenue in future periods. There were no other significant increases in product sales attributable to the acquired Rystan product lines. Because significant portions of the Company's surgical products segment sales are made to marketing partners and distributors, quarter-to-quarter sales in the segment can vary significantly depending on the timing of shipments to these partners and distributors. During the third quarter of 1999, gross margin on surgical product sales decreased to 45% of product sales primarily because of the lower margins associated with the distribution of INTEGRA Skin through JJM. Growth in product sales and gross margin on product sales is expected to be lower than historical levels because INTEGRA Skin is being distributed under the JJM Agreement. The long-term impact on product sales and related gross margin will depend on required production volumes and JJM's ability to market INTEGRA Skin for reconstructive and other additional indications.

Other revenue includes grant revenue, distribution and license fees, product development revenue and royalties. Other revenue in the surgical products segment increased $159,000 to $653,000 for the three months ended September 30, 1999. This increase is primarily related to $132,000 of amortization of deferred revenue associated with the $5.3 million initial payment from JJM for the exclusive use of the Company's trademarks and regulatory filings related to INTEGRA Skin. This deferred revenue is being amortized over the initial ten-year term of the JJM Agreement. The Company continues to seek research grants, licensing arrangements and development funding for several of its technologies, although the timing and amount of such revenue, if any, can not be predicted.

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

	1999	1998
Neurosurgical	$ 794	$ 213
Surgical products	1,294	1,593
Corporate and other	161	414
Total	$2,249	$2,220

Research and development expense in the neurosurgical segment increased $581,000 to $794,000 in the third quarter of 1999 primarily because of the Integra NeuroCare acquisition. Neurosurgical research and development activities in the third quarter of 1998 consisted of programs involving the Company's DuraGen(Trademark) dural graft matrix ("DuraGen"), which was launched in the third quarter of 1999, and the peripheral nerve guide, a bioabsorbable collagen tube that acts as a conduit to support guided regeneration of severed nerve tissues. Significant ongoing research and development programs relating to the neurosurgical segment include clinical trials involving the peripheral nerve guide, and the development of the next generation of inter-cranial pressure monitors and shunting products.

Research and development activities within the surgical products segment decreased $299,000 to $1.3 million and other research and development activities decreased $253,000 to $161,000 in the third quarter of 1999 because of the elimination of several research programs in 1999. The Company anticipates adjusting the allocation of research and development resources between the neurosurgical and surgical products segments as it continues to integrate Integra NeuroCare's development activities. The JJM Agreement will provide the Company with research funding for INTEGRA Skin beginning in the year 2000. Additional funding to support the Company's research and development programs will be available if certain clinical and regulatory events related to INTEGRA Skin occur. The amount and allocation of resources to fund research and development will vary depending upon a number of factors, including the progress of development of the Company's technologies, the timing and outcome of pre-clinical and clinical results, changing competitive conditions, continued program funding levels, potential funding opportunities and determinations with respect to the commercial potential of the Company's technologies.

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

	1999	1998
Neurosurgical	$2,034	$ 141
Surgical products	387	1,060
Total	$2,421	$1,201

Neurosurgical selling and marketing expense increased $1.9 million to $2.0 million in the third quarter of 1999 primarily because of the Integra NeuroCare acquisition. Additional increases resulted from expenses related to the domestic and international launch of DuraGen in the third quarter of 1999. The decrease of $673,000 in surgical products selling and marketing expenses is primarily the result of the transition of INTEGRA Skin selling and marketing activities to JJM.

