INTEGRA LIFESCIENCES HOLDINGS CORP
Form 10-Q
October 28, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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

For the transition period from _____ to _____

COMMISSION FILE NO. 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of the registrant s Common Stock, $.01 par value, outstanding as of October 26, 2010 was 28,256,442.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Total Revenue	$ 186,641	$ 172,286	$ 537,934	$ 498,961
Costs and Expenses:				
Cost of product revenues	69,194	63,021	196,882	180,974
Research and development	11,721	11,525	34,783	32,470
Selling, general and administrative	75,738	69,915	222,465	204,618
Intangible asset amortization	2,679	4,005	9,273	10,922
Total costs and expenses	159,332	148,466	463,403	428,984
Operating income	27,309	23,820	74,531	69,977
Interest income	59	197	172	578
Interest expense	(4,390)	(5,493)	(13,231)	(18,351)
Other income (expense), net	(707)	(380)	1,202	(1,729)
Income before income taxes	22,271	18,144	62,674	50,475
Income tax expense	5,788	3,712	15,812	15,251
Net income	$ 16,483	$ 14,432	$ 46,862	$ 35,224
Basic net income per common share	$ 0.56	$ 0.49	$ 1.57	$ 1.21
Diluted net income per common share	$ 0.55	$ 0.49	$ 1.54	$ 1.20
Weighted average common shares outstanding (See Note 11):				
Basic	29,572	29,049	29,638	28,999
Diluted	30,072	29,400	30,226	29,232

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

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 82,832	$ 71,891
Trade accounts receivable, net of allowances of $8,270 and $11,216	107,150	103,228
Inventories, net	147,973	140,240
Deferred tax assets	29,839	29,972
Prepaid expenses and other current assets	18,501	20,032
Total current assets	386,295	365,363
Property, plant and equipment, net	87,293	83,526
Intangible assets, net	198,711	211,117
Goodwill	262,433	261,941
Deferred tax assets	15,718	15,841
Other assets	8,826	2,314
Total assets	$ 959,276	$ 940,102
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Short-term borrowings under senior credit facility	$ 7,500	$
Convertible securities		76,760
Accounts payable, trade	34,719	24,598
Deferred revenue	4,327	4,077
Accrued compensation	23,831	23,227
Accrued expenses and other current liabilities	32,327	28,068
Total current liabilities	102,704	156,730
Long-term borrowings under senior credit facility	212,500	160,000
Long-term convertible securities	153,514	148,754
Deferred tax liabilities	7,273	9,319
Other liabilities	12,485	20,414
Total liabilities	488,476	495,217
Commitments and contingencies		

Stockholders Equity:		
Preferred Stock; no par value; 15,000 authorized shares; none outstanding		
Common stock; $.01 par value; 60,000 authorized shares; 35,419 and 34,958 issued at September 30, 2010 and December 31, 2009, respectively	354	350
Additional paid-in capital	538,651	520,849
Treasury stock, at cost; 7,212 shares at September 30, 2010 and 6,354 shares at December 31, 2009	(283,658)	(252,380)
Accumulated other comprehensive (loss) income:		
Foreign currency translation adjustment	3,792	9,746
Pension liability adjustment, net of tax	(857)	(860)
Unrealized (loss) gain on derivatives, net of tax	(1,506)	19
Retained earnings	214,024	167,161
Total stockholders equity	470,800	444,885
Total liabilities and stockholders equity	$ 959,276	$ 940,102

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

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

	Nine Months Ended September 30,	
	2010	**2009**
OPERATING ACTIVITIES:		
Net income	$ 46,862	$ 35,224
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,668	27,116
In-process research and development		277
Deferred income tax benefit	(1,664)	(4,438)
Amortization of debt issuance costs	1,065	1,953
Non-cash interest expense	5,519	7,861
Payment of accreted interest	(6,599)	(3,995)
Gain on bond repurchases		(917)
Loss on disposal of property and equipment	163	
Share-based compensation	11,453	11,521
Excess tax benefits from stock-based compensation arrangements	(3,475)	(14)
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(4,257)	11,664
Inventories	(8,403)	6,755
Prepaid expenses and other current assets	4,104	5,288
Other non-current assets	(209)	2,738
Accounts payable, accrued expenses and other current liabilities	12,349	(5,168)
Deferred revenue	(567)	20
Other non-current liabilities	(7,868)	306
Net cash provided by operating activities	77,141	96,191
INVESTING ACTIVITIES:		
Cash used in business acquisitions, net of cash acquired	(4,171)	(4,786)
Purchase of intangible assets		(2,331)
Purchases of property and equipment	(18,897)	(13,951)
Net cash used in investing activities	(23,068)	(21,068)
FINANCING ACTIVITIES:		
Borrowings under senior credit facility	75,000	
Repayments under senior credit facility	(15,000)	(100,000)
Repurchase of liability component of convertible notes	(71,351)	(60,877)
Debt issuance costs	(6,796)	
Purchases of treasury stock	(31,278)	

Proceeds from exercised stock options	5,702	2,630
Excess tax benefits from stock-based compensation arrangements	3,475	14
Net cash used in financing activities	(40,248)	(158,233)
Effect of exchange rate changes on cash and cash equivalents	(2,884)	6,311
Net change in cash and cash equivalents	10,941	(76,799)
Cash and cash equivalents at beginning of period	71,891	183,546
Cash and cash equivalents at end of period	$ 82,832	$ 106,747

Supplemental disclosure of non-cash activity:
During the nine months ended September 30, 2010, 282,086 stock options were exercised, whereby in lieu of a cash payment for the exercise price, an option holder tendered 73,546 shares of Company stock that had a fair market value of approximately $3.1 million. These tendered shares were then immediately retired.
In connection with the amendment and restatement of the Company s Senior Credit Facility (defined in Note 5), $150.0 million of the Company s revolving credit facility was converted into a term loan.

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

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INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

General

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

In the opinion of management, the September 30, 2010 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements for the year ended December 31, 2009 included in the Company s Annual Report on Form 10-K. The December 31, 2009 condensed consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States. Operating results for the nine-month period ended September 30, 2010 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns and allowances, net realizable value of inventories, amortization periods for acquired intangible assets, discount rates and estimated projected cash flows used to value and test impairments of long-lived assets and goodwill, estimates of projected cash flows and depreciation and amortization periods for long-lived assets, valuation of intangible assets and in-process research and development, pension assets and liabilities, computation of taxes, valuation allowances recorded against deferred tax assets, the valuation of stock-based compensation, and loss contingencies. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

Certain amounts from the prior year s financial statements have been reclassified in order to conform to the current year s presentation.

2. BUSINESS AND ASSET ACQUISITIONS

Culley Investments Pty. Ltd.

In September 2010, the Company acquired certain assets as well as the distribution rights for its extremity reconstruction product lines in Australia from Culley Investments Pty. Ltd. (Culley) for approximately $1.6 million (1.7 million Australian dollars) in cash. The Company has determined that this acquisition met the definition of a business under the authoritative guidance. For eight years, Culley has been the Company s distributor of these products in Australia. The acquisition provides the Company with the ability to sell orthopedic products directly to its Australian customers.

The final purchase price has been allocated as follows (in thousands):

Inventory		$ 878	
Property, plant and equipment		319	
			Wtd. Avg. Life
Intangible assets	Customer relationships	373	12 years
Total net assets acquired		$ 1,570	

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Welch Allyn, Inc.

In May 2010, the Company acquired certain assets and liabilities of the surgical headlight business of Welch Allyn, Inc. (Welch) for approximately $2.4 million in cash and $0.2 million of working capital adjustments. The Company determined that this acquisition met the definition of a business under the authoritative guidance. The Company believes that the assets acquired will further its goal of expanding its reach into the surgical headlight market. The Company also entered into a development agreement with Welch that will expire on February 15, 2011 unless the product is commercially available prior to that date.

The final purchase price has been allocated as follows (in thousands):

Accounts receivable	$	518	
Inventory		138	
Property, plant and equipment		280	
			Wtd. Avg.
Intangible assets			Life
Customer relationships		490	15 years
Technology		263	6 years
In-Process research and development		312	Indefinite
Goodwill		601	
Total net assets acquired	$	2,602	

Athrodax Healthcare International Ltd.

In December 2009, the Company acquired certain assets as well as the distribution rights for its extremity reconstruction product lines in the United Kingdom from Athrodax Healthcare International Ltd. (Athrodax), for approximately $3.3 million (2.0 million British Pounds) in cash, subject to certain adjustments for working capital items. For the previous ten years Athrodax had been the Company s distributor of extremity reconstruction products in the United Kingdom. The acquisition provides the Company with the opportunity to distribute orthopedic products directly to its United Kingdom customers. Accompanying this acquisition was an experienced sales team in the foot and ankle surgery market that had successfully developed the brand in the United Kingdom.

Innovative Spinal Technologies, Inc.

In August 2009, the Company acquired certain assets and liabilities of Innovative Spinal Technologies, Inc. (IST) for approximately $9.3 million in cash and $0.2 million in acquisition expenses. IST s focus was on spinal implant products related to minimally invasive surgery and motion preservation techniques. The Company acquired three product lines, various product development assets for posterior dynamic stabilization, various patents and trademarks and inventory, and the Company also assumed certain of IST s patent license agreements and related obligations. The assets and liabilities acquired did not meet the definition of a business under the authoritative guidance for business combinations. Accordingly, the assets and liabilities were recognized at fair value with no related goodwill.

Theken

In August 2008 the Company acquired Theken Spine, LLC, Theken Disc, LLC and Therics, LLC (collectively, Integra Spine) for $75.0 million in cash, acquisition expenses of $2.4 million, working capital adjustments of $3.9 million, and up to an additional $125.0 million in future payments based on the revenue performance of the business in each of the two years after closing. The Company paid approximately $52.0 million for the first year revenue performance obligation in November 2009 and accrued an additional $3.4 million at September 30, 2010 as an estimate of the disputed settlement amount (see Note 13). The Company believes that there are no additional amounts due for the second performance year. Integra Spine, based in Akron, Ohio, designs, develops and manufactures spinal fixation products.

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3. INVENTORIES

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

	September 30, 2010	December 31, 2009
Finished goods	$ 110,767	$ 109,077
Work-in process	36,164	28,757
Raw materials	30,319	30,131
Less: reserves	(29,277)	(27,725)
	$ 147,973	$ 140,240

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the nine months ended September 30, 2010 were as follows (in thousands):

Goodwill	$ 261,941
Accumulated impairment losses	
Goodwill at December 31, 2009	261,941
Foreign currency translation	(3,509)
Theken earn-out	3,400
Welch Allyn, Inc. acquisition	601
Goodwill at September 30, 2010	$ 262,433

The Company s assessment of the recoverability of goodwill is based upon a comparison of the carrying value of goodwill with its estimated fair value, determined using a discounted cash flow methodology. The Company performs this assessment annually and no impairment resulted after completing this assessment during the second quarter of 2010.

