INTEGRA LIFESCIENCES HOLDINGS CORP
Form 10-Q
June 04, 2008

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

(Mark One)

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

For the quarterly period ended March 31, 2008

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

For the transition period from _________ to _________

COMMISSION FILE NO. 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

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

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

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

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

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

The number of shares of the registrant s Common Stock, $.01 par value, outstanding as of May 30, 2008 was 27,307,058.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2008	2007
Total Revenue	$ 156,008	$ 123,032
Costs and Expenses:		
Cost of product revenues	62,212	48,577
Research and development	7,798	6,060
Selling, general and administrative	62,489	49,105
Intangible asset amortization	2,973	2,787
Total costs and expenses	135,472	106,529
Operating income	20,536	16,503
Interest income	687	223
Interest expense	(4,215)	(2,759)
Other (expense) income, net	1,507	(208)
Income before income taxes	18,515	13,759
Income tax expense	6,950	4,685
Net income	$ 11,565	$ 9,074
Basic net income per share	$ 0.43	$ 0.32
Diluted net income per share	$ 0.41	$ 0.30
Weighted average common shares outstanding:		
Basic	26,889	28,371
Diluted	28,468	29,965

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands)

	March 31, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 199,013	$ 57,339
Trade accounts receivable, net of allowances of $7,387 and $7,816	106,880	103,539
Inventories, net	144,037	144,535
Deferred tax assets	25,075	22,254
Prepaid expenses and other current assets	14,318	12,264
Total current assets	489,323	339,931
Property, plan and equipment, net	63,344	61,730
Intangible assets, net	192,086	195,766
Goodwill	214,423	207,438
Other assets	13,480	13,147
Total assets	$ 972,656	$ 818,012
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Borrowings under senior credit facility	$ 120,000	$
Convertible securities	119,380	119,962
Accounts payable, trade	26,365	23,232
Income taxes payable	5,484	
Deferred revenue	3,205	2,901
Accrued expenses and other current liabilities	42,679	45,576
Total current liabilities	317,113	191,671
Long-term convertible securities	330,000	330,000
Deferred tax liabilities	16,608	16,052
Other liabilities	20,057	19,860
Total liabilities	683,778	557,583
Commitments and contingencies (see Footnote 11)		

Stockholders Equity:		
Common stock: $0.01 par value; 60,000 authorized shares; 32,792 and 32,252 issued at March 31, 2008 and December 31, 2007, respectively	328	323
Additional paid-in capital	402,006	395,266
Treasury stock, at cost; 6,354 shares at March 31, 2008 and December 31, 2007	(252,380)	(252,380)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	29,898	19,768
Pension liability adjustment, net of tax	(714)	(723)
Retained earnings	109,740	98,175
Total stockholders equity	288,878	260,429
Total liabilities and stockholders equity	$ 972,656	$ 818,012

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

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

(In thousands)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
OPERATING ACTIVITIES:		
Net income	$ 11,565	$ 9,074
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,073	5,664
Deferred income tax provision	(1,852)	(1,024)
Amortization of bond issuance costs	610	91
Derivative loss		168
Share-based compensation	3,478	3,356
Excess tax benefits from stock-based compensation arrangements	(66)	(254)
Other, net	18	
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(2,616)	(540)
Inventories	179	(170)
Prepaid expenses and other current assets	(1,899)	2,605
Other non-current assets	(535)	6,409
Accounts payable, accrued expenses and other current liabilities	(2,171)	(6,559)
Income taxes payable	4,755	1,872
Deferred revenue	756	(933)
Other non-current liabilities	1,051	(4,477)
Net cash provided by operating activities	20,346	15,282
INVESTING ACTIVITIES:		
Cash used in business acquisition, net of cash acquired	(6)	(2,324)
Purchases of property and equipment	(2,844)	(3,849)
Net cash (used in) investing activities	(2,850)	(6,173)
FINANCING ACTIVITIES:		
Borrowings under senior credit facility	120,000	39,000
Repayment of loans	(178)	(39,014)
Proceeds from exercised stock options	1,113	7,471
Excess tax benefits from stock-based compensation arrangements	66	254
Purchase of treasury stock		(11,075)
Net cash provided by (used in) financing activities	121,001	(3,364)
Effect of exchange rate changes on cash and cash equivalents	3,177	887

