

INTEGRA LIFESCIENCES HOLDINGS CORP
Form 8-K/A
October 17, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K/A
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 1, 2008

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

0-26224
(Commission File Number)

51-0317849
(I.R.S. Employer Identification No.)

311 Enterprise Drive
Plainsboro, NJ 08536

(Address of principal executive offices) (Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

This Current Report on Form 8-K/A amends and supplements the Current Report on Form 8-K filed by Integra LifeSciences Holdings Corporation (the Company) on August 4, 2008 (the Initial Form 8-K) to include financial statements and pro forma financial information permitted pursuant to Item 9.01 of Form 8-K to be excluded from the Initial Form 8-K and filed by amendment to the Initial Form 8-K no later than 71 days after the date the Initial Form 8-K was required to be filed. The financial statements of Theken Spine, LLC, Theken Disc, LLC and Therics, LLC (collectively, the Theken Companies) represent the entire business acquired by the Company on August 1, 2008.

As previously announced, on July 23, 2008, Integra LifeSciences Holdings Corporation, a Delaware corporation, entered into the following agreements for the acquisition of Theken Spine, LLC, Theken Disc, LLC and Therics, LLC (collectively, the Theken Companies): (i) Unit Purchase Agreement among the Company, Theken Spine, LLC, Randall R. Theken and the other members of Theken Spine, LLC set forth therein (the Theken Spine Unit Purchase Agreement); (ii) Unit Purchase Agreement among the Company, Theken Disc, LLC, Randall R. Theken and the other members of Theken Disc, LLC set forth therein; and (iii) Unit Purchase Agreement among the Company, Therics, LLC, Randall R. Theken and AFBS, Inc. (collectively, the Unit Purchase Agreements). Pursuant to the Unit Purchase Agreements, on August 1, 2008, the Company, through its wholly-owned subsidiary Integra Spine, Inc., acquired all of the membership interests of each of the Theken Companies from Randall R. Theken, the majority member of each company, and the remaining minority members.

The aggregate purchase price for the Theken Companies paid at closing was \$75 million allocated as follows: \$47 million for Theken Spine, \$20 million for Theken Disc and \$8 million for Therics. In addition, under the Theken Spine Unit Purchase Agreement, the Company has agreed to pay up to \$125 million in earn-out payments to the members and former appreciation rights holders of Theken Spine in accordance with a formula based on the net sales of the Theken Companies during a two-year period following the closing.

The Theken Companies, based in Akron, Ohio, design, develop and manufacture spinal fixation products, synthetic bone substitute products and spinal arthroplasty products. The description of the terms of the Theken Spine Unit Purchase Agreement is qualified in its entirety by reference to the copy of the Theken Spine Unit Purchase Agreement attached as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on July 24, 2008.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business Acquired

Theken Spine, LLC Consolidated Financial Statements as of and for the year ended December 31, 2007 and Report of Independent Auditors

Theken Spine, LLC Consolidated Balance Sheets as of March 31, 2008 and December 31, 2007 and Statements of Operations and Cash Flows for the three months ended March 31, 2008 and 2007 (unaudited)

(b) Unaudited Pro Forma Financial Information

Unaudited Pro Forma Condensed Combined Balance Sheet of the Company and the Theken Companies as of March 31, 2008

Unaudited Pro Forma Condensed Combined Statement of Operations of the Company and the Theken Companies for the year ended December 31, 2007

Unaudited Pro Forma Condensed Combined Statement of Operations of the Company and the Theken Companies for the three months ended March 31, 2008

Notes to Unaudited Pro Forma Condensed Combined Financial Information of the Company and the Theken Companies

(d) Exhibits

| Exhibit Number | Description of Exhibit |
|----------------|------------------------------------|
| 23.1 | Consent of Independent Accountants |

ITEM 9.01 (a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED

**THEKEN SPINE, LLC
CONSOLIDATED
FINANCIAL
STATEMENTS
FOR THE
YEAR ENDED
DECEMBER 31, 2007**

THEKEN SPINE, LLC
TABLE OF CONTENTS

| | Page |
|---|------|
| <u>REPORT OF INDEPENDENT AUDITORS</u> | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| <u>Consolidated Balance Sheet</u> | 2-3 |
| <u>Consolidated Statement of Income</u> | 4 |
| <u>Consolidated Statement of Changes in Members' Equity</u> | 5 |
| <u>Consolidated Statement of Cash Flows</u> | 6-7 |
| <u>Notes to Financial Statements</u> | 8-19 |

Report of Independent Auditors

To the Members of Theken Spine, LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, changes in members' equity and cash flows present fairly, in all material respects, the financial position of Theken Spine, LLC and its subsidiaries at December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Cleveland, Ohio

October 16, 2008

THEKEN SPINE, LLC
CONSOLIDATED BALANCE SHEET

| | December 31, 2007 |
|---|------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 366,499 |
| Trade accounts receivable, net allowance of \$103,459 | 4,551,572 |
| Inventories, net | 5,301,385 |
| Prepaid expenses and other current assets | 297,081 |
| TOTAL CURRENT ASSETS | 10,516,537 |
| PROPERTY, PLANT AND EQUIPMENT | |
| Land and improvements | 796,298 |
| Buildings and improvements | 1,830,525 |
| Leasehold improvements | 3,125,036 |
| Machinery and equipment | 2,378,424 |
| Computers | 687,764 |
| Cases and instruments | 2,998,542 |
| Vehicles and aircraft | 5,673,554 |
| Furniture and fixtures | 274,883 |
| | 17,765,026 |
| Less: accumulated depreciation | (3,934,625) |
| PROPERTY, PLANT AND EQUIPMENT, NET | 13,830,401 |
| OTHER ASSETS | |
| Other non-current assets | 5,681 |
| Intangible assets, net | 323,333 |
| TOTAL OTHER ASSETS | 329,014 |
| TOTAL ASSETS | \$ 24,675,952 |

See accompanying notes to consolidated financial statements.

**THEKEN SPINE, LLC
CONSOLIDATED BALANCE SHEET**

| | December 31, 2007 |
|---|------------------------------|
| LIABILITIES AND MEMBERS EQUITY | |
| CURRENT LIABILITIES | |
| Line of credit | \$ 3,666,600 |
| Current portion of long-term debt | 317,171 |
| Accounts payable, trade | 3,094,969 |
| Accrued commissions | 770,539 |
| Other accrued expenses and liabilities | 1,283,594 |
| Note payable member | 1,350,000 |
| TOTAL CURRENT LIABILITIES | 10,482,873 |
| LONG-TERM LIABILITIES | |
| Long-term debt, net of current portion | 5,750,321 |
| TOTAL LONG-TERM LIABILITIES | 5,750,321 |
| TOTAL LIABILITIES | 16,233,194 |
| COMMITMENTS AND CONTINGENCIES | |
| NONCONTROLLING INTEREST | 2,336,191 |
| MEMBERS EQUITY | 6,106,567 |
| TOTAL LIABILITIES AND MEMBERS EQUITY | \$ 24,675,952 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENT OF INCOME

| | FOR THE YEAR ENDED DECEMBER 31, 2007 |
|--|---|
| NET SALES | \$ 33,777,508 |
| COSTS AND EXPENSES | |
| Cost of products sold (exclusive of depreciation and amortization) | 3,514,142 |
| Research and development | 3,096,845 |
| Selling, general and administrative | 10,319,718 |
| Commissions | 10,845,382 |
| Depreciation and amortization | 1,548,155 |
| TOTAL COSTS AND EXPENSES | 29,324,242 |
| OPERATING INCOME | 4,453,266 |
| OTHER INCOME (EXPENSE) | |
| Interest income | 45,260 |
| Interest expense | (728,240) |
| Other expense, net | 353,927 |
| TOTAL OTHER INCOME (EXPENSE) | (329,053) |
| INCOME BEFORE NONCONTROLLING INTEREST NET INCOME | 4,124,213 |
| NONCONTROLLING INTEREST NET INCOME | (757,476) |
| NET INCOME | \$ 3,366,737 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

| | FOR THE YEAR ENDED DECEMBER 31, 2007 |
|----------------------------|---|
| Balance, December 31, 2006 | \$ 3,382,080 |
| Net income | 3,366,737 |
| Distributions | (642,250) |
| Balance, December 31, 2007 | \$ 6,106,567 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE
YEAR ENDED
DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----|-------------|
| Net income | \$ | 3,366,737 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | | 1,548,155 |
| Noncontrolling interest net income | | 757,476 |
| Bad debt expense | | 15,726 |
| Reserve for excess and slow moving inventory | | 182,177 |
| LIFO reserve | | 39,896 |
| (Increase) decrease in: | | |
| Trade accounts receivable, net | | 639,577 |
| Notes receivable | | 204,973 |
| Inventories, net | | (2,785,616) |
| Prepaid expenses and other current assets | | 84,387 |
| Non-current assets | | (32,369) |
| Increase (decrease) in: | | |
| Accounts payable, trade | | 928,994 |
| Accrued expenses and other current liabilities | | (1,137,173) |

NET CASH PROVIDED BY OPERATING ACTIVITIES **3,812,940**

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property, plant and equipment (4,431,123)

NET CASH USED IN INVESTING ACTIVITIES **(4,431,123)**

See accompanying notes to consolidated financial statements.