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

	1999	1998
Neurosurgical	$1,807	$ 122
Surgical products	722	494
Corporate and other	1,574	1,767
Total	$4,103	$2,383

Neurosurgical general and administrative expense increased $1.7 million to $1.8 million in the third quarter of 1999 primarily because of the Integra NeuroCare acquisition. Included in this amount is $244,000 of severance costs associated with the closure of the Integra NeuroCare's Wisconsin facility in July 1999 and $266,000 of intangibles amortization associated with the Integra NeuroCare acquisition. Intangible amortization is expected to increase by approximately $150,000 over each of the next eight quarterly periods, as the amortization period for certain intangibles has been reduced to two years. General and administrative expense in the surgical products segment increased $228,000 in the third quarter of 1999 primarily due to additional headcount. The decrease of $193,000 in other general and administrative expenses to $1.6 million resulted from decreased legal fees in the third quarter 1999, offset by slight increases related to additional headcount.

Interest income decreased $54,000 to $270,000 in the third quarter of 1999 because of lower average cash and investment balances during such quarter. Interest expense of $215,000 in the third quarter of 1999 relates to the Fleet term loan and credit facility assumed in the Integra NeuroCare acquisition.

The income tax benefit of $541,000 for the third quarter of 1999 is due to the reduction of the deferred tax liability recorded in the acquisition of Integra NeuroCare to the extent that consolidated deferred tax assets were generated subsequent to the NeuroCare acquisition. No additional income tax benefit is expected in 1999.

Nine Months Ended September 30, 1999 Compared to Nine Months Ended September 30, 1998

Product sales and cost of product sales were as follows (in thousands):

1999

	Neurosurgical	Surgical Products	Consolidated
Products sales	$16,706	$11,496	$28,202
Cost of product sales	10,055	6,379	16,434
Gross margin on product sales	6,651	5,117	11,768
Gross margin percentage	40%	45%	42%

1998

	Neurosurgical	Surgical Products	Consolidated
Products sales	$ --	$10,234	$10,234
Cost of product sales	--	5,036	5,036
Gross margin on product sales	--	5,198	5,198
Gross margin percentage	--	51%	51%

Consolidated product sales increased $18.0 million to $28.2 million for the nine months ended September 30, 1999 primarily as a result of the NeuroCare acquisition in March 1999, increased sales of surgical products and sales of the acquired Rystan Panafil(Registered) and Derifil(Registered) products, offset by the lower sales prices for INTEGRA Skin associated with the JJM Agreement. Consolidated export sales increased $4.7 million to $6.7 million for the nine months ended September 30, 1999, primarily as a result of the NeuroCare acquisition. Consolidated gross margin on product sales during such period decreased to 42% of product sales primarily because of the lower gross margins associated with the distribution of INTEGRA Skin through JJM during the third quarter of 1999 and approximately $2.4 million of fair value inventory purchase accounting adjustments related to the Rystan and NeuroCare acquisitions. Excluding the inventory purchase accounting adjustments, consolidated gross margin on product sales would have been 50% for the nine months ended September 30, 1999.

Neurosurgical product sales and cost of product sales were generated primarily as a result of the NeuroCare acquisition in March 1999. Included in the cost of product sales is $2.2 million of fair value inventory purchase accounting adjustments. Excluding these adjustments, gross margin on neurosurgical product sales would have been 53% of product sales for the nine months ended September 30, 1999. Additionally, approximately $500,000 of inventory reserves related to certain slow-moving products were recorded in the nine months ended September 30, 1999.

Surgical Products revenue increased $1.3 million to $11.5 million for the nine months ended September 30, 1999 primarily as a result of a $695,000 increase in sales of dental products, a $292,000 increase in sales of the Company's Helistat(Registered) Absorbable Collagen Hemostatic Sponge and Helitene(Registered) Absorbable Collagen Hemostatic Agent products, and $1.6 million in sales of Rystan's Panafil(Registered) and Derifil(Registered) products, all of which were offset by a $1.4 million decrease in sales of INTEGRA Skin. The significant decrease in INTEGRA Skin sales was partially due to the transfer of all direct sales and marketing efforts to JJM under the JJM Agreement in June 1999. The increase in sales of dental products was lead by the introduction of the Company's second generation BioMend(Registered) Extend product in the third quarter of 1999. There were no sales of Panafil(Registered) and Derifil(Registered) in the nine months ended September 1998, as Rystan was acquired at the end of September 1998. Although the Company is entitled to revenue based on identified sales into the podiatry and burn care markets (less certain fees) under the terms of the Panafil(Registered) disposition agreement, the Company anticipates a decline in Panafil(Registered) revenue in future periods. There were no other significant increases in surgical product sales attributable to the acquired Rystan product lines. Gross margin on surgical product sales decreased to 45% of product sales primarily because of the lower margins associated with the distribution of INTEGRA Skin through JJM in the third quarter of 1999 and lower utilization of the INTEGRA Skin manufacturing capacity in the first quarter of 1999 and approximately $200,000 of fair value purchase accounting adjustments related to Rystan product sales.