Net increase in cash and cash equivalents	141,674	6,632
Cash and cash equivalents at beginning of period	57,339	22,697
Cash and cash equivalents at end of period	$ 199,013	$ 29,329

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

General

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

In the opinion of management, the March 31, 2008 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements for the year ended December 31, 2007 included in the Company s Annual Report on Form 10-K. The December 31, 2007 condensed consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States. Operating results for the three-month period ended March 31, 2008 are 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. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns, net realizable value of inventories, estimates of future cash flows associated with long-lived asset valuations, depreciation and amortization periods for long-lived assets, fair value estimates of stock-based compensation awards, valuation allowances recorded against deferred tax assets, estimates of amounts to be paid to employees and other exit costs to be incurred in connection with the restructuring of our operations and loss contingencies. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

Recently Adopted Accounting Standards

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). The Statement provides companies an option to report certain financial assets and liabilities at fair value and established presentation and disclosure requirements. The intent of SFAS 159 is to reduce the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The Company chose not to elect the fair value option for its financial assets and liabilities existing at January 1, 2008, and did not elect the fair value option on financial assets and liabilities transacted during the three months ended March 31, 2008. Therefore, the adoption of this Statement had no impact on the Company s consolidated financial statements.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS 157) for our financial assets and liabilities that are remeasured and reported at fair value at least annually. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The only financial asset or liability on the Company s books that meet the requirements are cash equivalents, which consist entirely of interest-bearing bank deposits. The adoption of SFAS 157 to our financial assets and liabilities and non-financial assets and liabilities that are re-measured and reported at fair value at least annually did not have any impact on our financial results.

In accordance with the provisions of FSP No. FAS 157-2 Effective Date of FASB Statement No. 157, the Company has elected to defer implementation of SFAS 157 as it relates to our non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis until January 1, 2009. We are evaluating the impact, if any, this Statement will have on our non-financial assets and liabilities.

Recently Issued Accounting Standards

In May 2008, the FASB issued Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments that May be Settled in Cash Upon Conversion (FSP APB 14-1). FSP APB 14-1 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer s nonconvertible debt borrowing rate. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, however, early adoption is not permitted.

Retrospective application to all periods presented is required except for instruments that were not outstanding during any of the periods that will be presented in the annual financial statements for the period of adoption but were outstanding during an earlier period. We are currently assessing the impact of adopting FSP APB 14-1, which we believe may be material to our financial condition and results of operations.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (FAS 161), which is effective January 1, 2009. FAS 161 requires enhanced disclosures about derivative instruments and hedging activities to allow for a better understanding of their effects on an entity s financial position, financial performance, and cash flows. Among other things, FAS 161 requires disclosure of the fair values of derivative instruments and associated gains and losses in a tabular format. Since FAS 161 requires only additional disclosures about our derivatives and hedging activities, the adoption of FAS 161 is not expected to affect our financial position or results of operations.

In December 2007, the FASB issued Statement No. 141(R), Business Combinations (Statement 141(R)), a replacement of FASB Statement No. 141. Statement 141(R) is effective for fiscal years beginning on or after December 15, 2008 and applies to all business combinations. Statement 141(R) provides that, upon initially obtaining control, an acquirer shall recognize 100 percent of the fair values of acquired assets, including goodwill, and assumed liabilities, with only limited exceptions, even if the acquirer has not acquired 100 percent of its target. Additionally, Statement 141(R) changes current practice, in part, as follows: (1) contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration; (2) transaction costs will be expensed as incurred, rather than capitalized as part of the purchase price; (3) pre-acquisition contingencies, such as legal issues, will generally have to be accounted for in purchase accounting at fair value; and (4) in order to accrue for a restructuring plan in purchase accounting, the requirements in FASB Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities, would have to be met at the acquisition date. While there is no expected impact to our consolidated financial statements on the accounting for acquisitions completed prior to December 31, 2008, the adoption of Statement 141(R) on January 1, 2009 could materially change the accounting for business combinations consummated subsequent to that date or ones closed in 2008, but for which the purchase price allocation is finalized in 2009.