**THEKEN SPINE, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE
YEAR ENDED
DECEMBER 31, 2007**

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|--|----|-------------|
| Net borrowings under line of credit | \$ | 2,235,000 |
| Repayments of long-term debt | | (196,275) |
| Capital contributions to noncontrolling interest | | 1,083,668 |
| Distributions to noncontrolling interest | | (3,154,026) |
| Distributions to members | | (642,250) |

NET CASH USED IN FINANCING ACTIVITIES **(673,883)**

NET DECREASE IN CASH AND CASH EQUIVALENTS **(1,292,066)**

CASH AND CASH EQUIVALENTS, beginning of year **1,658,565**

CASH AND CASH EQUIVALENTS, end of year **\$ 366,499**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid \$ 731,066

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Summary of significant accounting policies

Nature of business

The accompanying financial statements present the consolidated financial results of Theken Spine, LLC and affiliated companies (The Company or Companies). The Companies are as follows:

Theken Spine, LLC (Spine) founded in 1998, designs, develops, manufactures and distributes a full range of spinal fusion products including cervical plates, pedicle screw systems, interbody systems and trauma devices. Spine provides product and services to its customers, who consist primarily of orthopedic surgeons, from its principal location in Akron, Ohio.

Theken Disc, LLC (Disc) is a biomedical engineering research and development company that is designing and developing a spinal implant device from its principal location in Akron, Ohio.

Therics, LLC (Therics) acquired in 2005, designs, develops and manufactures various types of tricalcium phosphate bone void fillers that promote the growth of bone eliminating the risk of disease transmission.

Theken Orthopaedic, Inc. (Orthopaedic) (a subchapter S corporation) founded in 1992, provides mechanical testing and FDA regulatory services to medical product manufacturers in need of FDA device approval.

Foxtrot-Papa Management Company, LLC (Foxtrot) provides management services to the various affiliated companies, including aircraft management services to its wholly-owned subsidiary, Theken Aviation, LLC (Aviation).

Theken Real Estate, LLC (Real Estate) was formed to hold and lease real estate to the various companies which comprise the consolidated group.

Theken Aviation, LLC (Aviation) was formed to hold an aircraft and associated debt used on behalf of the various affiliated companies.

Principles of consolidation

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated statements include the statements of the Company and its affiliates required to be consolidated under Financial Accounting Standards Board (FASB) Interpretation No. 46(R)

Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46(R)). The above affiliates are related to Spine as a result of common ownership. Each of the above entities provides services to Spine as their main source of revenue, or is financially supported by Spine in the form of intercompany loans or debt guarantees. As such, Spine is the primary beneficiary of each of the above entities under FIN No. 46(R) and therefore consolidates the results of their operations in the consolidated financial statements. See Note K for further details.

THEKEN SPINE, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Summary of significant accounting policies, continued

The initial consolidation under FIN No. 46(R) for Disc was January 1, 2007 and included \$929,529 of assets and \$219,350 of liabilities. Disc did not generate any revenues and beginning in 2007, Disc became financially supported by Spine through intercompany loans in order to fund ongoing operations.

All intercompany transactions between the Companies have been eliminated in consolidation.

Noncontrolling interests

The Company eliminates 100% of the net income of the variable interest entities or affiliates to noncontrolling interests since the Company does not have any equity ownership of these entities. This is reflected as noncontrolling interests net income in the consolidated statement of income. The noncontrolling interests amounts reflected in the balance sheet represent 100% of the equity of the noncontrolling interests.

Use of estimates

Presentation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost which approximates market value.

Trade accounts receivable

The Company reports trade accounts receivables at net realizable value. The Company's allowance for doubtful accounts is estimated by management based on a review of historic receivable write-offs, existing economic conditions and the level and age of receivables from specific customers. As of December 31, 2007 management has established an allowance for uncollectible accounts in the amount of \$103,459.

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE A Summary of significant accounting policies, continued**Inventories

Inventory is stated at the lower of cost or market on a last-in, first-out basis (LIFO). Inventory costs include material, labor and overhead. At each balance sheet date, the Company evaluates ending inventories for excess quantities, obsolescence or shelf-life expiration. This evaluation includes analysis of historical sales levels by product, projections of future demand, the risk of technological or competitive obsolescence for products, general market conditions, a review of the shelf life expiration dates for products, as well as the feasibility of reworking or using excess or obsolete products or components in the production of assembly of other products that are not obsolete or for which there are not excess quantities in inventory. To the extent that management determines there are excess or obsolete inventory or quantities with shelf life that is too near its expiration for the Company to reasonably expect that it can sell those products prior to their expiration, valuation reserves are recorded against all or a portion of the value of the related products to adjust their carrying amount to estimated net realizable value. During the year ended December 31, 2007, the Company increased its reserve for obsolescence for excess and slow-moving inventories by \$182,177.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives as follows:

| | Years |
|----------------------------|---------|
| Land improvements | 20 |
| Buildings and improvements | 20 - 40 |
| Leasehold improvements | 5 - 7 |
| Machinery and equipment | 5 - 10 |
| Computers | 3 - 5 |
| Cases and instruments | 3 - 10 |
| Vehicles and aircraft | 5 - 15 |
| Furniture and fixtures | 10 - 20 |

Depreciation and amortization expense for the year ended December 31, 2007 was \$1,489,822.

Expenditures for major renewals and betterments, including leasehold improvements, that extend the useful life of the asset are capitalized and depreciated over the remaining life of the asset or lease. Maintenance and repair costs are charged to expense as incurred. Upon sale or retirement of an asset, the cost and associated accumulated depreciation is eliminated and any resulting gain or loss on disposal is charged to income.

THEKEN SPINE, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Summary of significant accounting policies, continued

Long-lived assets

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

Research and development

The Company charges research and development costs to expense as incurred. Total research and development expense incurred for the year ended December 31, 2007 was \$3,096,845.

Revenue recognition

The Company principally generates revenue from the sales of spinal implant products. A majority of the Company's products are distributed through a network of independent medical device distributors throughout the United States. Revenues are recognized upon notification that the product has been utilized in a surgical implant.

Cost of products sold

Cost of products sold generally includes actual material costs associated with products sold and related shipping and handling costs.

Advertising costs

The Company expenses advertising costs as incurred. Total advertising costs charged to expense for the year ended December 31, 2007 was \$77,015.

Income taxes

The Companies are organized as limited liability companies and are treated as a partnership for federal, state and local income tax purposes with the exception of Orthopaedic. Accordingly, the tax effects of the Company's income or loss are passed through to the members and thus, no provision for income taxes is included in these financial statements. Orthopaedic has elected under the Internal Revenue Code to be an S corporation. Instead of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for federal income taxes has been included in these financial statements.

Shipping and handling costs

Shipping and handling costs are included as a component of cost of products sold and amounted to \$258,075 for the year ended December 31, 2007.

THEKEN SPINE, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Summary of significant accounting policies, continued

Financial instruments

The Company's financial instruments recorded on the consolidated balance sheets include cash, accounts receivable, accounts payable and debt. The book value of cash, accounts receivable and accounts payable are considered to be representative of fair value because of the short maturity of these instruments. The fair value of debt is considered to approximate the book value due to interest thereon being charged at variable and fixed rates that approximate market rates.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist of temporary cash investments and credit sales.

The Company maintains its cash investments with a financial institution. The investments maintained by the financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. During various times of the year the Company had cash balances in excess of FDIC insured limits. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risk on such accounts.

Credit sales are made to the Company's customers in the ordinary course of business. Generally these sales are unsecured. The majority of sales are provided through a network of distributors, with customers limited to the surgical sector of the medical market.

Sales taxes

The Company collects sales tax from its customers on product sales that is remitted to various state governmental authorities when due. The Company's policy is to record taxes collected from customers as a component of accrued expenses on its balance sheet and not in its statement of income.

Recently issued accounting pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 - *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements in accordance with FASB Statement 109, *Accounting for Income Taxes*. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. The Company will adopt the provisions of FIN 48 for all tax positions during 2008.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for financial assets and liabilities for fiscal years beginning after November 15, 2007 and effective for non-financial assets fiscal years beginning after November 15, 2008.