Other revenue in the neurosurgical segment decreased $1.0 million to $0 for the nine months ended September 30, 1999 because of a $1.0 million non-refundable licensing fee from Century Medical, Inc. in the first quarter of 1998 related to the acquisition of distribution rights to certain of the Company's neurosurgical products.

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

	1999	1998
Neurosurgical	$1,566	$ 722
Surgical products	4,503	4,193
Corporate and other	484	1,522
Total	$6,553	$6,437

Research and development expense in the neurosurgical segment increased $844,000 to $1.6 million for the nine months ended September 30, 1999 primarily because of the Integra NeuroCare acquisition. Neurosurgical research and development activities during 1998 consisted of programs involving the DuraGen(Trademark) dural graft matrix, which was launched in the third quarter of 1999, and the peripheral nerve guide, a bioabsorbable collagen tube that acts as a conduit to support guided regeneration of severed nerve tissues. Significant ongoing research and development programs relating to the neurosurgical segment include clinical trials involving the peripheral nerve guide, and the development of the next generation of inter-cranial pressure monitors and shunting products. Research and development activities within the surgical products segment increased $310,000 to $4.5 million for the nine months ended September 30, 1999 because of increased personnel costs for the orthopedic development programs in 1999, offset by the elimination of several research programs in 1999. Other research and development activities decreased $1.0 million to $484,000 for the nine months ended September 30, 1999 because of the elimination of several collaborative research programs in non-core development programs.

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

	1999	1998
Neurosurgical	$4,054	$ 451
Surgical products	2,873	3,829
Total	$6,927	$4,280

Neurosurgical selling and marketing expense increased $3.6 million to $4.1 million for the nine months ended September 30, 1999 primarily because of the Integra NeuroCare acquisition. Additional increases resulted from expenses related to the domestic and international launch of DuraGen in the third quarter of 1999. The decrease of $956,000 in surgical products selling and marketing expenses is primarily the result of the transition of INTEGRA Skin selling and marketing activities to JJM.

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

	1999	1998
Neurosurgical	$ 4,254	$ 330
Surgical products	1,794	1,620
Corporate and other	4,740	5,999
Total	$10,788	$7,949

Neurosurgical general and administrative expense increased $3.9 million to $4.3 million for the nine months ended September 30, 1999 primarily because of the Integra NeuroCare acquisition. Included in this amount is $1.1 million of severance costs associated with the closure of the Integra NeuroCare's Wisconsin facility in July 1999 and $470,000 of intangibles amortization associated with the Integra NeuroCare acquisition. General and administrative expense in the surgical products segment increased $174,000 to $1.8 million for the nine months ended September 30, 1999 primarily because of additional headcount. The decrease of $1.3 million in other general and administrative expenses to $4.7 million resulted from a significant decrease in legal fees in 1999, as the Company resolved various litigation matters in 1998, and a the effects of a $200,000 asset impairment charge recorded in the first quarter of 1998.

The $4.2 million gain on disposition of product line recorded in 1999 relates to the sale of the Panafil(Registered) product line in January 1999.

Interest income decreased $215,000 to $781,000 for the nine months ended September 30, 1999 because of lower average cash and investment balances during such period. Interest expense of $452,000 for the nine months ended September 30,1999 relates to the Fleet term loan and revolving credit facility assumed in the Integra NeuroCare acquisition.