During the second quarter of 2010, the Company recorded a $0.8 million impairment charge related to several brand names. The impairment charge relates to management s decision with respect to the Company s re-branding strategy for several legacy brand names. The Company has recorded the charge as a component of amortization expense.

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

	Weighted Average Life	September 30, 2010 Cost	Accumulated Amortization	Net	December 31, 2009 Cost	Accumulated Amortization	Net
Completed technology	12 years	$ 69,660	$ (26,753)	$ 42,907	$ 69,632	$ (22,526)	$ 47,106
Customer relationships	12 years	98,636	(43,318)	55,318	97,922	(36,724)	61,198
Trademarks/brand names	35 years	33,446	(8,183)	25,263	35,741	(8,692)	27,049

Trademarks/brand names	Indefinite	49,384		49,384	49,384		49,384
Supplier relationships	30 years	29,300	(4,281)	25,019	29,300	(3,647)	25,653
All other*	15 years*	8,461	(7,641)	820	8,197	(7,470)	727
		$ 288,887	$ (90,176)	$ 198,711	$ 290,176	$ (79,059)	$ 211,117

* All other includes $0.3 million of in-process research and development which is indefinite lived.

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Annual amortization expense is expected to approximate $17.9 million in 2010, $16.8 million in 2011, $16.6 million in 2012, $13.9 million in 2013 and $12.9 million in 2014. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition using an income or cost approach.

5. DEBT

Amended and Restated Senior Credit Agreement

On August 10, 2010, the Company entered into an amended and restated credit agreement (the Senior Credit Facility) with a syndicate of lending banks. The Senior Credit Facility increased the size of the Company s prior revolving credit facility from $300.0 million to $450.0 million, provided for a $150.0 million term loan component and allowed the Company to further increase the size of either the term loan or the revolving credit facility, or a combination thereof, by an aggregate of $150.0 million with additional commitments. The Senior Credit Facility extended the prior revolving credit facility s maturity date from December 21, 2011 to August 10, 2015 and increased the applicable rates used for borrowings and the annual commitment fee. The Senior Credit Facility is secured by substantially all of the assets of the Company s U.S. subsidiaries, excluding intangible assets.

Amounts borrowed under the Senior Credit Facility bear interest, at the Company s option, at a rate equal to (i) the Eurodollar Rate (as defined in the Senior Credit Facility) in effect from time to time plus the applicable rate (ranging from 1.75% to 2.5%) or (ii) the highest of (x) the weighted average overnight Federal funds rate, as published by the Federal Reserve Bank of New York, plus 0.5%, (y) the prime lending rate of Bank of America, N.A. or (z) the one-month Eurodollar Rate plus 1.0%. The applicable fixed rates are based on the Company s consolidated total leverage ratio (defined as the ratio of (a) consolidated funded indebtedness less cash in excess of $40.0 million that is not subject to any restriction on the use or investment thereof to (b) consolidated earnings before interest, taxes, depreciation and amortization) at the time of the applicable borrowing.

The Company also pays an annual commitment fee (ranging from 0.2% to 0.5%, based on the Company s consolidated total leverage ratio) on the daily amount by which the revolving credit facility exceeds the outstanding loans and letters of credit under the credit facility.

The Senior Credit Facility also modified certain financial and negative covenants. In particular, it:

- reduced the maximum consolidated total leverage ratio that the Company is permitted to have from 4.50 to 1.00, to either (i) 3.75 to 1.00 during any consecutive four fiscal quarter period ending on or before March 31, 2012 or (ii) 3.5 to 1.00 during any period thereafter,
- eliminated the senior secured leverage ratio covenant,
- increased the amount of permitted unsecured debt,
- provided the Company more ability to repurchase stock and make restricted payments, and
- provided for capital expenditures in any fiscal year equal to 10% of the revenues during the prior fiscal year, subject to carry over to the next following fiscal year.

On August 10, 2010, the Company also entered into an interest rate swap effective December 31, 2010 with an investment grade bank which converts a portion of the Company s variable interest payments to fixed interest payments (see Note 6).

Prior to entering into the Senior Credit Facility in 2010, the Company borrowed $75.0 million under the revolving credit facility in connection with the maturity of its 2010 Notes (defined below) and also repaid $15.0 million of outstanding borrowings. At September 30, 2010, there was $70.0 million outstanding under the revolving credit facility at a weighted average interest rate of 2.5%. The fair value of outstanding borrowings under the revolving credit facility at September 30, 2010 was approximately $65.7 million. The Company considers all such amounts to be long-term in nature based on its current intent and ability to repay the borrowing outside of the next twelve-month period.

At September 30, 2010, there was $150.0 million outstanding under the term loan at an interest rate of 2.7% of this amount, the Company considers $7.5 million as short-term and $142.5 million as long-term based on its intent and

ability to repay the loan pursuant to the terms of the loan agreement. Under the term loan, principal payments to be made during the calendar years are as follows: $1.9 million in 2010, $8.4 million in 2011, $12.2 million in 2012, $15.0 million in 2013, $15.0 million in 2014 and $97.5 million in 2015. The fair value of outstanding borrowings on the term loan at September 30, 2010 was approximately $141.6 million.

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2010 and 2012 Senior Convertible Notes

On June 11, 2007, the Company issued $165.0 million aggregate principal amount of its 2010 Notes and $165.0 million aggregate principal amount of its 2012 Notes (the 2010 Notes and the 2012 Notes, collectively the Notes). The 2010 Notes and the 2012 Notes bear interest at a rate of 2.75% per annum and 2.375% per annum, respectively, in each case payable semi-annually in arrears on December 1 and June 1 of each year.

In 2009, the Company repurchased a total principal amount of $87.1 million of the 2010 Notes and recognized a gain of $0.5 million. Total cash paid for these repurchases was $83.3 million of which $78.0 million related to repayment of the liability component of the Notes. For all of these transactions, the Company terminated the bond hedge contracts on a pro-rata basis and the number of options were adjusted to reflect the number of convertible securities outstanding whose principal amount totaled $77.9 million. Also, in connection with the repurchases, in separate transactions, the Company amended the warrant transactions to reduce the number of warrants outstanding to reflect the number of convertible securities outstanding. The Company repaid the remaining $77.9 million principal amount in June 2010 in accordance with the agreement, of which $71.4 million was for the liability component and $6.6 million was for accreted interest.

The principal amount outstanding under the 2012 Notes at September 30, 2010 was $165.0 million. The fair value of the 2012 Notes at September 30, 2010 was approximately $162.0 million. The 2012 Notes are senior, unsecured obligations of the Company, and are convertible into cash and, if applicable, shares of its common stock based on an initial conversion rate, subject to adjustment, of 15.3935 shares per $1,000 principal amount of notes (which represents an initial conversion price of approximately $64.96 per share). The Company will satisfy any conversion of the 2012 Notes with cash up to the principal amount pursuant to the net share settlement mechanism set forth in the indenture and, with respect to any excess conversion value, with shares of the Company s common stock. The 2012 Notes are convertible only in the following circumstances: (1) if the closing sale price of the Company s common stock exceeds 130% of the conversion price during a period as defined in the indenture; (2) if the average trading price per $1,000 principal amount of the Notes is less than or equal to 97% of the average conversion value of the Notes during a period as defined in the indenture; (3) at any time on or after December 15, 2011; or (4) if specified corporate transactions occur. However, none of these conditions existed at September 30, 2010 and, as a result, the 2012 Notes are classified as long term. The issue price of the 2012 Notes was equal to their face amount, which is also the amount holders are entitled to receive at maturity if the 2012 Notes are not converted.

Holders of the 2012 Notes, who convert their notes in connection with a qualifying fundamental change, as defined in the indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, following the occurrence of a fundamental change, holders may require that the Company repurchase some or all of the 2012 Notes for cash at a repurchase price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any.

The 2012 Notes, under the terms of the private placement agreement, are guaranteed fully by Integra LifeSciences Corporation, a subsidiary of the Company. The 2012 Notes are the Company s direct senior unsecured obligations and will rank equal in right of payment to all of the Company s existing and future unsecured and unsubordinated indebtedness.

In connection with the original issuance of the Notes, the Company entered into call transactions and warrant transactions, primarily with affiliates of the initial purchasers of the Notes (the hedge participants), in connection with each series of Notes. The cost of the call transactions to the Company was approximately $46.8 million. The Company received approximately $21.7 million of proceeds from the warrant transactions. The call transactions involve the Company s purchasing call options from the hedge participants, and the warrant transactions involve the Company s selling call options to the hedge participants with a higher strike price than the purchased call options. The calls related to the 2010 Notes expired with the maturity of those notes and the warrants related to the 2010 Notes expire at various times through January 2011.

The initial strike price of the remaining call transactions is approximately $64.96 for the 2012 Notes, subject to anti-dilution adjustments substantially similar to those in the 2012 Notes. The initial strike price of the warrant transactions is approximately $77.96 per share of Common Stock for the 2010 Notes and approximately $90.95 for the 2012 Notes, in each case subject to customary anti-dilution adjustments.

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6. DERIVATIVE INSTRUMENTS

The Company develops, manufactures, and sells medical devices globally and its earnings and cash flows are exposed to market risk from changes in interest rates and currency exchange rates. The Company addresses these risks through a risk management program that includes the use of derivative financial instruments, and operates the program pursuant to documented corporate risk management policies. All derivative financial instruments are recognized in the financial statements at fair value in accordance with the authoritative guidance. Under the guidance, for those instruments that are designated and qualify as hedging instruments, the hedging instrument must be designated as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation, based on the exposure being hedged. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. The Company s derivative instruments do not subject its earnings or cash flows to material risk, and gains and losses on these derivatives generally offset losses and gains on the item being hedged. The Company has not entered into derivative transactions for speculative purposes and all of its derivatives are designated as hedges.

All derivative instruments are recognized at their fair values as either assets or liabilities on the balance sheet. The Company determines the fair value of its derivative instruments, using the framework prescribed by the authoritative guidance, by considering the estimated amount the Company would receive to sell or transfer these instruments at the reporting date and by taking into account current interest rates, currency exchange rates, the creditworthiness of the counterparty for assets, and its creditworthiness for liabilities. In certain instances, the Company may utilize financial models to measure fair value. Generally, the Company uses inputs that include quoted prices for similar assets or liabilities in active markets; other observable inputs for the asset or liability; and inputs derived principally from, or corroborated by, observable market data by correlation or other means. As of September 30, 2010, the Company has classified all of its derivative assets and liabilities within Level 2 of the fair value hierarchy because observable inputs are available for substantially the full term of its derivative instruments.

