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INTEGRA LIFESCIENCES HOLDINGS CORP
Form 8-K
June 27, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (date of earliest event reported): May 21, 2003

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(Exact name of Registrant as specified in its charter)

| | | |
|---|--------------------------|---|
| Delaware | 0-26224 | 51-0317849 |
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (I.R.S. Employer Identification No.) |

311 Enterprise Drive
Plainsboro, NJ 08536
(Address of principal executive offices) (Zip Code)
(609)-275-0500
(Registrant's telephone number, including area code)
Not Applicable
(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS.

Pro Forma Financial Information

This Current Report on Form 8-K includes updated pro forma information related to the acquisition by Integra LifeSciences Holdings Corporation of all of the issued and outstanding capital stock of J. Jamner Surgical Instruments, Inc. on March 17, 2003. This updated information is required in conjunction with Integra's concurrently filed Registration Statement on Form S-3 and related Prospectus.

The Stock Purchase Agreement, dated as of March 17, 2003, between Integra LifeSciences Corporation and Howard Jamner and other individual stockholders of J. Jamner Surgical Instruments, Inc., was filed as Exhibit 2.1 in a Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2003.

Results of Annual Meeting of Stockholders

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The Company's Annual Meeting of Stockholders was held on May 21, 2003 and in connection therewith, proxies were solicited by management pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. An aggregate of 25,985,421 shares of the Company's common stock were outstanding and entitled to a vote at the meeting. At the meeting the following matters (not including ordinary procedural matters) were submitted to a vote of the holders of the common stock, with the results indicated below:

1. Election of directors to serve until the 2004 Annual Meeting. The following persons, all of whom were serving as directors and were management's nominees for election, were elected. There was no solicitation in opposition to such nominees. The tabulation of votes was as follows:

| Nominee | For | Withheld |
|-------------------|------------|-----------|
| ----- | ----- | ----- |
| David C. Auth | 23,085,975 | 172,942 |
| Keith Bradley | 23,085,975 | 172,942 |
| Richard E. Caruso | 20,391,705 | 2,867,212 |
| Stuart M. Essig | 20,402,220 | 2,856,697 |
| Neal Moszkowski | 23,085,975 | 172,942 |
| James M. Sullivan | 23,085,975 | 172,942 |

2. Approval of the Company's 2003 Equity Incentive Plan. The Company's 2003 Equity Incentive Plan was approved. The tabulation of votes was as follows:

| For | Against | Abstentions |
|------------|-----------|-------------|
| ----- | ----- | ----- |
| 16,058,447 | 7,189,893 | 10,577 |

3. Ratification of independent auditors. The appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the current fiscal year was ratified. The tabulation of votes was as follows:

| For | Against | Abstentions |
|------------|---------|-------------|
| ----- | ----- | ----- |
| 22,641,026 | 614,936 | 2,955 |

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial statements of the business acquired

Audited financial statements for J. Jamner Surgical Instruments, Inc. as of and for the year ended December 31, 2002 were filed as Exhibit 99.1 in a Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2003.

(b) Pro forma financial information

An unaudited pro forma condensed combined balance sheet as of December 31, 2002 and an unaudited pro forma condensed combined statement of operations for the year ended December 31, 2002 were filed as Exhibit 99.2 in a Current Report on Form 8-K filed with the Securities and Exchange Commission on March 25, 2003.

An unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2003 is filed herewith as Exhibit 99.1.

(c) Exhibits.

| Exhibit Number | Description of Exhibit |
|-------------------|------------------------|
|-------------------|------------------------|

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99.1 Unaudited pro forma condensed combined statement of operations for the
three months ended March 31, 2003

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, thereunto duly authorized, as of the 27th day of June, 2003.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

By: /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Exhibit Index

| Exhibit Number | Description of Exhibit |
|-------------------|------------------------|
| ----- | ----- |

99.1 Unaudited pro forma condensed combined statement of operations for the
three months ended March 31, 2003

Exhibit 99.1.

Unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2003.

On March 17, 2003 (the "Closing Date"), Integra LifeSciences Corporation ("Integra"), a wholly-owned subsidiary of Integra LifeSciences Holdings Corporation (the "Company"), acquired all of the issued and outstanding capital stock of J. Jamner Surgical Instruments, Inc., a Delaware corporation (doing business as JARIT(R) Surgical Instruments) ("JARIT"), for \$44.5 million in cash, subject to a working capital adjustment and other adjustments with respect to certain income tax elections. The acquisition was made pursuant to a Stock Purchase Agreement dated as of March 17, 2003 among Integra and Howard Jamner and other individual stockholders of JARIT. JARIT markets a wide variety of high quality, reusable surgical instruments for use in virtually all surgical disciplines.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2003 has been prepared to give effect to the acquisition by Integra of all of the issued and outstanding capital stock of JARIT as of January 1, 2002. This pro forma statement is presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that the Company believes are reasonable. The unaudited condensed combined pro forma financial statement does not purport to represent what the consolidated results of operations of the Company would actually have been if the acquisition had occurred on the date referred to above, nor do they purport to project the results of operations or financial position of the Company for any future period.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2003 was prepared by combining the Company's historical statement of operations for the three months ended March 31, 2003 with JARIT's historical statement of operations for the period January 1, 2003 through March 17, 2003, giving effect to the acquisition as though it had occurred on January 1, 2002. This unaudited pro forma condensed combined statement of operations does not give effect to any potential cost savings or other operating efficiencies that could result from the acquisition.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2003