Other income, net decreased $533,000 to $60,000 for the nine months ended September 30, 1999 primarily as a result of the effect of a $545,000 litigation settlement gain recorded in the second quarter of 1998.

The income tax benefit of $1.3 million for the nine months ended September 30, 1999 is due to a $1.8 million reduction of the deferred tax liability recorded in the acquisition of Integra NeuroCare to the extent that consolidated deferred tax assets were generated subsequent to the NeuroCare acquisition, offset by approximately $460,000 of taxes associated with the gain on the sale of the Panafil(Registered) product line in the first quarter 1999. No additional income tax benefit is expected in 1999.

LIQUIDITY AND CAPITAL RESOURCES

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 September 30, 1999, the Company had cash, cash equivalents and short-term investments of approximately $20.8 million and $10.3 million in short and long-term debt. The Company's principal uses of funds during the nine-month period ended September 30, 1999 were $14.8 million in the acquisition of Integra NeuroCare, $1.6 million in purchases of property and equipment and $750,000 in repayments of term loans. Cash flows provided by operations for the nine months ended September 30, 1999 were $1.0 million, which included $6.5 million received under the JJM Agreement. During the nine months ended September 30, 1999, the Company also raised $10.0 million from the sale of Series B Preferred Stock and warrants to Soros Private Equity Partners LLC, assumed $11.0 million of term debt in connection with the Integra NeuroCare acquisition and received $6.4 million in connection with the sale of the Panafil(Registered) product line.

The Company anticipates that it will continue to use its liquid assets to fund operations until sufficient revenues can be generated through product sales and collaborative arrangements. As part of the assumption of the Integra NeuroCare term loan, the Company obtained a $4.0 million revolving credit facility from Fleet Capital Corporation ("Fleet") to fund the working capital needs of Integra NeuroCare, of which $21,000 was drawn down at September 30, 1999.

The Company anticipates that Integra NeuroCare will utilize the revolving credit facility from Fleet Capital Corporation to fund its capital needs. 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.

In addition to the $4.0 million revolving credit facility, the Company assumed an $11.0 million term loan from Fleet in connection with the NeuroCare acquisition. The term loan and the revolving credit facility, as amended, (collectively, the "Fleet Credit Facility") are secured by all the assets and ownership interests of Integra NeuroCare, and NeuroCare Holding Corporation (the parent company of Integra NeuroCare) has guaranteed Integra NeuroCare's obligations. Integra NeuroCare is subject to various financial and non-financial covenants under the Fleet Credit Facility, including 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 it will be able to satisfy the requirements of its financial covenants, there can be no assurance that Integra NeuroCare will generate sufficient earnings before interest, taxes, depreciation and amortization to meet the requirements of such covenants.

YEAR 2000 DISCLOSURE

As is true for most companies, the potential for problems involving existing information systems as we approach and pass January 1, 2000 creates a risk for the Company. These potential problems are the result of the inability of certain date-sensitive computer programs and embedded controls to recognize a two-digit date field designated as "00" as the year 2000 instead of the year 1900, the consequences of which could lead to system failures or miscalculations causing disruptions to operations and normal business activities. This is a significant issue with far reaching implications, some of which cannot be anticipated or predicted with any degree of certainty and is commonly referred to as a Year 2000 (Y2K) compliance issue.