Foreign Currency Hedging

All of the Company s designated foreign currency hedge contracts outstanding as of September 30, 2010 and December 31, 2009 were cash flow hedges under the authoritative guidance intended to protect the U.S. dollar value of certain forecasted foreign currency denominated intercompany transactions. The Company records the effective portion of any change in the fair value of foreign currency cash flow hedges in other comprehensive income (OCI), net of tax, until the hedged item impacts earnings. Once the related hedged item effects earnings, the Company reclassifies the effective portion of any related unrealized gain or loss on the foreign currency cash flow hedge to earnings. If the hedged forecasted transaction does not occur, or if it becomes probable that it will not occur, the Company will reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time.

The success of the Company s hedging program depends, in part, on forecasts of certain activity denominated in euros. The Company may experience unanticipated currency exchange gains or losses to the extent that there are differences between forecasted and actual activity during periods of currency volatility. In addition, changes in currency exchange rates related to any unhedged transactions may impact its earnings and cash flows.

All currency cash flow hedges outstanding as of September 30, 2010 mature within 12 months; therefore the Company may reclassify a *de minimus* amount of pre-tax net losses recorded in OCI to earnings within the next twelve months.

Interest Rate Hedging

The Company s interest rate risk relates to U.S. dollar denominated variable LIBOR interest rate borrowings. The Company uses an interest rate swap derivative instrument entered into on August 10, 2010 with an effective date of December 31, 2010 to manage its earnings and cash flow exposure to changes in interest rates by converting a portion of its floating-rate debt into fixed-rate debt beginning on December 31, 2010. This interest rate swap expires on August 10, 2015.

The Company designates this derivative instrument as a cash flow hedge. The Company records the effective portion of any change in the fair value of a derivative instrument designated as a cash flow hedge as unrealized gains or losses in OCI, net of tax, until the hedged item affects earning, at which point the effective portion of any gain or loss will be reclassified to earnings. If the hedged cash flow does not occur, or if it becomes probable that it will not occur, the

Company will reclassify the amount of any gain or loss on the related cash flow hedge to interest expense at that time.

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The Company expects that approximately $1.6 million of net pre-tax losses recorded in OCI could be reclassified to earnings within the next twelve months related to the interest rate hedge.

Counterparty Credit Risk

The Company manages its concentration of counterparty credit risk on its derivative instruments by limiting acceptable counterparties to a group of major financial institutions with investment grade credit ratings, and by actively monitoring their credit ratings and outstanding positions on an on-going basis. Therefore, the Company considers the credit risk of the counterparties to be low. Furthermore, none of the Company s derivative transactions is subject to collateral or other security arrangements, and none contains provisions that are dependent on the Company s credit ratings from any credit rating agency.

Fair Value of Derivative Instruments

The following table summarizes the fair value, notional amounts presented in U.S. dollars, and presentation in the condensed consolidated balance sheet for derivatives designated as hedging instruments as of September 30, 2010 and December 31, 2009 (in thousands):

	Fair Value as of		Notional Amount as of	
Location on Balance Sheet (1)	**September 30, 2010**	**December 31, 2009**	**September 30, 2010**	**December 31, 2009**
Derivative Assets:				
Currency hedge contracts Prepaid expenses and other current assets	$ 2,285	$	$ 31,308	$
Derivative Liabilities:				
Interest rate swap Accrued expenses and other current liabilities (2)	$ 1,578	$		
Currency hedge contracts Accrued expenses and other current liabilities	1,006	418	$ 11,107	$ 11,696
Interest rate swap Other liabilities (2)	1,066			
Total Derivative Liabilities	$ 3,650	$ 418		

(1) The Company classifies derivative assets and liabilities as current based on the cash flows expected to be incurred within the following 12 months.

(2) The total notional amount related to the interest rate swap is

$148.1 million. In the next twelve months this amount will be reduced by $7.5 million.

The following presents the effect of derivative instruments designated as cash flow hedges on the accompanying unaudited condensed consolidated statements of operations during the three and nine months ended September 30, 2010 (in thousands):

	Amount of Gain (Loss) Recognized in OCI (Effective Portion)	Amount of Gain (Loss) Reclassified from OCI Into Earnings (Effective Portion)	Location in Statements of Operations
Three Months ended September 30, 2010			
Currency hedge contracts	$ 3,430	$ 3,437	Other income (expense)
Interest rate swap	(2,644)		Interest (expense)
	$ 786	$ 3,437	
Nine Months ended September 30, 2010			
Currency hedge contracts	$ 1,695	$ 1,718	Other income (expense)
Interest rate swap	(2,644)		Interest (expense)
	$ (949)	$ 1,718	

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The Company had no derivative instruments outstanding, or affecting the statement of operations during the three- and nine-month periods ended September 30, 2009 and recognized no gains or losses due to ineffectiveness for the three- and nine-month periods ended September 30, 2010 and 2009.

7. STOCK-BASED COMPENSATION

As of September 30, 2010, the Company had stock options, restricted stock awards, performance stock awards, contract stock awards and restricted stock unit awards outstanding under six plans, the 1996 Incentive Stock Option and Non-Qualified Stock Option Plan (the 1996 Plan), the 1998 Stock Option Plan (the 1998 Plan), the 1999 Stock Option Plan (the 1999 Plan), the 2000 Equity Incentive Plan (the 2000 Plan), the 2001 Equity Incentive Plan (the 2001 Plan), and the 2003 Equity Incentive Plan (the 2003 Plan and collectively, the Plans). No new awards may be granted under the 1996 Plan, the 1998 Plan, the 1999 Plan and the 2000 Plan.

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

Stock Options

The Company granted approximately 59,000 and 62,500 stock options during the nine months ended September 30, 2010 and 2009, respectively. As of September 30, 2010, there were approximately $2.9 million of total unrecognized compensation costs related to unvested stock options. These costs are expected to be recognized over a weighted-average period of approximately 1.5 years. The Company received net proceeds of $5.7 million and $2.6 million from stock option exercises for the nine months ended September 30, 2010 and 2009, respectively.

Awards of Restricted Stock, Performance Stock and Contract Stock

Performance stock awards have performance features associated with them. Performance stock, restricted stock and contract stock awards generally have requisite service periods of three years. The Company expenses the fair value of these awards on a straight-line basis over the vesting period or requisite service period, whichever is shorter. As of September 30, 2010, there was approximately $12.5 million of total unrecognized compensation costs related to unvested awards. The Company expects to recognize these costs over a weighted-average period of approximately 1.8 years.

The Company has no formal policy related to the repurchase of shares for the purpose of satisfying stock-based compensation obligations.

The Company also maintains an Employee Stock Purchase Plan (the ESPP), which provides eligible employees of the Company with the opportunity to acquire shares of common stock at periodic intervals by means of accumulated payroll deductions. The ESPP is a non-compensatory plan based on its terms.

8. TREASURY STOCK

On October 30, 2008, the Board of Directors authorized the Company to repurchase shares of its common stock for an aggregate purchase price not to exceed $75.0 million through December 31, 2010. Shares may be purchased either in the open market or in privately negotiated transactions. The following table sets forth the Company s treasury stock activity during the nine-month periods ended September 30, 2010 and 2009 (amounts in thousands):

	Nine Months Ended September 30,			
	2010		2009	
	$	# of shares	$	# of shares
Shares repurchased in the open market in connection with the Board approved buyback program	$ 31,278	859	$	

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9. RETIREMENT BENEFIT PLANS

The Company maintains defined benefit pension plans that cover employees in its manufacturing plants located in Andover, United Kingdom (the UK Plan) and Tuttlingen, Germany (the Germany Plan). The Company closed the Tuttlingen, Germany plant, to which the Germany Plan pertained, in December 2005. However, the Company did not terminate the Germany Plan and the Company remains obligated for the accrued pension benefits related to this plan. The plans cover certain current and former employees. Net periodic benefit costs for the Company s defined benefit pension plans included the following amounts (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Service cost	$ 26	$ 29	$ 79	$ 85
Interest cost	166	150	479	435
Expected return on plan assets	(124)	(103)	(368)	(298)
Recognized net actuarial loss	38	114	112	331
Net period benefit cost	$ 106	$ 190	$ 302	$ 553

The Company made $0.7 million and $0.3 million of contributions to its defined benefit pension plans during the nine-month periods ended September 30, 2010 and 2009, respectively.

10. COMPREHENSIVE INCOME

Comprehensive income was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	$ 16,483	$ 14,432	$ 46,862	$ 35,224
Foreign currency translation adjustment	21,979	7,661	(5,954)	13,386
Change in unrealized gain (loss) on derivatives, net of tax	(1,514)		(1,525)	
Comprehensive income	$ 36,948	$ 22,093	$ 39,383	$ 48,610

11. NET INCOME PER SHARE

In January 2009 the Company adopted the authoritative guidance related to determining whether instruments issued in share-based payment transactions are participating securities. Certain of the Company s unvested restricted share units contain rights to receive nonforfeitable dividends, and thus, are participating securities requiring the two-class method of computing earnings per share. Because these securities had an insignificant impact on the calculation of earnings per share (impacts the rounding by $0.01 or less per share) the Company does not present the full calculation below.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Basic net income per common share:				
Net income	$ 16,483	$ 14,432	$ 46,862	$ 35,224
Weighted average common shares outstanding	29,572	29,049	29,638	28,999
Basic net income per common share	$ 0.56	$ 0.49	$ 1.57	$ 1.21
Diluted net income per common share:				
Net income	$ 16,483	$ 14,330	$ 46,862	$ 34,977
Weighted average common shares outstanding				
Basic	29,572	29,049	29,638	28,999
Effect of dilutive securities:				
Stock options and restricted stock	500	351	588	233
Weighted average common shares for diluted earnings per share	30,072	29,400	30,226	29,232
Diluted net income per common share	$ 0.55	$ 0.49	$ 1.54	$ 1.20

At September 30, 2010 and 2009 the Company had 1.9 million and 2.6 million of outstanding stock options, respectively. The Company also has warrants outstanding relating to its 2010 Notes and 2012 Notes. Stock options, restricted stock and warrants are included in the diluted earnings per share calculation using the treasury stock method, unless the effect of including the stock options would be anti-dilutive. For the three months ended September 30, 2010 and 2009, 0.8 million and 1.7 million anti-dilutive stock options, respectively, were excluded from the diluted earnings per share calculation. As the strike price of the warrants exceeded the Company s average stock price for the period, the warrants are anti-dilutive and the entire number of warrants were also excluded from the diluted earnings per share calculation.