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE A Summary of significant accounting policies, continued**Recently issued accounting pronouncements, continued

In February, 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *The Option to Measure Financial Assets and Liabilities at Fair Value* (SFAS 159). SFAS 159 gives companies an option to measure many of their financial assets and liabilities and certain other assets and liabilities (e.g., certain nonfinancial insurance contracts and warranties) at fair value on an instrument-by-instrument basis. FAS 159 is effective at the beginning of a company's first fiscal year after November 15, 2007.

The adoption of the above standards is not expected to have a material effect on the Company's financial statements.

NOTE B Inventories, net

Inventories consisted of the following at December 31, 2007:

| | |
|---|--------------|
| Raw materials | \$ 168,590 |
| Work-in-process | 274,632 |
| Finished goods | 6,930,236 |
| | 7,373,458 |
| Less: reserves for excess and slow-moving inventories | (2,072,073) |
| | \$ 5,301,385 |

Recorded inventory cost would have been \$113,896 higher as of December 31, 2007, had the Company used the first-in, first-out (FIFO) method to determine inventory cost rather than the last-in, first-out (LIFO) method.

NOTE C Intangible assets, net

Intangible assets consisted of the following at December 31, 2007:

| | |
|--------------------------------|------------|
| Patent license agreements | \$ 250,000 |
| Product rights agreement | 225,000 |
| | 475,000 |
| Less: accumulated amortization | (151,667) |
| | \$ 323,333 |

Intangible assets are amortized on a straight-line basis over the respective lives of the assets which range from 15 years for the patent license agreements to 5 years for the product rights agreement.

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE C Intangible assets, net, continued**

Amortization expense was \$58,333 for the year ended December 31, 2007. Estimated amortization expense at December 31, 2007 for each of the five succeeding years is as follows:

| | |
|------------|------------|
| 2008 | \$ 58,334 |
| 2009 | 58,333 |
| 2010 | 13,334 |
| 2011 | 13,333 |
| 2012 | 13,333 |
| Thereafter | 116,666 |
| | \$ 273,333 |

NOTE D Operating lease*Incubator, Canal Place Akron, Ohio*

On May 1, 2006, the Company entered into a lease with the Akron Development Corporation (ADC) for a period of twelve months ending April 30, 2007. Monthly rental payments are \$1,167. Under the terms of the lease, two additional one year terms are available ending April 30, 2009, with the first additional term being exercised during 2007 extending the lease term to April 30, 2008. Rental expense amounted to \$13,992 for the year ended December 31, 2007.

Such renewals are subject to an escalation clause, at ADC s option, not to exceed 10% per year, compounded annually, of the initial rent.

NOTE E Obligation under capital lease

The Company is obligated under a capitalized lease for the cost of equipment and a related maintenance agreement. The lease term expires in 2009 and contains a guaranteed bargain purchase option. The equipment was placed in service in September 2007.

The equipment acquired under capital lease at December 31, 2007 is included on the consolidated balance sheets as follows:

| | |
|--|-----------|
| Equipment | \$ 67,061 |
| Less: accumulated amortization | (3,353) |
| Assets acquired under capital lease, net | \$ 63,708 |

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE E Obligation under capital lease, continued**

The following is a schedule of the future minimum lease payments due under this capital lease together with the present value of the net minimum lease payments at December 31, 2007. The agreement provided zero percent financing for up to two years.

| | |
|---|-----------|
| Years ending December 31, | |
| 2008 | \$ 36,723 |
| 2009 | 24,482 |
| Present value of minimum lease payments | 61,205 |
| Less: current portion | (36,723) |
| Long-term portion | \$ 24,482 |

NOTE F Line of credit

On September 22, 2003, the Company entered into a \$5,000,000 demand line of credit with National City Bank. The line of credit is secured with a blanket lien on accounts receivable, inventory and equipment. Interest on the line is computed using the one month LIBOR rate plus 2.00% (LIBOR was 5.017% at December 31, 2007). The amount outstanding on this line of credit was \$3,666,600 at December 31, 2007.

NOTE G Long-term debt

Long-term debt consisted of the following at December 31, 2007:

| | |
|--|------------------------|
| Note payable Cessna Finance Corporation, payable in monthly installments of \$43,300 including interest at LIBOR plus 2.23% (LIBOR was 5.017% at December 31, 2007); due November 1, 2012; collateralized by a Raytheon Beechcraft Premier 1A aircraft, inventory and accounts receivable of Theken Spine, LLC, and a personal guarantee by the managing member. | \$ 4,672,866 |
| Note payable First Merit Bank, payable in monthly installments of \$6,660 including interest at 6.5%; due December 31, 2015; collateralized by real estate owned by Theken Real Estate, LLC located at 20 N. Pennsylvania Avenue in Morrisville, PA, and a personal guarantee by the managing member. | 702,807 |
| Note payable First Merit Bank, payable in monthly installments of \$5,924 including interest at 5.96%; due September 5, 2014; collateralized by real estate owned by Theken Real Estate, LLC that is located at 1800 Triplett Blvd. in Akron, OH, and a personal guarantee by the managing member. | \$ 630,614 |
| Obligation under capital lease | 61,205 |
| Less: current portion | 6,067,492 (317,171) |

\$ 5,750,321

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE G Long-term debt, continued**

Maturities of long-term debt at December 31, 2007 are as follows:

| | |
|------------|---------------------|
| 2008 | \$ 317,171 |
| 2009 | 395,291 |
| 2010 | 390,930 |
| 2011 | 412,158 |
| 2012 | 434,555 |
| Thereafter | 4,117,387 |
| | \$ 6,067,492 |

NOTE H Note payable member

Note payable member in the amount of \$1,350,000 at December 31, 2007, consists of a note to a member that is due on demand. The note bears interest monthly at a variable interest rate based upon the short-term Applicable Federal Rate. The rate at December 31, 2007 was 3.88%. The note is secured by the underlying assets of Theken Spine, LLC. Pursuant to the terms of the unit purchase agreement as discussed in Note M, the note payable to a member has since been fully repaid.

NOTE I Defined contribution plan

The Company has a 401(k) retirement savings plan. Employee participants may make voluntary contributions up to 100% of their compensation subject to limitations by law. Company contributions to the plan are composed of a matching contribution of 50% of the first 6% of employee contributions. The Company's total contribution and expense for the year ended December 31, 2007 was \$91,011.

NOTE J Commitments and contingenciesRoyalty agreement

The Company has several agreements to pay royalties based on the sales of certain specified product lines. The agreements expire at various dates through July 2009 and require royalty payments that range from 3% to 30% of the sales of that particular product line. Royalty expense relating to these agreements was \$562,809 for the year ended December 31, 2007.

Distributor commissions

The Company has entered into various contracts with distributors that assign exclusive territorial rights to market the Company's product. Distributor commissions are based on sales levels and product lines. Distributor commission expense for the year ended December 31, 2007 was \$10,240,388.

Litigation

The Company is involved in various litigation arising in the ordinary course of business. While it is not feasible to predict the outcomes of these actions, in the opinion of the Company's management and legal counsel, those matters are expected to be resolved without material adverse effect on the financial position or results of operations of the Company.

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE K Variable interest entities**

FASB Interpretation (FIN) No. 46, as revised in December 2003, Consolidation of Variable Interest Entities, (an interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements), (FIN 46(R)), addresses consolidation by business enterprises of entities to which the usual condition of consolidation described in ARB No. 51 does not apply. The general requirement to consolidate under ARB No. 51 is based on the presumption that an enterprise's financial statements should include all of the entities in which it has a controlling financial interest. FIN 46(R) interprets this general rule to require consolidation of a variable interest entity in which the enterprise does not have a majority voting interest but, nevertheless, is subject to a majority of the risk of loss, is entitled to a majority of the entity's residual returns, or both. Effective January 1, 2007, meeting the requirements of FIN 46(R), Spine was the primary beneficiary of Disc, Therics, Orthopaedic, Real Estate, and Foxtrot and its wholly-owned subsidiary, Aviation.