In thousands, except per share amounts

| | |
|--------------|--------------|
| Integra | J. Jamner |
| LifeSciences | Surgical |
| Holdings | Instruments, |

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| | Corporation ----- | Inc. ----- | Adjustments ----- | Note ---- |
|--|----------------------|---------------|----------------------|--------------|
| Total revenue | \$ 36,780 | \$ 6,013 | \$ -- | |
| COSTS AND EXPENSES | | | | |
| Cost of product revenue | 13,703 | 2,796 | | |
| Research and development | 2,650 | -- | -- | |
| Selling, general and administrative | 12,410 | 2,776 | (235) | 2A |
| Amortization | 577 | -- | 254 | 2B |
| | ----- | ----- | ----- | ----- |
| Total costs and expenses | 29,340 | 5,572 | 19 | |
| Operating income | 7,440 | 441 | (19) | |
| Interest income (expense), net | 776 | (62) | 67 | 2C |
| | | | (189) | 2D |
| Foreign currency transaction losses, net | -- | 196 | -- | |
| Change in fair value of derivative instruments | -- | 79 | -- | |
| Other income (expense), net | 349 | (5) | -- | |
| | ----- | ----- | ----- | ----- |
| Income before income taxes | 8,565 | 649 | (141) | |
| Income tax expense | 3,127 | -- | 185 | 2E |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 5,438 | \$ 649 | \$ (326) | |
| | ===== | ===== | ===== | ===== |
| Net income per share | | | | |
| Basic | \$ 0.18 | | | |
| Diluted | \$ 0.18 | | | |
| Weighted average common shares outstanding: | | | | |
| Basic | 29,438 | | | |
| Diluted | 30,869 | | | |

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See notes to pro forma condensed combined financial statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of Pro Forma Presentation

For the pro forma statement of operations for the three months ended March 31, 2003, the preliminary \$44.7 million purchase price, including the initial \$44.5 million of cash paid on the Closing Date plus \$200,000 of estimated costs incurred by the Company directly as a result of the acquisition, has been allocated based on management's estimate of the fair values of assets acquired and liabilities that would have been assumed as of January 1, 2002. The preliminary purchase price allocation was as follows (amounts in thousands):

| | |
|--|-----------|
| Accounts receivable | \$ 3,580 |
| Inventory | 6,611 |
| Prepaid expenses and other current assets | 193 |
| Property and equipment | 1,272 |
| Intangible assets | 37,163 |
| Other assets | 4 |
| Accounts payable and accrued expenses | (1,884) |
| Other liabilities | (2,289) |
| | ----- |
| Total purchase price | \$ 44,650 |

The acquired intangible assets consist primarily of customer relationships and tradename and will be amortized over lives ranging from five to forty years. Accordingly, the pro forma \$254,000 intangible asset amortization adjustment is based on this allocation.

The preliminary purchase price allocation as of the Closing Date is disclosed in Note 2 to the Company's unaudited financial statements included in its Quarterly Report on Form 10-Q for the three months ended March 31, 2003. This allocation is considered preliminary until the Company determines the final purchase price adjustments related to working capital and certain income tax elections.

These pro forma condensed combined financial statements should be read in conjunction with the audited financial statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2002, the unaudited financial statements of the Company included in its Quarterly Report on Form 10-Q for the three months ended March 31, 2003, and the audited financial statements of JARIT included in Exhibit 99.1 to the Company's Current Report on Form 8-K filed on March 25, 2003.

2. Pro Forma Adjustments

The pro forma condensed combined statement of operations includes the following adjustments:

- 2A This adjustment reduces the actual compensation paid to a certain JARIT employee for the period January 1, 2003 to March 17, 2003 to an amount that this employee would have been paid by the Company subject to the terms of an employment agreement between the Company and this employee executed in connection with this acquisition.

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- 2B This adjustment records pro forma amortization expense for intangible assets based on the preliminary purchase price allocation.
- 2C This adjustment reduces the \$67,000 of interest expense recorded by JARIT during the period January 1, 2003 through March 17, 2003 on the loans payable to stockholders of JARIT which were not assumed by the Company.
- 2D This adjustment reduces interest income by \$189,000 for the estimated interest income earned by the Company for the period January 1, 2003 through March 17, 2003 on the \$44.7 million of short term investments used to finance the acquisition. This reduction in interest income assumes the \$44.7 million was paid on January 1, 2002 and the average interest rate earned on short term investments for the period January 1, 2003 through March 17, 2003 was 2.0%.
- 2E The inclusion of the financial results of JARIT for the period January 1, 2003 through March 17, 2003 in the Company's consolidated results would have increased the Company's income tax expense by approximately \$185,000 for the three months ended March 31, 2003. This adjustment results from the fact that JARIT was an "S" Corporation for federal and New York state income tax purposes and therefore did not record income tax expense at the same rate that a "C" Corporation would have.