The Company's Businesses

The Company has completed its initial assessment as well as its correction plan for all areas previously identified as potentially compromised by the advent of Y2K. This correction plan was comprised of (i) the assessment of information technology systems ("IT systems") and non-IT systems for Y2K compliance, (ii) the modification and/or replacement of non-compliant systems, (iii) the testing of modified and/or replaced systems, and (iv) the deployment of Y2K compliant systems. Actions taken to achieve Y2K compliance included upgrading current hardware and software as well as purchasing additional hardware and software to enhance current IT systems. The majority of the capital expenditures and operating costs associated with these upgrades and purchases would have occurred in the normal course of business regardless of the Y2K issue, although a portion of such expenditures and costs is attributable to the Company's Y2K correction plan. The Company's upgrades and purchases for all critical systems have been implemented and tested. We have tested and confirmed that all critical systems are fully Y2K compliant or only require a simple manual update on the first of the new year to be compliant. The few remaining non-critical systems will be made Y2K compliant before December 31, 1999 as part of regularly scheduled system upgrades.

The only business division of the Company that makes and sells products that contain computer processors is Integra NeuroCare. The Company has determined that the Camino line of intracranial pressure monitors does not include a dating function, and therefore will not be affected by Y2K considerations. The Neuro Navigational line of neuroendoscopy products does contain certain dating functions that will be affected by Y2K considerations, but based on testing of such products, the Company does not believe that the substantive performance of the devices will be affected. The Company is providing its Neuro Navigational customers with instructions for resetting the dating function to overcome any effects of the Y2K considerations. No other products manufactured by the Company contain any materials that would make such products susceptible to disruptions relating to Y2K.

Suppliers

The Company has been reviewing and has requested assurances on the status of the Y2K readiness of its critical suppliers. Many of these suppliers, however, have provided limited assurances regarding the status on their Y2K readiness. The Company plans to continue to monitor critical suppliers during 1999. As a precaution, the Company has been compiling additional inventories of both raw materials and finished goods so that temporary shortages or an increase in product demand will not negatively effect the Company's operations. The Company has also reviewed information regarding its major customers to assess their readiness for Y2K. If a significant number of suppliers and customers experience disruptions as a result of the Y2K issue, this could have a material adverse effect on the financial position and results of operations of the Company. Although the Company is formulating contingency plans to deal with Y2K problems of key business partners and major customers, there can be no assurance that these plans will address all Y2K problems or that the implementation of these plans will be successful.

Given the information available at this time, the Company currently anticipates that the amount that will be spent to complete its Y2K correction plan will not have a material adverse impact on the Company's business, results of operations, financial position and cash flow. Furthermore, Integra does not expect that the effects of any Y2K non-compliance on its systems will have any material adverse impact on the Company's business, results of operations, financial positions or cash flows. However, there can be no assurance that the Company will not incur additional expenses or experience business disruption as a result of systems problems associated with the century change, including system and equipment problems with third parties with which the Company does business.

PART II. OTHER INFORMATION

Item 5. Other Information

On October 20, 1999, Carnrick Laboratories, Inc. a New Jersey corporation (formerly named GWC Health, Inc., "Carnrick"), exercised its rights under two separate warrants to purchase an aggregate of 300,000 shares of common stock of the Company for an aggregate purchase price of $1,950,000, in cash. Carnrick acquired such warrants from the Company in connection with the Company's acquisition by merger of Rystan Company, Inc. from Carnrick in September 19998. The issuance of these shares of common stock of the Company to Carnrick upon exercise of the aforementioned warrants was exempt from the registration provisions of the Securities Act of 1933, as amended (the "Act") pursuant to Section 4(2) of the Act from transactions not involving a public offering.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1	Amendment No. 1, dated September 29, 1999, to the Amended and Restated Loan and Security Agreement dated March 29,1999 among the Lenders named therein, Fleet Capital Corporation, Integra NeuroCare LLC and Other Borrowers named therein.
27	Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

Date: November 15, 1999 By: /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: November 15, 1999 By: /s/ David B. Holtz

David B. Holtz
Vice President, Finance and Treasurer

Exhibit Index

Exhibit No.	
10.1	Amendment No. 1, dated September 29, 1999, to the Amended and Restated Loan and Security Agreement dated March 29, 1999 among the Lenders named therein, Fleet Capital Corporation, Integra NeuroCare LLC and Other Borrowers named therein.
27	Financial Data Schedule