Selected financial information for these entities as of December 31, 2007 is as follows:

| | |
|-------------------|---------------|
| Total assets | \$ 10,287,972 |
| Total liabilities | \$ 10,575,744 |
| Members' equity | \$ (287,772) |
| Net sales | \$ 3,611,965 |
| Net loss | \$ (589,648) |

Noncontrolling interests net income for the year ended December 31, 2007 is comprised of the following:

| | |
|---|--------------|
| Variable interest entities combined net loss | \$ 589,648 |
| Amounts absorbed by Spine (the primary beneficiary) for purposes of the financial statement presentation: | |
| Change in members' deficit of Therics | (950,325) |
| Change in members' deficit of Disc | (396,799) |
| Noncontrolling interest net income | \$ (757,476) |

THEKEN SPINE, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L Appreciation rights plans

The Company has four appreciation rights plans, three dated January 1, 2005 (one of which was amended on March 11, 2005), and one dated June 23, 2003. While the plans may be terminated in accordance with their terms, they generally have no stated expiration date; however, appreciation units issued there-under do expire and/or terminate upon the occurrence of certain stated events (e.g. termination of employment, sale of the company, etc.). The purpose is to enable the Company to attract and retain the services of persons of outstanding competence and to provide an incentive for such key persons to expand and improve the profits and prosperity of the Company. Appreciation units are awarded at the sole discretion of the manager of the Company and, subject to the other terms and conditions of the plan (e.g. provisions governing the termination of rights and/or appreciation units), are fully vested upon award. The plans are unfunded, unsecured obligations of the Company and are not deemed to be qualified under the Internal Revenue Code.

Employees and Distributors Plan dated January 1, 2005

During the year ended December 31, 2007, additional appreciation units were granted to selected employees and distributors as indicated in the summary of appreciation unit activity. In the event of a major event, as defined by the plan, the holder of the appreciation units receives payment for the units, assuming appreciation in the value of the Company. A major event generally means the bona fide sale of the entire Company to independent third parties. The payment amount for each appreciation unit is calculated based on the consideration paid in a sale of the Company net of the Company's costs, expenses and other liabilities.

Executive Presidents Plan dated January 1, 2005

During the year ended December 31, 2007, no additional appreciation units were granted to Executive Presidents. In the event of a major event, as defined by the plan, the holder of the appreciation units receives payment for the units, assuming appreciation in the value of the Company. A major event generally means the bona fide sale of the entire Company to independent third parties. The payment amount for each appreciation unit is calculated based on the consideration paid in a sale of the Company net of the Company's costs, expenses and other liabilities.

Consultants Plan dated January 1, 2005 and amended March 11, 2005

During the year ended December 31, 2007, no additional appreciation units were granted to selected consultants. In the event of a major event, as defined by the plan, the holder of the appreciation units receives payment for the units, assuming appreciation in the value of the Company. A major event generally means the bona fide sale of the entire Company to independent third parties. The payment amount for each appreciation unit is calculated based on the consideration paid in a sale of the Company net of the Company's costs, expenses and other liabilities.

THEKEN SPINE, LLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE L Appreciation rights plans, continued**

Theken Disc, LLC Appreciation Rights Plan dated June 23, 2003 and amended October 15, 2003

The Company has established a stock appreciation rights plan to attract and retain key personnel. The Plan gives certain individuals the right to receive the appreciation in the underlying stock that occurred from the date the right was granted up to the exercise date.

A summary of appreciation unit activity for four appreciation rights plans for the year ended December 31, 2007 is as follows:

| | Beginning Balance 1/01/07 | Additional Grants | Cancellations and/or Forfeitures | Ending Balance 12/31/07 |
|--|---------------------------------|----------------------|--|-------------------------------|
| Employees and Distributors Plan | 84,094 | 3,468 | | 87,562 |
| Executive Presidents Plan | 107,486 | | | 107,486 |
| Consultants Plan | 11,478 | | | 11,478 |
| Theken Disc, LLC Appreciation Rights Plan | | | | |
| Total appreciation rights | 203,058 | 3,468 | | 206,526 |

No compensation expense has been recognized under these appreciation rights plans for the year ended December 31, 2007. The acquisition of Spine, Disc and Therics by Integra Spine, Inc. on August 1, 2008, qualified as a major event as defined in the plans (see Note M), and as such, \$10,053,399 of compensation expense was recognized immediately prior to the acquisition in 2008.

NOTE M Subsequent events

On August 1, 2008, pursuant to the terms of a unit purchase agreement, substantially all of the membership interests and operations of Spine, Disc and Therics were acquired by Integra Spine, Inc., a wholly-owned subsidiary of Integra LifeSciences Holdings Corporation. The members of Spine, Disc and Therics received \$75,000,000 in connection with the acquisition and up to \$125,000,000 in earn-out payments to the members and the former appreciation rights holders of Spine, Disc and Therics during a two-year period following the acquisition. Effective August 1, 2008, all intercompany balances between the Companies were settled.

THEKEN SPINE, LLC
UNAUDITED
CONSOLIDATED
CONDENSED
FINANCIAL
STATEMENTS
FOR THE
THREE MONTHS ENDED
MARCH 31, 2008

THEKEN SPINE, LLC
TABLE OF CONTENTS

| | Page |
|---|------|
| <u>TABLE OF CONTENTS</u> | 1 |
| UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS | |
| <u>Consolidated Balance Sheet (Unaudited)</u> | 2-3 |
| <u>Consolidated Statement of Income (Unaudited)</u> | 4 |
| <u>Consolidated Statement of Changes in Members' Equity (Unaudited)</u> | 5 |
| <u>Consolidated Statement of Cash Flows (Unaudited)</u> | 6-7 |
| <u>Selected Notes to Consolidated Financial Statements (Unaudited)</u> | 8-14 |

THEKEN SPINE, LLC
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | MARCH 31, 2008 | DECEMBER 31, 2007 |
|---|---------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 179,279 | \$ 366,499 |
| Trade accounts receivable, net | 5,383,288 | 4,551,572 |
| Inventories, net | 5,820,998 | 5,301,385 |
| Prepaid expenses and other current assets | 268,562 | 297,081 |
| TOTAL CURRENT ASSETS | 11,652,127 | 10,516,537 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land and improvements | 796,298 | 796,298 |
| Buildings and improvements | 1,830,525 | 1,830,525 |
| Leasehold improvements | 3,141,745 | 3,125,036 |
| Machinery and equipment | 2,378,424 | 2,378,424 |
| Computers | 649,986 | 687,764 |
| Cases and instruments | 3,803,347 | 2,998,542 |
| Vehicles and aircraft | 5,673,554 | 5,673,554 |
| Furniture and fixtures | 292,664 | 274,883 |
| | 18,566,543 | 17,765,026 |
| Less: accumulated depreciation | (4,264,306) | (3,934,625) |
| PROPERTY, PLANT AND EQUIPMENT, NET | 14,302,237 | 13,830,401 |
| OTHER ASSETS | | |
| Other non-current assets | 5,681 | 5,681 |
| Intangible assets, net | 308,750 | 323,333 |
| TOTAL OTHER ASSETS | 314,431 | 329,014 |
| TOTAL ASSETS | \$ 26,268,795 | \$ 24,675,952 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | MARCH 31, 2008 | DECEMBER 31, 2007 |
|---|---------------------------|------------------------------|
| LIABILITIES AND MEMBERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Line of credit | \$ 3,967,600 | \$ 3,666,600 |
| Current portion of long-term debt | 313,648 | 317,171 |
| Accounts payable, trade | 3,463,489 | 3,094,969 |
| Accrued commissions | 772,932 | 770,539 |
| Other accrued expenses and liabilities | 1,317,641 | 1,283,594 |
| Note payable member | 1,350,000 | 1,350,000 |
| TOTAL CURRENT LIABILITIES | 11,185,310 | 10,482,873 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, net of current portion | 5,064,497 | 5,750,321 |
| TOTAL LIABILITIES | 16,249,807 | 16,233,194 |
| COMMITMENTS AND CONTINGENCIES | | |
| NONCONTROLLING INTEREST | 3,194,914 | 2,336,191 |
| MEMBERS EQUITY | 6,824,074 | 6,106,567 |
| TOTAL LIABILITIES AND MEMBERS EQUITY | \$ 26,268,795 | \$ 24,675,952 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | FOR THE THREE MONTHS ENDED MARCH 31, | |
|--|---|---------------------|
| | 2008 | 2007 |
| NET SALES | \$ 9,915,372 | \$ 8,670,710 |
| COSTS AND EXPENSES | | |
| Cost of products sold (exclusive of depreciation and amortization) | 1,158,569 | 815,666 |
| Research and development | 890,001 | 1,066,036 |
| Selling, general and administrative | 2,871,159 | 2,386,238 |
| Commissions | 3,160,208 | 2,698,354 |
| Depreciation and amortization | 398,265 | 369,937 |
| TOTAL COSTS AND EXPENSES | 8,478,202 | 7,336,231 |
| OPERATING INCOME | 1,437,170 | 1,334,479 |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 27,000 | 43,517 |
| Interest expense | (144,878) | (221,881) |
| Other expense, net | 159,980 | 173,759 |
| TOTAL OTHER INCOME (EXPENSE) | 42,102 | (4,605) |
| INCOME BEFORE NONCONTROLLING INTEREST NET INCOME | 1,479,272 | 1,329,874 |
| NONCONTROLLING INTEREST NET (INCOME) LOSS | (427,952) | 14,071 |
| NET INCOME | \$ 1,051,320 | \$ 1,343,945 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS EQUITY (UNAUDITED)