12. SEGMENT AND GEOGRAPHIC INFORMATION

The Company s management, including the chief operating decision maker, reviews financial results and manages the business on an aggregate basis. Therefore, financial results are reported in a single operating segment, the development, manufacture and marketing of medical devices for use in cranial and spinal procedures, peripheral nerve repair, small bone and joint injuries, and the repair and reconstruction of soft tissue.

Revenue consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Orthopedics	$ 72,970	$ 64,135	$ 215,976	$ 193,665
Neurosurgery	69,816	67,228	200,896	188,407
Instruments	43,855	40,923	121,062	116,889
Total revenue	$ 186,641	$ 172,286	$ 537,934	$ 498,961

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
United States	$ 145,257	$ 132,143	$ 413,380	$ 381,814
Europe	20,847	23,484	65,075	69,913
Asia Pacific	11,042	7,064	29,453	22,193
Other Foreign	9,495	9,595	30,026	25,041
Total revenue	$ 186,641	$ 172,286	$ 537,934	$ 498,961

13. COMMITMENTS AND CONTINGENCIES

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

Various lawsuits, claims and proceedings are pending or have been settled by the Company. The only significant item is described below.

In January 2010, the Company received a notice from the seller s representative of the former Theken companies of a disagreement in the calculation of trade sales used in calculating a revenue performance payment that the Company made in November 2009 related to the first performance year that ended September 30, 2009. The notice alleges that the Company owes an additional $6.7 million. The Company is currently discussing this matter with the seller s representative in an attempt to resolve the dispute in accordance with the provisions contained in the asset purchase agreement governing the transaction. The Company has accrued $3.4 million as an estimate of the settlement in this matter. The Company believes that there are no additional amounts due under the asset purchase agreement for the second performance year that ended September 30, 2010.

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

The Company accrues for loss contingencies when it is deemed probable that a loss has been incurred and that loss is estimable. The amounts accrued are based on the full amount of the estimated loss before considering insurance proceeds, and do not include an estimate for legal fees expected to be incurred in connection with the loss contingency. The Company consistently accrues legal fees expected to be incurred in connection with loss contingencies as those fees are incurred by outside counsel as a period cost.

14. INCOME TAXES

The following table provides a summary of the Company s effective tax rate:

	Three Months Ended September 30,		Percentage Point Increase (Decrease)
	2010	2009	
Reported tax rate	26.0%	20.5%	5.5%

	Nine Months Ended September 30,		Percentage Point Increase (Decrease)
	2010	2009	
Reported tax rate	25.2%	30.2%	(5.0%)

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During the three months ended September 30, 2010 and 2009, the Company reversed $1.4 million and $1.6 million, respectively of reserves for uncertain tax positions due to matters that are considered effectively settled and the expiration of the statute of limitations for certain matters. Additionally, the 2009 period also included the cumulative impact of the expected increase in the estimate of earnings that would be generated in foreign jurisdictions at lower rates.

The change in the Company s effective tax rates for the first nine months of 2010, as compared to the same period in 2009, relates primarily to an expected increase in the proportion of the Company s taxable income for the full year that will come from foreign jurisdictions with lower tax rates.

15. LEASES

On March 1, 2010, the Company exercised an option to extend a lease agreement for production equipment dated June 2000 with Medicus Corporation. Under the option, the term of the original lease agreement was extended through March 31, 2012. The initial June 2000 agreement was subsequently amended on June 29, 2010 to extend the term of the lease to March 31, 2022, with an option to renew through March 31, 2032. The sole stockholder of Medicus Corporation is Provco Ventures I, LP, of which the Company s chairman serves as partner and president.

16. SUBSEQUENT EVENTS

On October 12, 2010, the Company entered into an employment agreement with Peter J. Arduini, who was appointed President and Chief Operating Officer, effective November 1, 2010. The term of the agreement continues through December 31, 2013, unless terminated earlier by either party. On October 12, 2010 the Company also entered into an amendment to the employment agreement with John B. Henneman, III, its Chief Financial Officer, which extended the agreement until January 4, 2013 and provided for automatic one-year extensions thereafter, unless either party gives at least six months advance notice of nonrenewal. In connection with these two agreements, the Company expects to incur additional compensation costs of $2.0 million in the fourth quarter of 2010.

On October 19, 2010, the Company borrowed $30.0 million under its revolving credit facility. As a result of this borrowing, the Company has $250.0 million of outstanding borrowings under the Senior Credit Facility, including a $150.0 million term loan and $100.0 million of borrowings under its revolving credit facility as of the date of this filing. The Company plans to use the funds to repay certain intercompany loans, the proceeds of which were used for repurchases of the Company s common stock, an earn-out payment relating to an acquisition and other general corporate purposes.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2009 included in our Annual Report on Form 10-K.

We have made statements in this report which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). These forward-looking statements are subject to a number of risks, uncertainties and assumptions about the Company. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth above under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

GENERAL

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

We present revenues in three market categories Orthopedics, Neurosurgery and Instruments. Our orthopedics products include specialty metal implants for surgery of the extremities and spine, orthobiologics products for repair and grafting of bone, dermal regeneration products and tissue-engineered wound dressings and nerve- and tendon-repair products. Our neurosurgery products group includes, among other things, dural grafts that are indicated for the repair of the dura mater, ultrasonic surgery systems for tissue ablation, cranial stabilization and brain retraction systems, systems for measurement of various brain parameters and devices used to gain access to the cranial cavity and to drain excess cerebrospinal fluid from the ventricles of the brain. Our instruments products include a wide range of specialty and general surgical and dental instruments and surgical lighting for sale to hospitals, outpatient surgery centers, and physician, veterinarian and dental practices.

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

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

In the United States, we have three sales channels Orthopedics, Neurosurgery and Instruments. Within our Orthopedics sales channel, we sell through a large direct sales organization, and through specialty distributors focused on their respective surgical specialties. Neurosurgery sells products through directly employed sales representatives. The Instruments sales channel sells directly and through distributors and wholesalers.

We also market certain products through strategic partners.

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

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

We believe that we are particularly effective in the following aspects of our business:

Developing metal implants for bone and joint repair, fixation and fusion. We have significant expertise in developing metal implants for use in bone and joint repair, fixation and fusion and in successfully bringing those products to market.

Developing, manufacturing and selling specialty regenerative technology products. We have a broad technology platform for developing products that regenerate or repair soft tissue and bone. We believe that we have a particular advantage in developing, manufacturing and selling tissue repair products derived from bovine collagen. These products comprised 23% of revenues for the nine months ended September 30, 2010 and 2009.

Acquiring and integrating new product lines and complementary businesses. Since 2007, we have acquired and integrated more than twelve product lines or businesses through an acquisition program that focuses on acquiring companies or product lines at reasonable valuations which complement our existing product lines or can be used to leverage our broad technology platform in tissue regeneration and metal implants. Our managers and executives have demonstrated their ability to successfully integrate acquired product lines and businesses.

ACQUISITIONS

In September 2010, we acquired certain assets as well as the distribution rights for our extremity reconstruction product lines in Australia from Culley Investments Pty. Ltd. (Culley) for approximately $1.6 million (1.7 million Australian dollars) in cash. For eight years, Culley had been our distributor of extremity reconstruction products in Australia. The acquisition provides us with the ability to sell orthopedic products directly to its Australian customers.

In May 2010, we acquired certain assets and liabilities of the surgical headlight business of Welch Allyn, Inc. (Welch) for approximately $2.4 million in cash and $0.2 million of working capital adjustments. We believe that the assets acquired will further our goal of expanding our reach into the surgical headlight market.

RESULTS OF OPERATIONS

Executive Summary

Net income for the three months ended September 30, 2010 was $16.5 million, or $0.55 per diluted share as compared with net income of $14.4 million or $0.49 per diluted share for the three months ended September 30, 2009.

Net income for the nine months ended September 30, 2010 was $46.9 million, or $1.54 per diluted share as compared with net income of $35.2 million or $1.20 per diluted share for the nine months ended September 30, 2009.

For both of these periods, the increase in net income resulted primarily from increases in revenues and decreased interest and amortization expenses.

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Our costs and expenses include the following charges (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Acquisition-related charges	$ 682	$ 394	$ 1,248	$ 394
Inventory fair market value purchase accounting adjustments	207	641	836	4,572
Employee termination and related costs	531		1,159	646
Facility consolidation, acquisition integration, manufacturing and distribution transfer, and system implementation charges	1,347	96	2,593	488
Intangible asset impairment	59	1,519	856	1,519
Restructuring of European legal entitites	395		395	
Discontinued product lines			74	246
Incremental professional and bank fees related to the possibility of obtaining a waiver under our revolving credit facility				350
Loss (gain) related to early extinguishment of convertible notes		207		(916)
Non-cash interest expense related to convertible securities	1,578	2,335	5,519	7,862
Litigation settlement		(253)		(253)
Foreign exchange loss on intercompany loan (1)				1,876
Total	$ 4,799	$ 4,939	$ 12,680	$ 16,784

(1) This foreign exchange loss is associated with our intercompany loan set up in connection with the restructuring of a German subsidiary in the fourth quarter of 2008. Net income for 2010 and prior periods includes foreign exchange gains and losses associated with intercompany

loans not related to any restructuring.

The items reported above are reflected in the condensed consolidated statements of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Cost of product revenues	$ 1,196	$ 1,648	$ 2,554	$ 6,069
Research and development		277	102	437
Selling, general and administrative	1,966	118	3,649	952
Intangible asset amortization	59	608	856	608
Interest expense	1,578	2,335	5,519	8,012
Other income (expense), net		(47)		706
Total	$ 4,799	$ 4,939	$ 12,680	$ 16,784

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

Revenues and Gross Margin on Product Revenues

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Orthopedics	$ 72,970	$ 64,135	$ 215,976	$ 193,665
Neurosurgery	69,816	67,228	200,896	188,407
Instruments	43,855	40,923	121,062	116,889
Total revenue	186,641	172,286	537,934	498,961
Cost of product revenues	69,194	63,021	196,882	180,974
Gross margin on total revenues	$ 117,447	$ 109,265	$ 341,052	$ 317,987
Gross margin as a percentage of total revenues	62.9%	63.4%	63.4%	63.7%

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THREE MONTHS ENDED SEPTEMBER 30, 2010 AS COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2009

Revenues and Gross Margin

For the three months ended September 30, 2010, total revenues increased by $14.4 million, or 8.3%, to $186.6 million from $172.3 million for the same period during 2009. Domestic revenues increased 9.9% to $145.3 million, or 78% of total revenues, for the three months ended September 30, 2010 from $132.1 million, or 77% of total revenues, for the three months ended September 30, 2009. International revenues increased to $41.4 million from $40.1 million in the prior-year period, an increase of 3.1%. Foreign exchange fluctuations, arising primarily from a weaker euro versus the U.S. dollar compared to the third quarter of 2009, accounted for a $1.5 million decrease in revenues during the third quarter of 2010 as compared to the same period last year.