Exhibit 10.1

AMENDMENT NO. 1
TO
LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment") is dated as of September 29, 1999, by and among FLEET CAPITAL CORPORATION ("Fleet"), a Rhode Island corporation with an office at One South Wacker Drive, Suite 1400, Chicago, Illinois 60606, individually as a lender hereunder and in its capacity as agent (in such capacity, the "Agent") for itself and any other financial institution that is or becomes a lender hereunder (Fleet, in its individual capacity as a lender, and each such other financial institution are sometimes referred to herein individually as a "Lender" and collectively as the "Lenders"); the Lenders; INTEGRA NEUROCARE LLC ("Integra"), a Delaware limited liability company, REDMOND NEUROCARE LLC ("Redmond"), a Delaware limited liability company, HEYER-SCHULTE NEUROCARE, INC. ("Neurocare Inc."), a Delaware corporation, and CAMINO NEUROCARE, INC. ("Camino"), a Delaware corporation (Integra, Redmond, Neurocare Inc. and Camino are sometimes referred to herein individually as a "Borrower" and collectively as "Borrowers"), and Integra, in its capacity as borrowing agent (in such capacity, "Borrowing Agent") for itself and the other Borrowers. Capitalized terms used herein but not otherwise defined herein shall have the respective meanings assigned to such terms in the Loan Agreement referred to herein below.

WITNESSETH:

WHEREAS, the Borrowers, the Borrowing Agent, the Agent and the Lenders have entered into that certain Amended and Restated Loan and Security Agreement dated as of March 29, 1999 (the "Loan Agreement"), pursuant to which the Lenders have agreed to make certain loans and other financial accommodations to or for the account of the Borrowers;

WHEREAS, the respective Borrowers have requested that the Agent and the Lenders amend the Loan Agreement; and

WHEREAS, the Agent and the Lenders have agreed to amend the Loan Agreement on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the respective parties hereto hereby agree as follows:

1 Amendment to Loan Agreement. Effective as of the date hereof, upon satisfaction of the conditions precedent set forth in Section 2 below, and in reliance upon the representations and warranties of the respective Borrowers and the Borrowing Agent set forth herein, the Loan Agreement is hereby amended as follows:

1.1 Section 4 of Exhibit C (Financial Covenants) to the Loan Agreement is hereby deleted in its entirety and the following language is hereby substituted therefor:

4. Adjusted Tangible Net Worth. The Borrowers shall not permit Adjusted Tangible Net Worth at any time during the periods set forth below to be less than the amount set forth below for such period:

Period	Amount
March 31, 1999 through June 29, 1999	$ 2,500,000
June 30, 1999 through September 29, 1999	$ 3,000,000
September 30, 1999 through December 30, 1999	$ 2,350,000
December 31, 1999 through March 30, 2000	$ 4,350,000
March 31, 2000 through June 29, 2000	$ 4,350,000
June 30, 2000 through September 29, 2000	$ 5,350,000
September 30, 2000 through December 30, 2000	$ 6,350,000
December 31, 2000 through March 30, 2001	$ 8,350,000
March 31, 2001 through June 29, 2001	$ 8,600,000
June 30, 2001 through September 29, 2001	$ 9,850,000
September 30, 2001 through December 30, 2001	$11,100,000
December 31, 2001 through March 30, 2002	$14,100,000
March 31, 2002 through June 29, 2002	$14,100,000
June 30, 2002 through	

December 30, 2002	$16,100,000
December 31, 2002 through December 30, 2003	$19,100,000
At any time thereafter	$24,100,000

"Adjusted Tangible Net Worth" will be calculated in the manner set forth in Exhibit B.

2 Conditions Precedent. This Amendment shall become effective as of the date hereof, upon receipt by the Agent of four (4) copies of this Amendment, duly executed by each of the Lenders, each of the Borrowers and the Borrowing Agent and acknowledged by Holding.