| | FOR THE THREE MONTHS ENDED MARCH 31, 2007 |
|----------------------------|--|
| Balance, December 31, 2006 | \$ 3,382,080 |
| Net income | 1,343,945 |
| Balance, March 31, 2007 | \$ 4,726,025 |
| | FOR THE THREE MONTHS ENDED MARCH 31, 2008 |
| Balance, December 31, 2007 | \$ 6,106,567 |
| Net income | 1,051,320 |
| Distributions | (333,813) |
| Balance, March 31, 2008 | \$ 6,824,074 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | FOR THE THREE MONTHS ENDED MARCH 31, | |
|---|---|--------------------|
| | 2008 | 2007 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 1,051,320 | \$ 1,343,945 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 398,265 | 369,937 |
| Noncontrolling interest net income (loss) | 427,952 | (14,071) |
| Bad debt expense | 39,609 | 4,797 |
| Reserve for excess and slow moving inventory | 9,829 | 4,410 |
| LIFO reserve | 79,179 | 33,169 |
| (Increase) decrease in: | | |
| Trade accounts receivable, net | (871,325) | 91,965 |
| Inventories, net | (608,621) | (243,320) |
| Prepaid expenses and other current assets | 28,519 | 128,856 |
| Other noncurrent assets | | (7,409) |
| Increase (decrease) in: | | |
| Accounts payable, trade | 368,520 | 74,119 |
| Accrued expenses and other current liabilities | 36,440 | 323,077 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 959,687 | 2,109,475 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (855,518) | (1,629,590) |
| NET CASH USED IN INVESTING ACTIVITIES | (855,518) | (1,629,590) |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | FOR THE THREE MONTHS ENDED MARCH 31, | |
|---|---|--------------------|
| | 2008 | 2007 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net borrowings under line of credit | \$ 301,000 | \$ (300,000) |
| Repayments of long-term debt | (689,347) | (64,295) |
| Capital contributions to noncontrolling interest | 760,649 | 242,000 |
| Distributions to noncontrolling interest | (329,878) | (940,059) |
| Distributions to members | (333,813) | |
| NET CASH USED IN FINANCING ACTIVITIES | (291,389) | (1,062,354) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (187,220) | (582,469) |
| CASH AND CASH EQUIVALENTS, beginning of period | 366,499 | 1,658,565 |
| CASH AND CASH EQUIVALENTS, end of period | \$ 179,279 | \$ 1,076,096 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 174,986 | \$ 179,178 |

See accompanying notes to consolidated financial statements.

THEKEN SPINE, LLC

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Summary of significant accounting policies

Nature of business

The accompanying financial statements present the consolidated financial results of Theken Spine, LLC and affiliated companies (The Company or Companies). The companies are as follows:

Theken Spine, LLC (Spine) founded in 1998, designs, develops, manufactures and distributes a full range of spinal fusion products including cervical plates, pedicle screw systems, interbody systems and trauma devices. Spine provides product and services to its customers, who consist primarily of orthopedic surgeons, from its principal location in Akron, Ohio.

Theken Disc, LLC (Disc) is a biomedical engineering research and development company that is designing and developing a spinal implant device from its principal location in Akron.

Therics, LLC (Therics) acquired in 2005, designs, develops and manufactures various types of tricalcium phosphate bone void fillers that promote the growth of bone eliminating the risk of disease transmission.

Theken Orthopaedic, Inc. (Orthopaedic) founded in 1992, provides mechanical testing and FDA regulatory services to medical product manufacturers in need of FDA device approval.

Foxtrot-Papa Management Company, LLC (Foxtrot) provides management services to the various affiliated companies, including aircraft management services to its wholly-owned subsidiary, Theken Aviation, LLC (Aviation).

Theken Real Estate, LLC (Real Estate) was formed to hold and lease real estate to the various companies which comprise the consolidated group.

Theken Aviation, LLC (Aviation) was formed to hold an aircraft and associated debt used on behalf of the various affiliated companies.

Principles of consolidation

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated statements include the statements of the Company and its affiliates required to be consolidated under Financial Accounting Standards Board (FASB) Interpretation No. 46(R)

Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46(R)). The above affiliates are related to Spine as a result of common ownership. Each of the above entities provides services to Spine as their main source of revenue, or are financially supported by Spine in the form of intercompany loans or debt guarantees. As such, Spine is the primary beneficiary of each of the above entities under FIN No. 46(R) and therefore consolidates the results of their operations in the consolidated financial statements.

THEKEN SPINE, LLC

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A Summary of significant accounting policies, continued

The initial consolidation under FIN No. 46(R) for Disc was January 1, 2007 and included \$929,529 of assets and \$219,350 of liabilities. Disc did not generate any revenues and beginning in 2007, Disc became financially supported by Spine through intercompany loans in order to fund ongoing operations.

All intercompany transactions between the companies have been eliminated in consolidation.

Noncontrolling interests

The Company eliminates 100% of the net income of the variable interest entities or affiliates to noncontrolling interests since the Company does not have any equity ownership of these entities. This is reflected as Noncontrolling interests net income in the consolidated statement of income. The noncontrolling interests amounts reflected in the balance sheet represent 100% of the equity of the noncontrolling interests.

Use of estimates

In the opinion of management of the Company, the March 31, 2008 and 2007 unaudited consolidated financial statements contain all 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 Rule 10-1 of Regulation S-X. These unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2007. The December 31, 2007 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 three-month period ended March 31, 2008 is not necessarily indicative of the results to be expected for the entire year. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the current circumstances. Actual results could differ from these estimates.

Recently issued accounting pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements in accordance with FASB Statement 109, *Accounting for Income Taxes*. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. The Company will adopt the provisions of FIN 48 for all tax positions during 2008.

THEKEN SPINE, LLC**SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE A Summary of significant accounting policies, continued**Recently issued accounting pronouncements, continued

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for financial assets and liabilities for fiscal years beginning after November 15, 2007 and effective for non-financial assets fiscal years beginning after November 15, 2008.

In February, 2007, the FASB issued Statement of Financial Accounting Standard No. 159, *The Option to Measure Financial Assets and Liabilities at Fair Value* (SFAS 159). SFAS 159 gives companies an option to measure many of their financial assets and liabilities and certain other assets and liabilities (e.g., certain nonfinancial insurance contracts and warranties) at fair value on an instrument-by-instrument basis. FAS 159 is effective at the beginning of a company s first fiscal year after November 15, 2007.

The adoption of SFAS 157 for financial assets and liabilities and SFAS 159 did not have an impact on the Company s financial statements and the adoption of the other above standards is not expected to have a material effect on the Company s financial statements.

NOTE B Inventories, net

Inventories consisted of the following at:

| | March 31, 2008 | December 31, 2007 |
|---|---------------------------|----------------------|
| Raw materials | \$ 192,590 | \$ 168,590 |
| Work-in-process | 147,183 | 274,632 |
| Finished goods | 7,642,306 | 6,930,236 |
| | 7,982,079 | 7,373,458 |
| Less: reserves for excess and slow-moving inventories | (2,161,081) | (2,072,073) |
| Total inventories, net | \$ 5,820,998 | \$ 5,301,385 |

Recorded inventory cost would have been \$193,075 and \$113,896 higher as of March 31, 2008 and December 31, 2007, respectively, had the Company used the first-in, first-out (FIFO) method to determine inventory cost rather than the last-in, first-out (LIFO) method.

THEKEN SPINE, LLC**SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE C Intangible assets, net**

Intangible assets consisted of the following at:

| | March 31, 2008 | December 31, 2007 |
|--------------------------------|---------------------------|----------------------|
| Patent license agreements | \$ 250,000 | \$ 250,000 |
| Product rights agreement | 225,000 | 225,000 |
| | 475,000 | 475,000 |
| Less: accumulated amortization | (166,250) | (151,667) |
| | | |
| Total intangible assets, net | \$ 308,750 | \$ 323,333 |

Intangible assets are amortized on a straight-line basis over the respective lives of the assets which range from 15 years for the patent license agreements to 5 years for the product rights agreement.

Amortization expense was \$14,583 for the periods ended March 31, 2008 and 2007.