Orthopedics revenues were $73.0 million, an increase of 13.7% over the prior-year period. Our extremities reconstruction products led the growth in this category. Most of the increase in the extremities products came from sales of regenerative medicine products for skin and wound repair, and from metal implants for the mid-and hindfoot. Private-label product revenues also grew substantially. Spine and orthobiologics product revenues were essentially flat; however, we believe that our spine distribution network and spine-focused orthobiologics products will contribute to additional growth going forward.

Neurosurgery revenues were $69.8 million, up 3.9% from the prior year period, resulting from increases in sales of ultrasonic ablation equipment and other capital equipment. Sales of capital items such as these increased because of the easing of budgetary constraints at United States hospitals and surgical centers.

Revenues in the Instruments category were $43.9 million, up 7.2% from the prior year. Sales of hospital-based instruments and surgical lighting equipment drove this growth.

We expect to drive future revenue growth by launching new products and acquiring businesses and products that can be sold through our existing sales organizations. The continued global economic uncertainty and resulting pricing pressures in the healthcare market, particularly in Europe, is expected to temper a portion of this sales growth in the near term.

Gross margin increased by $8.2 million to $117.4 million for the three-month period ended September 30, 2010, from $109.3 million for the same period last year. Gross margin as a percentage of total revenue decreased slightly in the current quarter primarily as a result of stronger instrument sales, higher overall production costs and engineering expenses associated with manufacturing improvement projects.

Although we continuously identify and implement programs to reduce costs at our manufacturing plants and to manage our inventory more efficiently, gross margin improvements in our business are expected to continue because of our expectations of revenue growth, operational efficiencies and from changes in sales mix to a larger proportion of sales of our higher gross margin implant products.

Operating Expenses

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

	Three Months Ended September 30,	
	2010	**2009**
Research and development	6.3%	6.7%
Selling, general and administrative	40.6%	40.6%
Intangible asset amortization	1.4%	2.3%
Total operating expenses	48.3%	49.6%

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Total operating expenses, which consist of research and development expenses, selling, general and administrative expenses, and amortization expenses, increased $4.7 million, or 5.5%, to $90.1 million in the third quarter of 2010 compared to $85.4 million in the third quarter of 2009.

Research and development expenses in the third quarter of 2010 were flat compared to the same period last year. We target 2010 spending on research and development to be 6.5% of total revenues. Most of this spending is on product development efforts outside of instruments.

Selling, general and administrative expenses in the third quarter of 2010 increased by $5.8 million to $75.7 million compared to $69.9 million in the same period last year. Selling expenses increased by $3.7 million primarily due to increases in compensation in the sales organizations in the United States and Europe. General and administrative costs increased $2.2 million primarily resulting from costs of additional headcount. We will continue to expand our direct sales organizations where business opportunities are most attractive, such as extremity reconstruction, and increase corporate staff to support our information systems. We continue to expect that selling, general and administrative spending will be approximately 41.5% of revenues.

Amortization expense in the third quarter of 2010 was $2.7 million compared to $4.0 million in the same period last year. This decrease primarily resulted from the completion of the amortization period for certain intangible assets, the impairment of a trade name in 2009, and the strengthening of the U.S. dollar against the euro.

Non-Operating Income and Expenses

The following is a summary of non-operating income and expenses (in thousands):

	Three Months Ended September 30,	
	2010	**2009**
Interest income	$ 59	$ 197
Interest expense	$ (4,390)	$ (5,493)
Other income (expense)	$ (707)	$ (380)

Interest Income

Interest income decreased in the three months ended September 30, 2010 compared to the same period last year, primarily as a result of lower overall cash balances.

Interest Expense

Interest expense in the three months ended September 30, 2010 decreased primarily because of the $78.0 million payoff of the 2010 Notes in June 2010 and repayments made to our credit facility, which were partially offset by a new borrowing of $75.0 million under the revolving credit facility. Our reported interest expense for the three-month periods ended September 30, 2010 and 2009 includes non-cash interest related to the accounting for convertible securities of $1.6 million and $2.5 million, respectively.

Other Income (Expense)

Other expense in 2010 of $0.7 million consists primarily of foreign exchange losses on intercompany balances.

Income Taxes

	Three Months Ended September 30,	
	2010	**2009**
	(in thousands)	
Income before income taxes	$ 22,271	$ 18,144
Income tax expense	$ 5,788	$ 3,712
Effective tax rate	26.0%	20.5%

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Our effective income tax rates for the three months ended September 30, 2010 and 2009 were 26.0% and 20.5%, respectively. During the three months ended September 30, 2010 and 2009 the Company reversed $1.4 million and $1.6 million, respectively of reserves for uncertain tax positions due to matters that were considered effectively settled and the expiration of the statute of limitations for certain matters. Additionally, the 2009 period also included the cumulative impact of the expected increase in the estimate of earnings that would be generated in foreign jurisdictions at lower rates.

Our effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of taxable earnings and losses. We consider these factors and others, including our history of generating taxable earnings, in assessing our ability to realize deferred tax assets. We expect our effective income tax rate for the full year to be approximately 26.25%.

NINE MONTHS ENDED SEPTEMBER 30, 2010 AS COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2009

Revenues and Gross Margin

For the nine-month period ended September 30, 2010, total revenues increased by $39.0 million or 7.8%, to $537.9 million from $499.0 million during the prior-year period. Domestic revenues increased by 8.3% to $413.3 million and were 77% of total revenues for the nine months ended September 30, 2010 and 2009. International revenues increased $7.4 million to $124.6 million, an increase of 6% compared to the same period in 2009. Foreign exchange fluctuations accounted for a $0.6 million increase in revenues for the nine-month period ended September 30, 2010.

Orthopedics revenues were $216.0 million, an increase of 11.5% over the prior year period. Our extremities reconstruction products led the dollar growth in this category followed by our private label products. Most of the increase in extremities products came from sales of regenerative medicine products for skin and wound repair and from metal implants from the forefoot, mid- and hindfoot.

Neurosurgery revenues were $200.9 million, an increase of 6.6% over the prior year period. Sales of ultrasonic tissue ablation products led the growth in neurosurgery, followed by cranial stabilization systems and other capital products.

Instruments revenues were $121.1 million, an increase of 3.6% over the prior year period. This was due principally to hospital-based instruments and surgical lighting systems.

Gross margin increased by $23.1 million to $341.1 million for the nine-month period ended September 30, 2010, from $318.0 million for the same period last year. Gross margin as a percentage of total revenue was 63.4% for the first three quarters of 2010, compared to 63.7% for this same period during 2009. This decrease results from higher overall production costs and engineering expenses associated with manufacturing improvement projects.

Operating Expenses

The following is a summary of operating expenses as a percent of total revenues (in thousands):

	Nine Months Ended September 30,	
	2010	**2009**
Research and development	6.5%	6.5%
Selling, general and administrative	41.3%	41.0%
Intangible asset amortization	1.7%	2.2%
Total operating expenses	49.5%	49.7%

Total operating expenses, which consist of research and development expenses, selling, general and administrative expenses and amortization expenses, increased $18.5 million, or 7.5%, to $266.5 million in the first nine months of 2010, compared to $248.0 million in the same period last year.

Research and development expenses in the first nine months of 2010 increased by $2.3 million to $34.8 million compared to $32.5 million in the same period last year. The increase resulted from additional headcount in product

development personnel.

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Selling, general and administrative expenses in the first nine months of 2010 increased by $17.8 million to $222.5 million compared to $204.6 million in the same period last year. Selling expenses increased by $11.3 million primarily because of an increase in revenues and the corresponding commission costs. General and administrative costs increased $6.5 million to $94.5 million compared to $88.0 million in the same period last year resulting from increases in compensation.

Amortization expense in the first nine months of 2010 decreased by $1.6 million to $9.3 million compared to $10.9 million in the same period last year. The decrease resulted mainly from the completion of the amortization period for certain intangible assets and impairments in 2009, partially offset by $0.8 million for impairment of several trade names in connection with our re-branding strategy in 2010. As this re-branding strategy evolves, we may make further decisions about our trade names and incur additional impairment charges.

Non-Operating Income and Expenses

The following is a summary of non-operating income and expenses (in thousands):

	Nine Months Ended September 30,	
	2010	**2009**
Interest income	$ 172	$ 578
Interest expense	$ (13,231)	$ (18,351)
Other income (expense)	$ 1,202	$ (1,729)

Interest Income

Interest income decreased in the nine-month period ended September 30, 2010, compared to the same period last year, primarily because of lower average cash balances.

Interest Expense

Interest expense decreased in the nine-month period ended September 30, 2010, compared to the same period last year, primarily because of repurchases of our 2010 Notes throughout 2009 and their settlement in June 2010. Our reported interest expense for the nine-month periods ended September 30, 2010 and 2009 includes non-cash interest related to the accounting for convertible securities of $5.9 million and $8.2 million, respectively.

Other Income (Expense)

Other income (expense) increased in the nine months ended September 30, 2010 primarily as a result of foreign exchange gains of $0.9 million, compared to the same period last year. In 2009, foreign exchange losses of $3.5 million were offset by $0.9 million of net gains related to repurchases of our 2010 Notes.

Income Taxes

	Nine Months Ended September 30,	
	2010	**2009**
	(in thousands)	
Income before income taxes	$ 62,674	$ 50,475
Income tax expense	$ 15,812	$ 15,251
Effective tax rate	25.2%	30.2%

Our effective income tax rate for the nine months ended September 30, 2010 and 2009 was 25.2% and 30.2%, respectively. The income tax expense for the nine months ended September 30, 2010 reflects the impact of an expected increase in our foreign taxable earnings at lower overall tax rates. This resulted in a decrease in our effective tax rate for the period.

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GEOGRAPHIC PRODUCT REVENUES AND OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
United States	$ 145,257	$ 132,143	$ 413,380	$ 381,814
Europe	20,847	23,484	65,075	69,913
Asia Pacific	11,042	7,064	29,453	22,193
Other Foreign	9,495	9,595	30,026	25,041
Total Revenues	$ 186,641	$ 172,286	$ 537,934	$ 498,961

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash and Marketable Securities

We had cash and cash equivalents totaling approximately $82.8 million and $71.9 million at September 30, 2010 and December 31, 2009, respectively.