2. BUSINESS ACQUISITIONS

Precise Dental

In December 2007 we acquired all of the outstanding stock of the Precise Dental family of companies (Precise) for $10.5 million in cash, subject to certain adjustments and acquisition expenses of $292,000. The Precise Dental family of companies develop, manufacture, procure, market and sell endodontic materials and dental accessories, including the manufacture of absorbable paper points, gutta percha and dental mirrors. Together these companies have procurement and distribution operations in Canoga Park, California and manufacturing operations at multiple locations in Mexico.

The following summarizes the preliminary allocation of the purchase price based on fair value of the assets acquired and liabilities assumed (in thousands):

Cash	$ 25	
Inventory	3,243	
Accounts receivable	820	
Other current assets	65	
Property, plant and equipment	603	
Other assets	10	
Intangible assets:		Wtd. Avg. Life
Technology	421	15 years
Customer relationships	2,971	15 years
Noncompetition agreements	100	5 years
Trade name	142	20 years

Goodwill	4,576
Total assets acquired	12,976
Accounts payable and other current liabilities	559
Deferred tax liability	1,625
Total liabilities assumed	2,184
Net assets acquired	$ 10,792

Management determined the preliminary fair value of assets acquired during the fourth quarter 2007. The goodwill recorded in connection with this acquisition is based on the benefits the Company expects to generate from Precise s future cash flows. Certain elements of the purchase price allocation are considered preliminary, particularly as they relate to the final valuation of certain identifiable intangible assets and deferred income taxes. Additional changes are not expected to be significant as the allocations are finalized.

Isotis, Inc.

In October 2007, we acquired all of the outstanding stock of IsoTis, Inc. and subsidiaries (IsoTis) for $64.0 million in cash, subject to certain adjustments and acquisition expenses of $4.6 million. IsoTis is based in Irvine, California. IsoTis develops, manufactures and markets proprietary products for the treatment of musculoskeletal diseases and disorders. IsoTis current orthobiologics products are bone graft substitutes that promote the regeneration of bone and are used to repair natural, trauma-related and surgically-created defects common in orthopedic procedures, including spinal fusions.

The following summarizes the preliminary purchase price based on the fair value of the assets acquired and liabilities assumed (in thousands):

		Wtd. Avg. Life
Cash	$ 10,666	
Inventory	17,796	
Other current assets	10,502	
Property and equipment, net	3,841	
Intangible assets:		
Developed product technology Generation I	3,400	10 years
Developed product technology Generation II	11,000	15 years
In-process research and development	4,600	Expensed immediately
Goodwill	27,798	
Other assets	500	
Total assets acquired	90,103	
Current liabilities	16,209	
Deferred revenue and other liabilities	5,256	
Total liabilities	21,465	
Net assets acquired	$ 68,638	

Management determined the preliminary fair value of assets acquired during the fourth quarter 2007. The in-process research and development has not yet reached technological feasibility and has no alternative future use at the date of acquisition. The Company recorded an in-process research and development charge of $4.6 million in the fourth quarter of 2007 in connection with this acquisition, which was included in research and development expense. The goodwill recorded in connection with this acquisition is based on the benefits the Company expects to generate from IsoTis future cash flows. Certain elements of the purchase price allocation are considered preliminary, particularly as they relate to the final valuation of certain identifiable intangible assets, deferred taxes and final assessment of certain pre-acquisition tax and other contingencies. Additional changes are not expected to be significant as the allocations are finalized.