NOTE D Line of credit

On September 22, 2003, the Company entered into a \$5,000,000 demand line of credit with National City Bank. The line of credit is secured with a blanket lien on accounts receivable, inventory and equipment. Interest on the line is computed using the one month LIBOR rate plus 2.00% (LIBOR was 2.807% at March 31, 2008). The amount outstanding on this line of credit was \$3,967,600 and \$3,666,600 at March 31, 2008 and December 31, 2007, respectively.

THEKEN SPINE, LLC**SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE E Long-term debt**

Long-term debt consisted of the following at:

| | March 31, 2008 | December 31, 2007 |
|--|---------------------------|----------------------|
| Note payable Cessna Finance Corporation, payable in monthly installments of \$43,300 including interest at LIBOR plus 2.23% (LIBOR was 5.017% at December 31, 2007); due November 1, 2012; collateralized by a Raytheon Beechcraft Premier 1A aircraft, inventory and accounts receivable of Theken Spine, LLC, and a personal guarantee by the managing member. | \$ 4,620,510 | \$ 4,672,866 |
| Note payable First Merit Bank, payable in monthly installments of \$6,660 including interest at 6.5%; due December 31, 2015; collateralized by real estate owned by Theken Real Estate, LLC located at 20 N. Pennsylvania Avenue in Morrisville, PA, and a personal guarantee by the managing member. | \$ 693,763 | \$ 702,807 |
| Note payable First Merit Bank, payable in monthly installments of \$5,924 including interest at 5.96%; due September 5, 2014; collateralized by real estate owned by Theken Real Estate, LLC that is located at 1800 Triplett Blvd. in Akron, OH, and a personal guarantee by the managing member. | 11,848 | 630,614 |
| Obligation under capital lease | 52,024 | 61,205 |
| | 5,378,145 | 6,067,492 |
| Less: current portion | (313,648) | (317,171) |
| | \$ 5,064,497 | \$ 5,750,321 |

Maturities of long-term debt for the 9 months remaining in 2008 and for the calendar years thereafter are as follows:

| | |
|----------------------------|---------------------|
| 9 months remaining in 2008 | \$ 223,969 |
| 2009 | 358,710 |
| 2010 | 352,109 |
| 2011 | 370,959 |
| 2012 | 390,832 |
| 2013 | 3,206,629 |
| Thereafter | 474,937 |
| | \$ 5,378,145 |

THEKEN SPINE, LLC

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F Note payable member

Note payable member in the amount of \$1,350,000 at March 31, 2008 and December 31, 2007, consists of a note to a member that is due on demand. The note bears interest monthly at a variable interest rate based upon the short-term Applicable Federal Rate. The rates at March 31, 2008 and December 31, 2007 were 2.25% and 3.88%, respectively. The note is secured by the underlying assets of Theken Spine, LLC.

Pursuant to the terms of the unit purchase agreement as discussed in Note I, the note payable to a member has since been fully repaid.

NOTE G Commitments and contingencies

Royalty agreement

The Company has several agreements to pay royalties based on the sales of certain specified product lines. The agreements expire at various dates through July 2009 and require royalty payments that range from 3% to 30% of the sales of that particular product line. Royalty expense relating to these agreements was \$191,326 and \$161,939 for the periods ended March 31, 2008 and 2007, respectively.

Distributor commissions

The Company has entered into various contracts with distributors that assign exclusive territorial rights to market the Company's product. Distributor commissions are based on sales levels and product lines. Distributor commission expense for the periods ended March 31, 2008 and 2007 was \$2,964,226 and \$2,597,222, respectively.

Litigation

The Company is involved in various litigation arising in the ordinary course of business. While it is not feasible to predict the outcomes of these actions, in the opinion of the Company's management and legal counsel, those matters are expected to be resolved without material adverse effect on the financial position or results of operations of the Company.

NOTE H Variable interest entities

FASB Interpretation (FIN) No. 46, as revised in December 2003, Consolidation of Variable Interest Entities, (an interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements), (FIN 46(R)), addresses consolidation by business enterprises of entities to which the usual condition of consolidation described in ARB No. 51 does not apply. The general requirement to consolidate under ARB No. 51 is based on the presumption that an enterprise's financial statements should include all of the entities in which it has a controlling financial interest. FIN 46(R) interprets this general rule to require consolidation of a variable interest entity in which the enterprise does not have a majority voting interest but, nevertheless, is subject to a majority of the risk of loss, is entitled to a majority of the entity's residual returns, or both. Effective January 1, 2007, meeting the requirements of FIN 46(R), Spine was the primary beneficiary of Disc, Therics, Orthopaedic, Real Estate, and Foxtrot and its wholly-owned subsidiary, Aviation.

THEKEN SPINE, LLC**SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE H Variable interest entities, continued**

Selected financial information for these entities as of March 31, 2008 and for the three months ended March 31, 2008 and 2007 is as follows:

| | 2008 | 2007 |
|-------------------|----------------------|--------------|
| Total assets | \$ 10,930,708 | * |
| Total liabilities | \$ 10,580,230 | * |
| Members equity | \$ 350,478 | * |
| Net sales | \$ 898,941 | \$ 738,905 |
| Net loss | \$ (32,906) | \$ (156,493) |

* Not required to be presented in these financial statements.

Noncontrolling interests net (income) loss for the three months ended March 31, 2008 and 2007 is comprised of the following:

| | 2008 | 2007 |
|---|---------------------|------------|
| Variable interest entities combined net loss | \$ 32,906 | \$ 156,493 |
| Elimination of interest expense in consolidation | (2,075) | |
| Amounts absorbed by Spine (the primary beneficiary) for purposes of the financial statement presentation: | | |
| Change in members deficit of Therics | (255,979) | (142,422) |
| Change in members deficit of Disc | (202,804) | |
| | \$ (427,952) | \$ 14,071 |

NOTE I Subsequent event

On August 1, 2008, pursuant to the terms of a unit purchase agreement, substantially all of the membership interests and operations of Spine, Disc and Therics were acquired by Integra Spine, Inc., a wholly-owned subsidiary of Integra LifeSciences Holdings Corporation. The members of Spine, Disc and Therics received \$75,000,000 in connection with the acquisition and up to \$125,000,000 in earn-out payments to the members and the former appreciation rights holders of Spine, Disc and Therics during a two-year period following the acquisition. Effective August 1, 2008, all intercompany balances between the Companies were settled.

The Company had four Appreciation Rights Plans, for which compensation is triggered upon the occurrence of a major event, as defined by each plan. The acquisition of Spine, Disc and Therics by Integra Spine, Inc. met the definition of a major event, and as such, \$10,053,399 was recognized as an expense immediately prior to the acquisition in 2008.

ITEM 9.01 (b) UNAUDITED PRO FORMA FINANCIAL INFORMATION

On August 1, 2008, Integra LifeSciences Holdings Corporation (the Company), through its wholly-owned subsidiary Integra Spine, Inc., completed the acquisition of all of the membership interests of Theken Spine, LLC, Theken Disc, LLC and Therics, LLC, collectively Theken Companies. These Theken Companies are included in the Theken Spine, LLC consolidated financial statements (Theken Consolidated), along with other entities that have not been acquired by the Company. The total purchase price of the Theken Companies was \$77.3 million and included \$2.3 million of transaction related costs. The acquisitions of Theken Spine, LLC and Therics, LLC are accounted for under Statement of Financial Accounting Standards No. 141, Business Combinations, (SFAS No. 141). The acquisition of Theken Disc, LLC is accounted for as a purchase of assets acquired in a transaction other than a business combination because the acquired assets did not constitute a business under SFAS No. 141. In addition, under the Theken Spine Unit Purchase Agreement, the Company has agreed to pay up to \$125 million in earn-out payments to the members and former appreciation rights holders of Theken Spine in accordance with a formula based on the net sales of the Theken Companies during a two-year period following the closing.

The Theken Companies specialize in pioneering spinal implant technologies that seek to improve spinal surgical techniques, thereby benefitting patients as well as surgeons. Theken Spine, LLC provides comprehensive product lines that offer surgeons peace of mind through steadfast product reliability and easy-to-use instrumentation. Products include cervical plates, pedicle screws, spacers, degenerative/deformity, trauma devices, and synthetic bone substitute products. Therics, LLC designs, develops and manufactures a variety of synthetic bone substitute products. Theken Disc, LLC is a development stage company focused on next generation artificial disc replacement technology.

The Company's management believes the acquisition is a strategic fit with the Company's other products to position the combined company to expand its reach into the spine market and offer a more comprehensive neuro-ortho product portfolio. The combined company will provide some of the most advanced technology addressing surgeons' needs. By leveraging the combined company's resources, technologies and management expertise, the Company expects to drive enhanced revenue growth and value creation. These initiatives are expected to enhance revenue growth and earnings per share over the long term.