Cash Flows

	Nine Months Ended September 30,	
	2010	2009
	(in thousands)	
Net cash provided by operating activities	$ 77,141	$ 96,191
Net cash used in investing activities	(23,068)	(21,068)
Net cash used in financing activities	(40,248)	(158,233)
Effect of exchange rate fluctuations on cash	(2,884)	6,311
Net increase (decrease) in cash and cash equivalents	$ 10,941	$ (76,799)

Cash Flows Provided by Operating Activities

We generated operating cash flows of $77.1 million and $96.2 million for the nine months ended September 30, 2010 and 2009, respectively.

Net income for the nine months ended September 30, 2010, plus items included in those earnings that did not result in a change to our cash balance, amounted to approximately $88.6 million. Additionally, we paid $6.6 million in accreted interest related to repurchase of our 2010 Notes. Changes in working capital increased cash flows by $3.2 million. Among the changes in working capital, prepaid expenses contributed cash of $4.1 million, and accounts payable and accrued expenses contributed cash of $12.3 million, while accounts receivable and inventories used $12.7 million. Both our days sales outstanding and our days in inventory have remained consistent with the prior year-end. Additionally, decreases in long-term liabilities used $7.9 million primarily due to releases of uncertain tax

positions during the year.

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Net income for the nine months ended September 30, 2009, plus items included in those earnings that did not result in a change to our cash balance, amounted to approximately $78.6 million. Additionally, we paid $4.0 million in accreted interest related to the repurchase of our 2010 Notes. Changes in working capital contributed another $18.6 million of net cash flows. Among the changes in working capital decreases in accounts receivable contributed $11.7 million, decreases in inventories contributed $6.8 million and reductions in prepaid expenses, principally income taxes, contributed another $5.3 million, while decreases in accounts payable and accrued expenses used $5.2 million of cash. Decreases in other long-term assets contributed another $2.7 million of cash.

Cash Flows Used in Investing Activities

During the nine months ended September 30, 2010, we paid $18.9 million in cash for capital expenditures and $4.2 million for business acquisitions. For the same period in 2009, we had capital expenditures of $14.0 million, paid $2.3 million to purchase intangible assets and paid $4.8 million related to working capital adjustments for our acquisitions of Integra Spine and Integra Neurosciences Pty. Ltd.

Cash Flows Used in Financing Activities

Our principal uses of cash for financing activities in the nine months ended September 30, 2010 were from the repayment of the liability component of our 2010 Notes of $71.4 million, purchases of treasury stock of $31.3 million, payment of debt issuance costs in connection with our amended and restated Senior Credit Facility of $6.8 million, which were partially offset by proceeds from net borrowings under our revolving credit facility of $60.0 million. Additionally, we generated proceeds from stock option exercises and the tax impact of stock-based compensation of $9.2 million in 2010.

Our principal use of funds during the nine months ended September 30, 2009 was $60.9 million used to repurchase the liability component of the 2010 Notes and repayment of $100.0 million of borrowings under our revolving credit facility.

Working Capital

At September 30, 2010 and December 31, 2009, working capital was $283.6 million and $208.6 million, respectively. The increase in working capital resulted primarily from the settlement of our 2010 Notes with long-term borrowings under our Senior Credit Facility and from additional cash generated in the period.

Convertible Debt and Senior Credit Facility

We paid interest each June 1 and December 1 on our $77.9 million 2010 Notes at an annual rate of 2.75%. We repaid the 2010 Notes in full during June 2010 in accordance with the agreement. We also pay interest each June 1 and December 1 on our $165.0 million 2012 Notes at an annual rate of 2.375%.

The 2012 Notes are senior, unsecured obligations of Integra, and are convertible into cash and, if applicable, shares of our common stock based on an initial conversion rate, subject to adjustment, of 15.3935 shares per $1,000 principal amount of notes (which represents an initial conversion price of approximately $64.96 per share). We expect to satisfy any conversion of the 2012 Notes with cash up to the principal amount pursuant to the net share settlement mechanism set forth in the indenture and, with respect to any excess conversion value, with shares of our common stock. The 2012 Notes are convertible only in the following circumstances: (1) if the closing sale price of our common stock exceeds 130% of the conversion price during a period as defined in the indenture; (2) if the average trading price per $1,000 principal amount of the 2012 Notes is less than or equal to 97% of the average conversion value of the 2012 Notes during a period as defined in the indenture; (3) at any time after December 15, 2011; or (4) if specified corporate transactions occur.

The 2012 Notes, under the terms of the private placement agreement, are guaranteed fully by Integra LifeSciences Corporation, a subsidiary of Integra. The Notes are Integra s direct senior unsecured obligations and will rank equal in right of payment to all of our existing and future unsecured and unsubordinated indebtedness.

In connection with the original issuance of the Notes, we entered into call transactions and warrant transactions, primarily with affiliates of the initial purchasers of the Notes (the hedge participants), in connection with each series of Notes. The cost of the call transactions to us was approximately $46.8 million. We received approximately $21.7 million of proceeds from the warrant transactions. The call transactions involved our purchasing call options from the hedge participants, and the warrant transactions involved us selling call options to the hedge participants with a higher strike price than the purchased call options. The calls related to the 2010 Notes expired with the maturity of

these notes and the warrants related to the 2010 Notes expire at various times through January 2011.

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The initial strike price of the remaining call transactions is approximately $64.96 for the 2012 Notes, subject to anti-dilution adjustments substantially similar to those in the 2012 Notes. The initial strike price of the warrant transactions is (x) for the 2010 Notes, approximately $77.96 per share of Common Stock and (y) for the 2012 Notes, approximately $90.95, in each case subject to customary anti-dilution adjustments.

We may from time to time seek to retire or purchase additional outstanding Notes through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Under certain circumstances, the call options associated with any repurchased Notes may terminate early, but only with respect to the number of Notes that cease to be outstanding. The amounts involved may be material.

As of September 30, 2010 we had $220.0 million of outstanding borrowings under our $600.0 million Senior Credit Facility, which includes our $150.0 million term loan. With the exception of $7.5 million of the term loan component, we consider all such outstanding amounts to be long-term in nature based on our current intent and ability to repay this borrowing outside of the next twelve-month period. This facility expires in August 2015. We believe that our cash and available borrowings under the Senior Credit Facility are sufficient to finance our operations, capital expenditures and potential acquisition-related earn-out payments in the near term.

Share Repurchase Plan

On October 30, 2008, our Board of Directors authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $75.0 million through December 31, 2010. Shares may be purchased either in the open market or in privately negotiated transactions. We repurchased $31.3 million of our common stock from the open market during the nine months ended September 30, 2010.

Dividend Policy

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

Capital Resources

The Senior Credit Facility increased the size of the Company s prior revolving credit facility from $300.0 million to $450.0 million, provided for a $150.0 million term loan component and allowed the Company to further increase the size of either the term loan or the revolving credit facility, or a combination thereof, by an aggregate of $150.0 million with additional commitments. The Senior Credit Facility extended the prior revolving credit facility s maturity date from December 21, 2011 to August 10, 2015. As of September 30, 2010, we had approximately $380.0 million available under the Senior Credit Facility.

We believe that our cash and available borrowings under the Senior Credit Facility are sufficient to finance our operations and capital expenditures, and potential acquisition-related payments in the near term based on our current plans. The Company considers all such outstanding amounts to be long-term in nature based on its current intent and ability to repay the borrowings outside of the next twelve month period. See Convertible Debt and Senior Credit Facility for a description of the material terms of our credit facility.

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Contractual Obligations and Commitments

As of September 30, 2010, we were obligated to pay the following amounts under various agreements (in millions):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
Convertible Securities	$ 165.0	$	$ 165.0	$	$
Revolving Credit Facility (1)	70.0			70.0	
Term Loan	150.0	7.5	26.3	116.2	
Interest (2)	24.1	7.9	11.0	5.2	
Employment Agreements (3)	7.9	4.2	3.7		
Operating Leases	36.3	7.9	11.9	8.7	7.8
Purchase Obligations	16.0	11.9	3.5	0.6	
Pension Contributions	1.8	1.8			
Total	$ 471.1	$ 41.2	$ 221.4	$ 200.7	$ 7.8

(1) We may borrow and make payments against the revolving credit facility from time to time and consider all such outstanding amounts to be long-term in nature based on our current intent and ability to repay this borrowing. If additional borrowings are made in connection with, for instance, future acquisitions, this could impact the timing of when we intend to repay amounts under this

portion of the Senior Credit Facility which expires in August 2015.

(2) Interest is calculated on the convertible securities and term loan based on current interest rates paid by the Company. As the revolving credit facility can be repaid at any time, no interest has been included in the calculation.

(3) Amounts shown under Employment Agreements do not include executive compensation or compensation resulting from a change in control relating to our executive officers.

The terms of the purchase agreements executed in connection with certain acquisitions we closed in the last several years require us to make payments to the sellers of those businesses based on the performance of such businesses after the acquisition. The actual amounts may vary depending on actual performance of the acquired entities.

Excluded from the contractual obligations table is the liability for unrecognized tax benefits totaling $6.7 million. This liability for unrecognized tax benefits has been excluded because we cannot make a reliable estimate of the period in which the unrecognized tax benefits will be realized.

OTHER MATTERS

Critical Accounting Estimates

The critical accounting estimates included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 have not materially changed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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Foreign Currency Exchange and Other Rate Risks

We operate on a global basis and are exposed to the risk that our financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and net assets denominated in euros, Swiss Francs, British Pounds, Canadian Dollars, and Australian Dollars. We manage the foreign currency exposure centrally, on a combined basis, which allows us to net exposures and to take advantage of any natural offsets. To mitigate the impact of currency fluctuations on transactions denominated in nonfunctional currencies, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. These forward contracts are designed to hedge anticipated foreign currency transactions, primarily intercompany transactions. Realized and unrealized gains and losses on these contracts that qualify as cash flow hedges are temporarily recorded in other comprehensive income, then recognized in other income or expense when the hedged item affects net earnings.

We entered into foreign currency forward exchange contracts with terms of 1 to 12 months to manage currency exposures for liabilities denominated in a currency other than an entity s functional currency. As a result, foreign currency remeasurement gains/losses recognized in earnings are partially offset by gains/losses on the foreign currency forward exchange contracts in the same reporting period.

For contracts outstanding at September 30, 2010, we had obligations to purchase euros at set maturity dates during October 2010. The notional amounts of outstanding forward contracts entered into with third parties to purchase euros at September 30, 2010 were $42.4 million.