Physician Industries

In May 2007, we acquired certain assets of the pain management business of Physician Industries, Inc. (Physician Industries) for approximately $4.0 million in cash, subject to certain adjustments and acquisition expenses of $74,000. In addition, we may pay additional amounts over the next four years depending on the performance of the business. Physician Industries, located in Salt Lake City, Utah, assembles, markets, and sells a comprehensive line of pain management products for acute and chronic pain, including customized trays for spinal, epidural, nerve block, and biopsy procedures.

LXU Healthcare, Inc.

In May 2007, we acquired the shares of LXU Healthcare, Inc. (LXU) for $30.0 million in cash paid at closing and $0.5 million of acquisition-related expenses. LXU is operated as part of our surgical instruments business.

DenLite

On January 3, 2007, the Company s subsidiary Miltex, Inc. acquired the DenLite product line from Welch Allyn in an asset purchase for $2.2 million in cash paid at closing and $35,000 of acquisition-related expenses. This transaction was treated as a business combination. DenLite is a lighted mouth mirror used in dental procedures.

The following unaudited pro forma financial information summarizes the results of operations for the three months ended March 31, 2007 as if the acquisitions completed by the Company during 2007 had been completed as of the beginning of 2007. The pro forma

results are based upon certain assumptions and estimates, and they give effect to actual operating results prior to the acquisitions and adjustments to reflect increased interest expense, depreciation expense, intangible asset amortization, and income taxes at a rate consistent with the Company s statutory rate in each year. No effect has been given to cost reductions or operating synergies. As a result, these pro forma results do not necessarily represent results that would have occurred if the acquisitions had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

(in thousands, except per share amounts)	Three Months Ended March 31, 2007
Total Revenue	$ 147,803
Net income	3,004
Net income per share:	
Basic	$ 0.11
Diluted	$ 0.10

3. INVENTORIES

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

	March 31, 2008	December 31, 2007
Finished goods	$ 101,536	$ 103,172
Work-in process	29,784	27,812
Raw materials	37,594	37,639
Less: reserves	(24,877)	(24,088)
	$ 144,037	$ 144,535

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the three months ended March 31, 2008, were as follows:

Balance at December 31, 2007	$ 207,438
Purchase price allocation adjustments	1,957
Foreign currency translation	5,028
Balance at March 31, 2008	$ 214,423

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

		March 31, 2008		December 31, 2007	
	Weighted Average Life	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Completed technology		$ 52,085	$ (12,926)	$ 51,673	$ (11,663)

	13 years				
Customer relationships	12 years	76,050	(19,745)	75,719	(17,548)
Trademarks/brand names	34 years	40,770	(5,595)	40,769	(5,202)
Trademarks/brand names	Indefinite	31,600		31,600	
Noncompetition agreements	5 years	6,558	(4,845)	6,504	(4,486)
Supplier relationships	30 years	29,300	(1,839)	29,300	(1,595)
All other	15 years	1,531	(858)	1,531	(836)
		$ 237,894	$ (45,808)	$ 237,096	$ (41,330)

Annual amortization expense is expected to approximate $16.6 million in 2008, $15.2 million in 2009, $13.4 million in 2010, $13.3 million in 2011 and $12.6 million in 2012. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition generally using an income or cost approach.

5. RESTRUCTURING ACTIVITIES

In connection with the acquisition of IsoTis, the Company announced plans to restructure the Company s European operations. The restructuring plan includes closing the facilities in Lausanne, Switzerland and Bilthoven, Netherlands, eliminating various positions in Europe and reducing various duplicative positions in Irvine, California.

In connection with the acquisition of Precise, the Company announced plans to restructure the Company s procurement and distribution operations by closing its facility in Canoga Park, California. The Company will integrate those functions into its York, Pennsylvania dental operations.