3 Representations, Warranties and Covenants.

3.1 Each of the Borrowers and the Borrowing Agent hereby represents and warrants to the Agent and each of the Lenders that, after giving effect to this Amendment:

(a) All representations and warranties contained in the Loan Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of this Amendment, in each case as if then made, other than representations and warranties that expressly relate solely to an earlier date (in which case such representations and warranties remain true and accurate on and as of such earlier date);

(b) No Default or Event of Default has occurred which is continuing;

(c) This Amendment, and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of the Borrowers and the Borrowing Agent, respectively, and are enforceable against each of the Borrowers and the Borrowing Agent in accordance with their respective terms; and

(d) The execution and delivery by the Borrowers and the Borrowing Agent of this Amendment does not require the consent or approval of any Person, except such consents and approvals as have been obtained.

4 Reference to and Effect on the Loan Agreement and the Other Loan Documents.

4.1 Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference in each of the other Loan Documents to the "Loan Agreement" shall in each case mean and be a reference to the Loan Agreement as amended hereby.

4.2 Except as expressly set forth herein, (i) the execution and delivery of this Amendment shall in no way affect any of the respective rights, powers or remedies of the Agent or any of the Lenders with respect to any Event of Default nor constitute a waiver of any provision of the Loan Agreement or any of the other Loan Documents and (ii) all of the respective terms and provisions of the Loan Agreement, the other Loan Documents and all other documents, instruments, amendments and agreements executed and/or delivered by any of the Borrowers and/or the Borrowing Agent pursuant thereto or in connection therewith shall remain in full force and effect and are hereby ratified and confirmed in all respects. The execution and delivery of this Amendment by the Agent and each of the Lenders shall in no way obligate the Agent or any of the Lenders, at any time hereafter, to consent to any other amendment or modification of any term or provision of the Loan Agreement or any of the other Loan Documents, whether of a similar or different nature.

5 Governing Law. THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS AND DECISIONS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

6 Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Any such counterpart which may be delivered by facsimile transmission shall be deemed the equivalent of an originally signed counterpart and shall be fully admissible in any enforcement proceedings regarding this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date first set forth above.

FLEET CAPITAL CORPORATION, in its
individual capacity as a
Lender and in its capacity as Agent

By:_____________________________
Name:___________________________
Title:______________________

INTEGRA NEUROCARE LLC

By: NEUROCARE HOLDING CORPORATION, its
sole Member

By:___________________________________
Name:_________________________________
Title:______________________________

REDMOND NEUROCARE LLC

By: INTEGRA NEUROCARE LLC, its
sole Member

By: NEUROCARE HOLDING CORPORATION,
its sole Member

By:____________________________
Name:__________________________
Title:______________________

HEYER-SCHULTE NEUROCARE, INC.

By:___________________________________
Name:_________________________________
Title:______________________________

CAMINO NEUROCARE, INC.

By:___________________________________
Name:_________________________________
Title:______________________________

ACKNOWLEDGMENT AND CONSENT

Reference is hereby made to that certain Guaranty dated as of March 29, 1999, executed by the undersigned, NEUROCARE HOLDING CORPORATION, a Delaware corporation ("Guarantor"), in favor of FLEET CAPITAL CORPORATION, a Rhode Island corporation, acting in its capacity as Agent for the Lenders from time to time under the Loan and Security Credit Agreement referred to in the foregoing Amendment No. 1 to Amended and Restated Loan and Security Credit Agreement (the "Amendment").

Guarantor hereby (i) acknowledges receipt of a copy of the Amendment and (ii) agrees that the terms and provisions thereof shall not affect in any way the obligations and liabilities of Guarantor under the Guaranty or any of the other Loan Documents, all of which obligations and liabilities shall remain in full force and effect and each of which are hereby reaffirmed.

NEUROCARE HOLDING CORPORATION, a Delaware corporation

By:__________________________
Name:________________________
Title:_____________________

Dated as of September 29, 1999

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1,000

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
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