The unaudited pro forma condensed combined balance sheet as of March 31, 2008 was prepared by combining the historical balance sheet of the Company at March 31, 2008 with the historical balance sheet of Theken Consolidated at March 31, 2008, giving effect to the acquisition as though it was completed on March 31, 2008.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2007 and the three months ended March 31, 2008 were prepared by combining the Company's historical statements of operations for the year ended December 31, 2007 and the three months ended March 31, 2008 with Theken Consolidated's historical statements of operations for the year ended December 31, 2007 and the three months ended March 31, 2008, respectively, giving effect to the acquisition as though it was completed on January 1, 2007. These unaudited pro forma condensed combined statements of operations do not give effect to any potential cost savings or other operating efficiencies that could result from the acquisition, nor any non-recurring expenses resulting from the transaction.

These pro forma condensed combined financial statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that the Company believes are reasonable. These pro forma condensed combined financial statements do not purport to represent what the consolidated results of operations or financial position of the Company would actually have been if the acquisition had occurred on the dates referred to above, nor do they purport to project the results of operations or financial position of the Company for any future period or as of any date.

Integra LifeSciences Holdings Corporation
Pro Forma Condensed Combined Balance Sheet
March 31, 2008

| | Integra | Theken Consolidated | Adjustments | Note | Pro Forma |
|--|-------------------|--------------------------------|--------------------|-------------|---------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 199,013 | \$ 179 | \$ (162) | (B) | \$ 199,030 |
| Accounts receivable, net | 106,880 | 5,383 | (104) | (B) | 112,159 |
| Inventories, net | 144,037 | 5,821 | 6,251 | (D) | 156,302 |
| | | | 193 | (L) | |
| Deferred tax assets | 25,075 | | | | 25,075 |
| Prepays and other current assets | 14,318 | 269 | (42) | (B) | 14,545 |
| Current Assets | 489,323 | 11,652 | 6,136 | | 507,111 |
| Property & equipment, net | 63,344 | 14,302 | (7,735) | (B) | 70,698 |
| | | | 787 | (E) | |
| Intangible assets, net | 192,086 | 309 | 27,320 | (F) | 219,406 |
| | | | (309) | (G) | |
| Goodwill | 214,423 | | 7,093 | (H) | 221,516 |
| Other assets | 13,480 | 6 | (1) | (B) | 13,485 |
| Total Assets | \$ 972,656 | \$ 26,269 | \$ 33,291 | | \$ 1,032,216 |
| Liabilities: | | | | | |
| Borrowings under senior credit facility | \$ 120,000 | \$ 3,968 | \$ 77,318 | (A) | \$ 197,318 |
| | | | (3,968) | (C) | |
| Current portion of long-term debt | 119,380 | 314 | (277) | (B) | 119,390 |
| | | | (27) | (C) | |
| Accounts payable, trade | 26,365 | 3,463 | 571 | (B) | 30,399 |
| Deferred revenue | 3,205 | | | | 3,205 |
| Accrued expenses and other current liabilities | 48,163 | 3,440 | (2) | (B) | 51,601 |
| Current Liabilities | 317,113 | 11,185 | 73,615 | | 401,913 |
| Long term debt | 330,000 | 5,065 | (5,050) | (B) | 330,000 |
| | | | (15) | (C) | |
| Deferred tax liabilities | 16,608 | | | | 16,608 |
| Other non-current liabilities | 20,057 | | | | 20,057 |
| Total Liabilities | 683,778 | 16,250 | 68,550 | | 768,578 |
| Noncontrolling interest | | 3,195 | (3,195) | (J) | |
| Stockholders' Equity: | | | | | |
| | 149,954 | 6,824 | (3,286) | (B) | 149,954 |

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| | | | | | |
|---|------------|-----------|-----------|-----|--------------|
| Common stock and paid-in capital, net of treasury stock | | | (3,538) | (J) | |
| Accumulated other comprehensive income (loss) | 29,184 | | | | 29,184 |
| Retained earnings | 109,740 | | (25,240) | (I) | 84,500 |
| Total Stockholders equity | 288,878 | 6,824 | (32,064) | | 263,638 |
| Total Liabilities and Stockholders equity | \$ 972,656 | \$ 26,269 | \$ 33,291 | | \$ 1,032,216 |

Integra LifeSciences Holdings Corporation
Pro Forma Condensed Combined Statement of Operations
Year Ended December 31, 2007

| | Integra | Theken Consolidated | Adjustments | Note | Pro Forma |
|-----------------------------------|------------------|--------------------------------|--------------------|-------------|------------------|
| Total revenue | \$ 550,459 | \$ 33,778 | \$ | | \$ 584,237 |
| Costs and expenses: | | | | | |
| Cost of product revenues | 214,674 | 3,514 | (89) | (B) | 219,284 |
| | | | 1,225 | (F) | |
| | | | (40) | (L) | |
| Research and development | 30,658 | 3,097 | 600 | (K) | 34,355 |
| Sales, general and administrative | 225,187 | 22,655 | (1,145) | (B) | 247,431 |
| | | | 734 | (K) | |
| Amortization | 12,652 | 58 | 1,731 | (F) | 14,383 |
| | | | (58) | (G) | |
| Total costs and expenses | 483,171 | 29,324 | 2,958 | | 515,453 |
| Operating income | 67,288 | 4,454 | (2,958) | | 68,784 |
| Interest income | 3,552 | 45 | (45) | (B) | 3,552 |
| Interest (expense) | (13,749) | (728) | (2,677) | (A) | (16,439) |
| | | | 498 | (B) | |
| | | | 217 | (C) | |
| Other income (expense), net | 2,971 | 354 | 22 | (B) | 3,347 |
| | (7,226) | (329) | (1,985) | | (9,540) |
| Minority interest | | (758) | 758 | (J) | |
| Income before taxes | 60,062 | 3,367 | (4,185) | | 59,244 |
| Income tax expense (benefit) | 26,591 | | (1,695) | (M) | 24,896 |
| Net income | \$ 33,471 | \$ 3,367 | \$ (2,490) | | \$ 34,348 |
| Net income per share | | | | | |
| Basic | \$ 1.21 | | | | \$ 1.24 |
| Diluted | \$ 1.13 | | | | \$ 1.16 |

Weighted average shares
outstanding

| | | |
|---------|--------|--------|
| Basic | 27,712 | 27,712 |
| Diluted | 29,578 | 29,578 |

Integra LifeSciences Holdings Corporation
Pro Forma Condensed Combined Statement of Operations
Three-month period ended March 31, 2008

| | Integra | Theken Consolidated | Adjustments | Note | Pro Forma |
|-----------------------------------|------------------|--------------------------------|--------------------|-------------|------------------|
| Total revenue | \$ 156,008 | \$ 9,915 | \$ | | \$ 165,923 |
| Costs and expenses: | | | | | |
| Cost of product revenues | 62,212 | 1,159 | (25) | (B) | 63,573 |
| | | | 306 | (F) | |
| | | | (79) | (L) | |
| Research and development | 7,798 | 890 | 100 | (K) | 8,788 |
| Sales, general and administrative | 62,489 | 6,414 | (288) | (B) | 69,156 |
| | | | 541 | (K) | |
| Amortization | 2,973 | 15 | 433 | (F) | 3,406 |
| | | | (15) | (G) | |
| Total costs and expenses | 135,472 | 8,478 | 973 | | 144,923 |
| Operating income | 20,536 | 1,437 | (973) | | 21,000 |
| Interest income | 687 | 27 | 2 | (B) | 716 |
| Interest (expense) | (4,215) | (145) | (669) | (A) | (4,884) |
| | | | 82 | (B) | |
| | | | 63 | (C) | |
| Other income (expense), net | 1,507 | 160 | | | 1,667 |
| | (2,021) | 45 | (525) | | (2,501) |
| Minority interest | | (428) | 428 | (J) | |
| Income before taxes | 18,515 | 1,051 | (1,067) | | 18,499 |
| Income tax expense (benefit) | 6,950 | | (432) | (M) | 6,518 |
| Net income | \$ 11,565 | \$ 1,051 | \$ (635) | | \$ 11,981 |
| Net income per share | | | | | |
| Basic | \$ 0.43 | | | | \$ 0.45 |
| Diluted | \$ 0.41 | | | | \$ 0.42 |

Weighted average shares
outstanding

| | | |
|---------|--------|--------|
| Basic | 26,889 | 26,889 |
| Diluted | 28,468 | 28,468 |

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of Pro Forma Presentation

On August 1, 2008, Integra LifeSciences Holdings Corporation (the Company), through its wholly-owned subsidiary Integra Spine, Inc., completed the acquisition of all of the membership interests of Theken Spine, LLC, Theken Disc, LLC and Therics, LLC, collectively Theken Companies. These Theken Companies are included in the Theken Spine, LLC consolidated financial statements (Theken Consolidated), along with other entities that have not been acquired by the Company. The total purchase price of the Theken Companies was \$77.3 million and included \$2.3 million of transaction related costs. The acquisitions of Theken Spine, LLC and Therics, LLC are accounted for under Statement of Financial Accounting Standards No. 141, Business Combinations, (SFAS No. 141). The acquisition of Theken Disc, LLC is accounted for as a purchase of assets acquired in a transaction other than a business combination because the acquired assets did not constitute a business under SFAS No. 141. In addition, under the Theken Spine Unit Purchase Agreement, the Company has agreed to pay up to \$125 million in earn-out payments to the members and former appreciation rights holders of Theken Spine in accordance with a formula based on the net sales of the Theken Companies during a two-year period following the closing.