We maintain written policies and procedures governing our risk management activities. With respect to cash flow hedges, changes in cash flows attributable to hedged transactions are generally expected to be completely offset by changes in the fair value of hedge instruments. Consequently, foreign currency exchange contracts would not subject us to material risk due to exchange rate movements because gains and losses on these contracts offset gains and losses on the assets, liabilities and transactions being hedged.

The results of operations for the periods discussed herein have not been materially affected by inflation.

Interest Rate Risk

Cash and Cash Equivalents. We are exposed to the risk of interest rate fluctuations on the fair value and interest income earned on our cash and cash equivalents. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents outstanding at September 30, 2010 would increase interest income by approximately $0.8 million on an annual basis. No significant decrease in interest income would be expected as our cash balances are earning interest at rates close to zero. We are subject to foreign currency exchange risk with respect to cash balances maintained in foreign currencies.

Senior Credit Facility. Our interest rate risk relates primarily to U.S. dollar LIBOR-indexed borrowings. We have used an interest rate derivative instrument to manage our earnings and cash flow exposure to changes in interest rates by utilizing a forward-starting interest rate swap that will begin to offset a portion of our interest payments in the first quarter of 2011. This interest rate derivative instrument will fix the interest rate on a portion of our expected LIBOR-indexed floating-rate borrowings beginning on December 31, 2010. The interest rate swap had a notional amount of $148.1 million outstanding as of September 30, 2010. We recognized no additional interest expense related to this derivative during 2010. We recorded a $2.6 million liability to recognize the fair value of our interest rate derivative instrument as of September 30, 2010.

Based on our outstanding borrowings at September 30, 2010 a one-percentage point increase in interest rates would have increased interest expense on the unhedged portion of our debt by $2.2 million on an annualized basis, and a decrease in rates would have an insignificant impact on interest expense due to the current low LIBOR rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial

officer, as appropriate, to allow for timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management has designed our disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

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As required by Exchange Act Rule 13a-15(b), we have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2010. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2010 to provide such reasonable assurance.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various lawsuits, claims and proceedings are pending or have been settled by us. The only significant item is described below.

In January 2010, we received a notice from the seller s representative of the former Theken companies of a disagreement in the calculation of trade sales used in calculating a revenue performance payment that we made in November 2009 related to the first performance year that ended September 30, 2009. The notice alleges that we owe an additional $6.7 million. The Company is currently discussing this matter with the seller s representative in an attempt to resolve the dispute in accordance with the provisions contained in the asset purchase agreement governing the transaction. We have accrued $3.4 million as an estimate of the settlement in this matter. The Company believes that there are no additional amounts due under the asset purchase agreement for the second performance year that ended September 30, 2010.

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

ITEM 1A. RISK FACTORS

The Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (as modified by the subsequent Quarterly Reports on Form 10-Q for the periods ended March 31, 2010 and June 30, 2010) have not materially changed other than the modifications to the risk factors as set forth below.

Our operating results may fluctuate.

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

- current economic conditions, which could affect the ability of hospitals and other customers to purchase our products and could result in a reduction in elective and non-reimbursed operative procedures;
- the impact of acquisitions;
- the impact of our restructuring activities;
- the timing of significant customer orders, which tend to increase in the fourth quarter to coincide with the end of budget cycles for many hospitals;

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market acceptance of our existing products, as well as products in development;

the timing of regulatory approvals;

changes in the rates of exchange between the U.S. dollar and other currencies of foreign countries in which we do business, such as the euro and the British pound;

expenses incurred and business lost in connection with product field corrections or recalls;

changes in the cost or decreases in the supply of raw materials, including energy and steel;

our ability to manufacture our products efficiently;

the timing of our research and development expenditures;

reimbursement for our products by third-party payors such as Medicare, Medicaid and private health insurers;

inspections of our manufacturing facilities for compliance with Quality System Regulations (Good Manufacturing Practices) which could result in Form 483 observations, warning letters, injunctions or other adverse findings from the FDA or from equivalent regulatory bodies; and

FDA proposed reform to the 510(k) Premarket Notification process could make it more difficult to obtain clearance of our medical devices and could result in the requirement of clinical trial data in order to obtain FDA clearance.

To market our products under development we will first need to obtain regulatory approval. Further, if we fail to comply with the extensive governmental regulations that affect our business, we could be subject to penalties and could be precluded from marketing our products.

As a manufacturer and marketer of medical devices, we are subject to extensive regulation by the FDA and the Center for Medicare Services of the U.S. Department of Health and Human Services and other federal governmental agencies and, in some jurisdictions, by state and foreign governmental authorities. These regulations govern the introduction of new medical devices, the observance of certain standards with respect to the design, manufacture, testing, labeling, promotion and sales of the devices, the maintenance of certain records, the ability to track devices, the reporting of potential product defects, the import and export of devices and other matters. We are facing an increasing amount of scrutiny and compliance costs as more states are implementing regulations governing medical devices, pharmaceuticals and/or biologics which affect many of our products. As a result, we have been implementing additional procedures, controls and tracking and reporting processes, as well as paying additional permit and license fees, where required.

Our products under development are subject to FDA approval or clearance prior to marketing for commercial use. The process of obtaining necessary FDA approvals or clearances can take years and is expensive and uncertain. The FDA has announced a proposed reform of the 510(k) Premarket Notification process that could make it more difficult to obtain clearance for our medical devices, especially for innovative devices. The FDA has proposed an additional Class of Medical Devices that would be Class IIb for which FDA clearance to market would possibly require clinical data, more extensive manufacturing information and postmarket data. The FDA is also proposing that an FDA inspection of the manufacturing facility be required for Class IIb products prior to clearance of the 510(k), which is similar to the requirements of a Class II device. As part of the 510(k) reform, the FDA proposes to issue regulations defining grounds and procedures for recission of 510(k) applications that have been cleared to market. The FDA may also require the more extensive PMA process for certain products. Our inability to obtain required regulatory approval on a timely or acceptable basis could harm our business. Further, approval or clearance may place substantial restrictions

on the indications for which the product may be marketed or to whom it may be marketed, warnings that may be required to accompany the product or additional restrictions placed on the sale and/or use of the product. Further studies, including clinical trials and FDA approvals, may be required to gain approval for the use of a product for clinical indications other than those for which the product was initially approved or cleared or for significant changes to the product. These studies could take years to complete and could be expensive, and there is no guarantee that the results will convince the FDA to approve or clear the additional indication. Any negative outcome in our clinical trials, including as a result of any interim analysis which we may do with respect to our clinical trials from time to time, could adversely affect our

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ability to launch new products, which could affect our sales and our ability to achieve reimbursement for new or existing products. In addition, for products with an approved PMA, the FDA requires annual reports and may require post-approval surveillance programs and/or studies to monitor the products safety and effectiveness. Results of post-approval programs may limit or expand the further marketing of the product. We are also seeing third-party intermediaries require clinical trial data for products cleared through the 510(k) process in order to continue reimbursement coverage. These clinical trials could take years to complete and be expensive and there is no guarantee that the FDA will approve the additional indications for use. There is also no guarantee that the intermediaries will agree to continue reimbursement or provide additional coverage based upon these clinical trials. If the FDA does not approve the additional indications for use, our ability to obtain reimbursement for these products and our ability to compete against alternative products or technologies could suffer and, consequently, affect our sales.

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

Our manufacturing facilities must be in compliance with FDA Quality System Regulations (Current Good Manufacturing Practices). In addition, approved products are subject to continuing FDA requirements relating to quality control and quality assurance, maintenance of records, reporting of adverse events and product recalls, documentation, and labeling and promotion of medical devices. For example, some of our orthobiologics products are subject to FDA and certain state regulations regarding human cells, tissues, and cellular or tissue-based products, which include requirements for establishment registration and listing, donor eligibility, current good tissue practices, labeling, adverse-event reporting, and inspection and enforcement. Some states have their own tissue banking regulation. We are licensed or have permits as a tissue bank in California, Florida, New York and Maryland. In addition, tissue banks may undergo voluntary accreditation by the AATB. The AATB has issued operating standards for tissue banking. Compliance with these standards is a requirement in order to become a licensed tissue bank.

The FDA and foreign regulatory authorities require that our products be manufactured according to rigorous standards. These and future regulatory requirements could significantly increase our production or purchasing costs and could even prevent us from making or obtaining our products in amounts sufficient to meet market demand. If we or a third-party manufacturer change our approved manufacturing process, the FDA may require a new approval before that process may be used. Failure to develop our manufacturing capability could mean that, even if we were to develop promising new products, we might not be able to produce them profitably, as a result of delays and additional capital investment costs.

All of our manufacturing facilities, both international and domestic, are also subject to inspections by or under the authority of the FDA and other regulatory agencies. Failure to comply with applicable regulatory requirements could subject us to issuance of Form 483 observations, warning letters or enforcement action by the FDA or other agencies, including product seizures, recalls, withdrawal of clearances or approvals, restrictions on or injunctions against marketing our product or products based on our technology, cessation of operations and civil and criminal penalties, any of which could materially affect our business.

We are also subject to the regulatory requirements of countries outside the United States where we do business. For example, under the European Union Medical Device Directive, all medical devices must meet the Medical Device Directive standards in order to obtain CE Mark Certification prior to marketing in the EU. CE Mark Certification requires a comprehensive Quality System program, comprehensive technical and clinical documentation and data on the product, which a Notified Body in the EU reviews. In addition, we must be certified to the ISO 13485:2003 Quality System standards and maintain this certification in order to market our products in the EU, Canada, Japan, Latin America, countries in the Asia-Pacific region and most other countries outside the United States. Additionally, the EU has revised the Medical Device Directive (93/42/EC as amended by 200747/EC) and these revised regulations are effective March 21, 2010. Compliance with these regulations requires extensive documentation, clinical reports for all of our products sold in the EU, as well as revisions to labeling and other requirements to comply with the revisions.

Compliance with these regulations will be costly and are mandatory in order to market our products in the EU. Many other countries have instituted new medical device regulations and/or revised current medical device regulations. These regulations often require extensive documentation, including clinical data and may require audits of our manufacturing facilities in order to gain approval to sell our products in that country. There are also associated fees with these new regulations. These regulations are required for all new products and re-registration of our medical devices, and may involve lengthy and expensive reviews.