In connection with these restructuring activities, the Company has recorded the following charges during the three months ended March 31, 2008 (in thousands):

	Cost of Sales	Research and Development	Selling General and Administrative	Total
Three months ended March 31, 2008				
Involuntary employee termination costs	$ 46	$	$ 13	$ 59
Facility exit costs	129		234	363

Below is a reconciliation of the restructuring accrual activity recorded during 2008 (in thousands):

	Employee Termination Costs	Facility Exit Costs	Total
Balance at December 31, 2007	$ 615	$ 625	$ 1,240
Additions	86	219	305
Change in estimate	(27)	144	117
Payments	(78)	(556)	(634)
Effects of Foreign Exchange	6		6
Balance at March 31, 2008	$ 602	$ 432	$ 1,034

6. DEBT

2008 Contingent Convertible Subordinated Notes

The Company paid interest on its $120 million contingent convertible subordinated notes (the 2008 Notes) at an annual rate of 2.5% each September 15 and March 15. The Company paid contingent interest on the 2008 Notes approximating $1.8 million during the quarter ended March 31, 2008. The contingent interest paid was for each of the last three years the 2008 Notes remained outstanding in an amount equal to the greater of (1) 0.50% of the face amount of the 2008 Notes and (2) the amount of regular cash dividends paid during each such year on the number of shares of common stock into which each 2008 Note is convertible. Holders of the 2008 Notes could convert the 2008 Notes under certain circumstances, including when the market price of its common stock on the previous trading day was more than $37.56 per share, based on an initial conversion price of $34.15 per share. As of March 31, 2008, $620,000 of the 2008 Notes had been converted to common stock or cash with the remaining amount being converted in April 2008.

The 2008 Notes were general, unsecured obligations of the Company and were subordinate to any senior indebtedness. The Company could not redeem the 2008 Notes prior to their maturity, and the 2008 Notes holders could have compelled the Company to repurchase the 2008 Notes upon a change of control. The fair value of the

Company s $119.4 million principal amount 2.5% Contingent Convertible Subordinated Notes outstanding at March 31, 2008 equaled its recorded value. There were no financial covenants associated with the convertible 2008 Notes.

2010 and 2012 Senior Convertible Notes

On June 11, 2007, the Company issued $165 million aggregate principal amount of its 2.75% Senior Convertible Notes due 2010 (the 2010 Notes) and $165 million aggregate principal amount of its 2.375% Senior Convertible Notes due 2012 (the 2012 Notes and together with the 2010 Notes, the Notes). The 2010 Notes and the 2012 Notes bear interest at a rate of 2.75% per annum and

2.375% per annum, respectively, in each case payable semi-annually in arrears on December 1 and June 1 of each year. The fair value of the 2010 Notes and the 2012 Notes at March 31, 2008 was approximately $162.8 million and $156.2 million, respectively.

The Notes are senior, unsecured obligations of the Company, and are convertible into cash and, if applicable, shares of its common stock based on an initial conversion rate, subject to adjustment, of 15.0917 shares per $1,000 principal amount of notes for the 2010 Notes and 15.3935 shares per $1,000 principal amount of notes for the 2012 Notes (which represents an initial conversion price of approximately $66.26 per share and approximately $64.96 per share for the 2010 Notes and the 2012 Notes, respectively.) The Company will satisfy any conversion of the Notes with cash up to the principal amount of the applicable series of Notes pursuant to the net share settlement mechanism set forth in the applicable indenture and, with respect to any excess conversion value, with shares of the Company s common stock. The Notes are convertible only in the following circumstances: (1) if the closing sale price of the Company s common stock exceeds 130% of the conversion price during a period as defined in the indenture; (2) if the average trading price per $1,000 principal amount of the Notes is less than or equal to 97% of the average conversion value of the Notes during a period as defined in the indenture; (3) at any time on or after December 15, 2009 (in connection with the 2010 Notes) or anytime after December 15, 2011 (in connection with the 2012 Notes); or (4) if specified corporate transactions occur. The issue price of the Notes was equal to their face