The unaudited pro forma condensed combined balance sheet as of March 31, 2008 was prepared by combining the historical balance sheet of the Company at March 31, 2008 with the historical balance sheet of Theken Consolidated at March 31, 2008, giving effect to the acquisition as though it was completed on March 31, 2008.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2007 and the three months ended March 31, 2008 were prepared by combining the Company's historical statements of operations for the year ended December 31, 2007 and the three months ended March 31, 2008 with Theken Consolidated's historical statements of operations for the year ended December 31, 2007 and the three months ended March 31, 2008, respectively, giving effect to the acquisition as though it was completed on January 1, 2007. These unaudited pro forma condensed combined statements of operations do not give effect to any potential cost savings or other operating efficiencies that could result from the acquisition, nor any non-recurring expenses resulting from the transaction.

These pro forma condensed combined financial statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that the Company believes are reasonable. These pro forma condensed combined financial statements do not purport to represent what the consolidated results of operations or financial position of the Company would actually have been if the acquisition had occurred on the dates referred to above, nor do they purport to project the results of operations or financial position of the Company for any future period or as of any date.

2. Acquisition

For the pro forma condensed combined balance sheet the \$77.3 million purchase price, comprised of \$68.2 million of cash paid to members and appreciation rights holders, \$6.8 million of cash paid for the pay off of long term debt of the Theken Companies and \$2.3 million of transaction costs incurred by the Company directly as a result of the acquisition, has been allocated based on management's preliminary estimate of the fair values of assets acquired and liabilities assumed as of August 1, 2008. Certain elements of the purchase price allocation are considered preliminary, particularly as it relates to the final valuation of certain identifiable intangible assets and in-process research and development and there could be significant adjustments when the valuation is finalized. The preliminary purchase price allocation is as follows (in thousands):

| | |
|-------------------------------------|-----------|
| Inventory | \$ 15,130 |
| Property and equipment | 5,644 |
| Intangible assets | 27,320 |
| Goodwill | 14,836 |
| In-process research and development | 25,240 |
| Other working capital, net | (10,852) |

| | |
|----------------------|-----------|
| Total purchase price | \$ 77,318 |
|----------------------|-----------|

In-process research and development costs reflect the portion of the purchase price that, as of the date of acquisition, will not have reached technological feasibility and has no alternative future use.

The acquired goodwill is entirely attributable to the Theken Spine, LLC and Therics, LLC acquisitions.

The acquired intangible assets consist primarily of customer relationships, patents and unpatented technology (know how) including generations of developed product technology, that totaled approximately \$27.3 million and will be amortized over useful lives ranging from approximately 8 to 11 years, as follows (in thousands):

| | Amount | Useful Life |
|------------------------------|-----------|----------------|
| Customer relationships | \$ 13,850 | 8 years |
| Developed product technology | 13,470 | 11 years |
| | \$ 27,320 | |

The goodwill recorded is based on the benefits the Company expects to generate from the future cash flows of the ongoing business of the Theken Companies.

3. Pro Forma Adjustments

Certain reclassifications have been made to Theken Consolidated's historical financial statements to conform to the Company's financial statement presentation.

The following are the descriptions of the pro forma condensed combined balance sheet and statements of operations adjustments:

- A. Reflects the use of the senior credit facility of the Company of \$77.3 million to fund the purchase price and acquisition costs of the Theken Companies, and reflects additional interest expense (at a rate of 3.46%) that would have been incurred by the Company during those periods as the credit facility would have been utilized. A change of one-eighth of one percent in the interest rate on the Company's borrowing would have an immaterial impact on interest expense in 2007 and for the first three months of 2008.
- B. Reflects the exclusion of the assets, liabilities and equity accounts as of March 31, 2008 and the results of operations for the year ended December 31, 2007 and three months ended March 31, 2008 of those entities that were included in the Theken Consolidated financial statements, but were not acquired by the Company.
- C. Reflects the adjustment to reduce the credit facility of the Theken Companies that was repaid at acquisition on August 1, 2008, and the reduction of the related interest expense incurred.
- D. Reflects the adjustment to the historical Theken Companies' finished goods inventory to estimated fair value. Under SEC rules and regulations relating to pro forma financial statements, this amount is considered to be a nonrecurring charge and is excluded from the pro forma condensed combined statements of operations. However, the inventory adjustment will result in a charge included in cost of product revenues in the periods subsequent to the acquisition during which the inventory is sold.
- E. Reflects the adjustment to the Theken Companies' property, plant and equipment as of August 1, 2008 to its estimated fair value. Depreciation expense on the adjusted values is not significantly different from that recorded by the Theken Companies during these periods, based on the adjusted estimated remaining useful life.
- F. Reflects an estimate of the portion of the purchase price allocated to the acquired identifiable intangible assets of the Theken Companies and the recording of amortization expense of the acquired intangible assets over the estimated useful lives using their assigned fair values. This adjustment records amortization expense of \$1.2 million for 2007 and \$0.3 million for the first three months of 2008 within cost of product revenues for the \$13.5 million of intangible technology assets, and records amortization expense of \$1.7 million for 2007 and \$0.4 million for the first three months of 2008 within intangible asset amortization for the \$13.9 million of intangible customer relationship assets subject to amortization recorded in connection with the acquisition (see table above) on a straight-line basis over their amortizable lives of approximately 11 and 8 years, respectively.
- G. Reflects the write-off of the Theken Companies' historical balance of intangible assets which were included in the valuation of identifiable intangible assets and the removal of amortization expense recognized on the pre-acquisition cost basis.
- H. Reflects the addition of estimated goodwill from the purchase price allocation. Additionally, any future earn-out payments made to the members and former appreciation rights holders of Theken Spine, LLC in accordance with a formula based on net sales during the two-year period following the closing, will be recorded as additions to goodwill in those periods.

3. Pro Forma Adjustments, continued

- I. Reflects the charge to retained earnings for in-process research and development costs acquired of \$25.2 million for technologies that, as of the date of acquisition, will not have reached technological feasibility and have no alternative future use. Because this expense is directly attributable to the acquisition and will not have a continuing impact, it is not reflected in the unaudited pro forma combined condensed statements of operations. However, this item will be recorded as an expense by the Company in the third quarter of 2008, upon completion of the acquisition.
- J. Reflects the elimination of all components of the historical equity and noncontrolling interest of the Theken Companies as of March 31, 2008 and Minority Interest from the unaudited pro forma combined statements of operations.
- K. Reflects the building rent, rental equipment and travel expenses that would have been paid to an unrelated party, but was instead paid to an entity included in the Theken Consolidated financial statements that was not acquired and eliminated in B) above.
- L. Reflects the impact of adoption by the Theken Companies of the First-In, First-Out method of accounting for inventory to be consistent with the Company's accounting policy.
- M. Reflects the adjustment based on the pre-tax income effect of the pro forma adjustments using the historical statutory tax rate.

4. Non-Recurring Charges

The pro forma condensed combined statements of earnings for the three months ended March 31, 2008 and for the year ended December 31, 2007 do not reflect the impacts of the increased valuation of inventory on cost of sales or the in-process research and development expense on operating expense. Under SEC rules and regulations relating to pro forma financial statements, these amounts are considered to be non-recurring charges and are excluded from the pro forma statements of earnings. However, the Company's future statements of earnings will be impacted by these pro forma adjustments.

SIGNATURES

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

INTEGRA LIFESCIENCES HOLDINGS
CORPORATION

Date: October 17, 2008

By: /s/ John B. Henneman, III

Title: John B. Henneman, III
Executive Vice President,
Finance and Administration,
and Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|------------------------------------|
| 23.1 | Consent of Independent Accountants |