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Our products that contain human derived tissue, including those containing de-mineralized bone matrices, are not medical devices in the EU as defined in the Medical Device Directive (93/42/EC). They are also not medicinal products as defined in Directive 2001/83/EC. Today, regulations, if applicable, differ from one EU member state to the next. Because of the absence of a harmonized regulatory framework and the proposed regulation for advanced therapy medicinal products in the EU, as well as for other countries, the approval process for human-derived cell or tissue based medical products may be extensive, lengthy, expensive, and unpredictable. Among others, some of our orthobiologics products are subject to European Union member states regulations that govern the donation, procurement, testing, coding, traceability, processing, preservation, storage, and distribution of human tissues and cells and cellular or tissue-based products. These European Union member states regulations include requirements for registration, listing, labeling, adverse-event reporting, and inspection and enforcement. Some EU member states have their own tissue banking regulations. In addition, certain EU member states have instituted new requirements for additional testing that may be prohibitive to obtaining approval in those member states.

If any of our manufacturing facilities were damaged and/or our manufacturing or business processes interrupted, we could experience lost revenues and our business could be seriously harmed.

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

In addition, certain of our surgical instruments have some manufacturing processes performed by third parties in Pakistan, which is subject to political instability and unrest, and we purchase a much smaller amount of instruments directly from vendors there. Such instability could interrupt our ability to sell surgical instruments to our customers and could have a material adverse effect on our revenues and earnings. While we have developed a relationship with an alternative provider of these services in another country, and continue to work to develop other providers in other countries, we cannot guarantee that we will be completely successful in achieving all of these relationships. Even if we are successful in establishing all of these alternative relationships, we cannot guarantee that we will be able to do so at the same level of costs or that we will be able to pass along additional costs to our customers.

Further, we manufacture certain products in Europe and our European headquarters is located in France, which country has experienced labor strikes. Thus far, strikes have not had a material impact on our business; however, if such strikes continue, there is no assurance that they would not disrupt our business, which disruption could have a material adverse effect on the business.

We implemented an enterprise business system to support certain of our transaction processing for accounting and financial reporting, supply chain and manufacturing. A third party hosts and maintains this system. Currently, we do not have a comprehensive disaster recovery plan for the Company s infrastructure but we have adopted alternative solutions to mitigate business risk, including backup equipment, power and communications. We also implemented a comprehensive backup and recovery process for our key software applications. Our global production and distribution operations are dependent on the effective management of information flow between facilities. An interruption of the support provided by our enterprise business systems could have a material adverse effect on the business.

We are exposed to a variety of risks relating to our international sales and operations, including fluctuations in exchange rates, local economic conditions and delays in collection of accounts receivable.

We generate significant revenues outside the United States in multiple foreign currencies including euros, British pounds, Swiss francs, Canadian dollars, Japanese yen and Australian dollars, and in U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. For those foreign customers who purchase our products in U.S. dollars, currency fluctuations between the U.S. dollar and the currencies in which those customers do business may have a negative impact on the demand for our products in

foreign countries where the U.S. dollar has increased in value compared to the local currency.

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Since we have operations based outside the United States and we generate revenues and incur operating expenses in multiple foreign currencies including euros, British pounds, Swiss francs, Canadian dollars, Japanese yen and Australian dollars, we experience currency exchange risk with respect to those foreign currency-denominated revenues and expenses.

Although we address currency risk management through regular operating and financing activities, and, on a limited basis, through the use of derivative financial instruments, those actions may not prove to be fully effective. For a description of our use of derivative financial instruments, see Note 6, Derivative Instruments.

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

Our international operations subject us to laws regarding sanctioned countries, entities and persons, customs, import-export, laws regarding transactions in foreign countries and the U.S. Foreign Corrupt Practices Act and local laws regarding interactions with healthcare professionals. Among other things, these laws restrict, and in some cases prohibit, U.S. companies from directly or indirectly selling goods, technology or services to people or entities in certain countries. In addition, these laws require that we exercise care in structuring our sales and marketing practices in foreign countries.

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

Changes in the healthcare industry may require us to decrease the selling price for our products, may reduce the size of the market for our products, or may eliminate a market, any of which could have a negative impact on our financial performance.

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

new legislation, which is intended to expand access to health insurance coverage over time, will result in major changes in the United States healthcare system that could have an adverse effect on our business, including a 2.3% excise tax on U.S. sales of most medical devices, which is scheduled to be implemented in 2013, and which could have a material adverse effect on our earnings;

major third-party payors of hospital services and hospital outpatient services, including Medicare, Medicaid and private healthcare insurers, annually revise their payment methodologies, which can result in stricter standards for reimbursement of hospital charges for certain medical procedures or the elimination of reimbursement;

Medicare, Medicaid and private healthcare insurer cutbacks could create downward price pressure on our products;

recently effected local Medicare coverage determinations will eliminate reimbursement for certain of our matrix wound dressing products in most regions, negatively affecting our market for these products, and future determinations could eliminate reimbursement for these products in other regions and could eliminate reimbursement for other products;

there has been a consolidation among healthcare facilities and purchasers of medical devices in the United States who prefer to limit the number of suppliers from whom they purchase medical products, and these entities may decide to stop purchasing our products or demand discounts on our prices;

we are party to contracts with group purchasing organizations, which negotiate pricing for many member hospitals, that require us to discount our prices for certain of our products and limit our ability to raise prices for certain of our products, particularly surgical instruments;

there is economic pressure to contain healthcare costs in domestic and international markets;

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- there are proposed and existing laws, regulations and industry policies in domestic and international markets regulating the sales and marketing practices and the pricing and profitability of companies in the healthcare industry;

- proposed laws or regulations that will permit hospitals to provide financial incentives to doctors for reducing hospital costs (known as gainsharing) and to award physician efficiency (known as physician profiling) could reduce prices; and

- there have been initiatives by third-party payors to challenge the prices charged for medical products that could affect our ability to sell products on a competitive basis.

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

Oversight of the medical device industry might affect the manner in which we may sell medical devices and compete in the marketplace.

There are laws and regulations that govern the means by which companies in the healthcare industry may market their products to healthcare professionals and may compete by discounting the prices of their products, including for example, the federal Anti-Kickback Statute, the federal False Claims Act, the federal Health Insurance Portability and Accountability Act of 1996, state law equivalents to these federal laws that are meant to protect against fraud and abuse and analogous laws in foreign countries. Violations of these laws are punishable by criminal and civil sanctions, including, but not limited to, in some instances civil and criminal penalties, damages, fines, exclusion from participation in federal and state healthcare programs, including Medicare and Medicaid. Although we exercise care in structuring our sales and marketing practices and customer discount arrangements to comply with those laws and regulations, we cannot assure you that:

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

Correspondingly, federal and state laws are also sometimes open to interpretation, and from time to time we may find ourselves at a competitive disadvantage if our interpretation differs from that of our competitors.

In January 2004, AdvaMed, the principal United States trade association for the medical device industry, put in place a model code of conduct that sets forth standards by which its members should abide in the promotion of their products. AdvaMed issued a revised code of conduct effective July 1, 2009. We have in place policies and procedures for compliance that we believe are at least as stringent as those set forth in the revised AdvaMed Code, and we provide routine training to our sales and marketing personnel on our policies regarding sales and marketing practices. Pursuant to the revised AdvaMed Code, we have certified our adoption of the revised AdvaMed Code. Nevertheless, the sales and marketing practices of our industry have been the subject of increased scrutiny from federal and state government agencies, and we believe that this trend will continue. For example, recent federal legislation and state legislation would require detailed disclosure of gifts and other remuneration made to health care professionals. In addition, prosecutorial scrutiny and governmental oversight, on the state and federal levels, over some major device companies regarding the retention of healthcare professionals as consultants has limited the manner in which medical device companies may retain healthcare professionals as consultants. We have in place policies to govern how we may retain healthcare professionals as consultants that reflect the current climate on this issue and provide training on these policies. Various hospital organizations, medical societies and trade associations are establishing their own practices that may require detailed disclosures of relationships between healthcare professionals and medical device companies or ban or restrict certain marketing and sales practices such as gifts and business meals.

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

In October 2008, our Board of Directors adopted a new program that authorizes us to repurchase shares of our common stock for an aggregate purchase price not to exceed $75.0 million through December 31, 2010. Shares may be repurchased either in the open market or in privately negotiated transactions.

There were $31.3 million of repurchases of our common stock from the open market during the nine months ended September 30, 2010 under this program.

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ITEM 6. EXHIBITS

10.1	Amended and Restated Credit Agreement, dated as of August 10, 2010, among Integra LifeSciences Holdings Corporation, the lenders party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, JP Morgan Chase Bank, as Syndication Agent, and HSBC Bank USA, NA, RBC Capital Markets, Wells Fargo Bank, N.A., Fifth Third Bank, DNB NOR Bank ASA and TD Bank, N.A., as Co-Documentation Agents (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on August 10, 2010)
10.2	Consulting Agreement, dated October 12, 2010, between Integra LifeSciences Holdings Corporation and Gerard S. Carlozzi (Incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K filed on October 12, 2010)
10.3	Employment Agreement, dated as of October 12, 2010, between Integra LifeSciences Holdings Corporation and Peter J. Arduini (Incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed on October 12, 2010)
10.4	Amendment 2010-1, dated as of October 12, 2010, to John B. Henneman s Amended and Restated Employment Agreement between the Company and Mr. Henneman (Incorporated by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K filed on October 12, 2010)
10.5	Form of Contract Stock/Restricted Units Agreement (for Signing Grant) for Peter J. Arduini (Incorporated by reference to Exhibit 10.4 to the Company s Current Report on Form 8-K filed on October 12, 2010)
10.6	Form of Contract Stock/Restricted Units Agreement (for Annual Equity Awards) for Peter J. Arduini (Incorporated by reference to Exhibit 10.5 to the Company s Current Report on Form 8-K filed on October 12, 2010)
10.7	Form of Non-Qualified Stock Option Agreement for Peter J. Arduini (Incorporated by reference to Exhibit 10.6 to the Company s Current Report on Form 8-K filed on October 12, 2010)
10.8	Form of Restricted Stock Agreement for John B. Henneman (Incorporated by reference to Exhibit 10.7 to the Company s Current Report on Form 8-K filed on October 12, 2010)
*31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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*	101.INS	XBRL Instance Document
*	101.SCH	XBRL Taxonomy Extension Schema Document
*	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*	101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
*	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

The financial information of Integra LifeSciences Holdings Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 filed on October 28, 2010 formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed

Consolidated Financial Statements, is furnished electronically herewith as tagged blocks of text.

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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: October 28, 2010	*/s/ Stuart M. Essig* *Stuart M. Essig* *President and Chief Executive Officer*
Date: October 28, 2010	*/s/ John B. Henneman, III* *John B. Henneman, III* *Executive Vice President, Finance and Administration, and Chief Financial Officer*

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