Nugent Jeffrey M
Form 4
January 05, 2018

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Nugent Jeffrey M

(Last) (First) (Middle)

420 SOUTH FAIRVIEW AVENUE, SUITE 200

(Street)

SANTA BARBARA, CA 93117

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Sientra, Inc. [SIEN]

3. Date of Earliest Transaction (Month/Day/Year)
01/02/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman of the Board and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/02/2018		F		8,028 (1)	D	$ 14.27	179,999	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Nugent Jeffrey M 420 SOUTH FAIRVIEW AVENUE, SUITE 200 SANTA BARBARA, CA 93117	X		Chairman of the Board and CEO	

Signatures

/s/ Jeffrey M. Nugent	01/05/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Disposition to the Issuer of shares to satisfy the Reporting Person's tax withholding obligation upon the vesting of 20,000 Restricted Stock Units (RSUs) which is exempt under Rule 16b-3.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. :2px;">

10.5

-

Amendment to Stock Option Plan for Non-employee Directors of CONMED Corporation (Incorporated by reference to the Company’s Definitive Proxy Statement for the 2002 Annual Meeting filed with the Securities and Exchange Commission on April 17, 2002).

10.6

-

1999 Long-term Incentive Plan (Incorporated by reference to the Company’s Definitive Proxy Statement for the 1999 Annual Meeting filed with the Securities and Exchange Commission on April 16, 1999).

10.7
-
Amendment to 1999 Long-term Incentive Plan (Incorporated by reference to the Company's Definitive Proxy Statement for the 2002 Annual Meeting filed with the Securities and Exchange Commission on April 17, 2002).

10.8
-
2002 Employee Stock Purchase Plan (Incorporated by reference to the Company's Definitive Proxy Statement for the 2002 Annual Meeting filed with the Securities and Exchange Commission on April 17, 2002).

10.9
-
Amendment to CONMED Corporation 2002 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the year ended December 31, 2005).

10.10
-
2006 Stock Incentive Plan (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on August 8, 2006).

10.11
-
2007 Non-Employee Director Equity Compensation Plan (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on August 8, 2007).

10.12
-
Amended and Restated 1999 Long Term Incentive Plan (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on November 3, 2009).

10.13
-
Amended and Restated 2007 Non-Employee Director Equity Compensation Plan of CONMED Corporation (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on August 3, 2010).

10.14
-
Amended and Restated Credit Agreement, dated April 13, 2006, among CONMED Corporation, JP Morgan Chase Bank and the several banks and other financial institutions or entities from time to time parties thereto (Incorporated by reference to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 19, 2006).

10.15
-
First Amendment to Amended and Restated Credit Agreement, dated April 13, 2006, among CONMED Corporation, JP Morgan Chase Bank, N.A. and the several banks and other financial institutions or entities from time to time parties thereto (Incorporated by reference to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2010).

10.16
-
Purchase and Sale Agreement dated November 1, 2001 among CONMED Corporation, et al and CONMED Receivables Corporation (Incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).

10.17	-	Amendment No. 1 dated October 23, 2003 to the Purchase and Sale Agreement dated November 1, 2001 among CONMED Corporation, et al and CONMED Receivables Corporation (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
10.18	-	Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation, and Fleet National Bank (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
10.19	-	Amendment No. 1, dated October 20, 2004 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.20	-	Amendment No. 2, dated October 21, 2005 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).
10.21	-	Amendment No. 3, dated October 24, 2006 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 30, 2006).
10.22	-	Amendment No. 4, dated January 31, 2008 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 31, 2008).
10.23	-	Amendment No. 5, dated October 30, 2009 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 30, 2009).
10.24	-	Amendment No. 6, dated October 29, 2010 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 29, 2010).
10.25	-	Change in Control Severance Agreement for Joseph J. Corasanti (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).
10.26	-	Change in Control Severance Agreement for Robert D. Shallish, Jr. (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).
10.27	-	Change in Control Severance Agreement for Daniel S. Jonas (Incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).

10.28	-	Change in Control Severance Agreement for Luke A. Pomilio (Incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).

48

10.29	-	Executive Severance Agreement for Joseph G. Darling (Incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.30	-	Change in Control Severance Agreement for Joseph G. Darling (Incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010).
10.31	-	Sports Medicine Joint Development and Distribution Agreement by and between Musculoskeletal Transplant Foundation, Inc. and CONMED Corporation dated as of January 3, 2012 (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 3, 2012).
14	-	Code of Ethics. The CONMED code of ethics may be accessed via the Company’s website at http://www.CONMED.com/conmed_investor_template.php
21*	-	Subsidiaries of the Registrant.
23*	-	Consent of Independent Registered Public Accounting Firm.
31.1*	-	Certification of Joseph J. Corasanti pursuant to Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	-	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	-	Certifications of Joseph J. Corasanti and Robert D. Shallish, Jr. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*		The following materials from CONMED Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Operations for the three years ended December 31, 2011, (ii) Consolidated Balance Sheets at December 31, 2011 and 2010, (iii) Consolidated Statements of Shareholders' Equity for the three years ended December 31, 2011 (iv) Consolidated Statements of Cash Flows for the three years ended December 31, 2011, (v) Notes to the Consolidated Financial Statements for the year ended December 31, 2011 and (vi) Schedule II - Valuation and Qualifying Accounts. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

* Filed herewith
\+ Management contract or compensatory plan or arrangement.

MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

The management of CONMED Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management assessed the effectiveness of CONMED's internal control over financial reporting as of December 31, 2011. In making its assessment, management utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework". Management has concluded that based on its assessment, CONMED's internal control over financial reporting was effective as of December 31, 2011. The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ Joseph J. Corasanti
Joseph J. Corasanti
President and
Chief Executive Officer

/s/ Robert D. Shallish, Jr.
Robert D. Shallish, Jr.
Vice President-Finance and
Chief Financial Officer

50

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CONMED Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of CONMED Corporation and its subsidiaries at December 31, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report On Internal Control Over Financial Reporting". Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Albany, New York

February 28, 2012

51

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2010 and 2011
(In thousands except share and per share amounts)

	2010	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$12,417	$26,048
Accounts receivable, less allowance for doubtful accounts of $1,066 in 2010 and $1,183 in 2011	145,350	135,641
Inventories	172,796	168,438
Deferred income taxes	8,476	10,283
Prepaid expenses and other current assets	11,153	16,314
Total current assets	350,192	356,724
Property, plant and equipment, net	140,895	139,187
Deferred income taxes	2,009	2,389
Goodwill	295,068	234,815
Other intangible assets, net	190,091	195,531
Other assets	7,518	6,948
Total assets	$985,773	$935,594
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$110,433	$54,557
Accounts payable	21,692	21,162
Accrued compensation and benefits	28,411	31,142
Income taxes payable	973	6,470
Other current liabilities	18,357	17,853
Total current liabilities	179,866	131,184
Long-term debt	85,182	88,952
Deferred income taxes	106,046	92,785
Other long-term liabilities	28,116	49,602
Total liabilities	399,210	362,523
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized 500,000 shares, none issued or outstanding	—	—
Common stock, par value $.01 per share; 100,000,000 authorized; 31,299,203 issued in 2010 and 2011, respectively	313	313
Paid-in capital	319,406	321,994
Retained earnings	354,020	354,439
Accumulated other comprehensive loss	(15,861)	(26,348)
Less: Treasury stock, at cost; 3,077,377 and 3,358,078 shares in		

2010 and 2011, respectively	(71,315)	(77,327)
Total shareholders' equity	586,563	573,071
Total liabilities and shareholders' equity	$985,773	$935,594

See notes to consolidated financial statements.

52

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2009, 2010 and 2011
(In thousands except per share amounts)

	2009	2010	2011
Net sales	$694,739	$713,723	$725,077
Cost of sales	357,407	348,339	350,143
Gross profit	337,332	365,384	374,934
Selling and administrative expense	266,310	276,463	276,615
Research and development expense	31,837	29,652	28,651
Impairment of goodwill	—	—	60,302
Other expense	10,916	2,176	1,092
	309,063	308,291	366,660
Income from operations	28,269	57,093	8,274
Gain (loss) on early extinguishment of debt	1,083	(79)	—
Amortization of debt discount	4,111	4,244	3,903
Interest expense	7,086	7,113	6,676
Income (loss) before income taxes	18,155	45,657	(2,305)
Provision (benefit) for income taxes	6,018	15,311	(3,057)
Net income	$12,137	$30,346	$752
Earnings per share:			
Basic	$0.42	$1.06	$0.03
Diluted	$0.42	$1.05	$0.03

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2009, 2010 and 2011
(In thousands)

	Common Stock				Accumulated		
	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Loss	Treasury Stock	Shareholders' Equity
Balance at December 31, 2008	31,299	$313	$313,830	$314,373	$(31,032)	$(57,269)	$540,215
Common stock issued under employee plans			(1,245)	(1,140)		3,140	755
Tax benefit arising from common stock issued under employee plans			561				561
Retirement of 2.50% convertible notes			(88)				(88)
Stock-based compensation			4,308				4,308
Comprehensive income:							
Foreign currency translation adjustments					7,241		
Pension liability (net of income tax expense of $6,629)					11,310		
Cash flow hedging gain (net of income tax expense of $45)					76		
Net income				12,137			
Total comprehensive income							30,764
Balance at December 31, 2009	31,299	$313	$317,366	$325,370	$(12,405)	$(54,129)	$576,515
Common stock issued under employee plans			(2,376)	(1,696)		5,791	1,719
Repurchase of treasury							

stock		(22,977)	(22,977)
Tax benefit arising from common stock issued under employee plans	227		227
Retirement of 2.50% convertible notes	(34)		(34)
Stock based compensation	4,223		4,223

54

	Common Stock							
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Shareholders' Equity
Comprehensive income (loss):							
Foreign currency translation adjustments					65		
Pension liability (net of income tax benefit of $1,289)					(2,200)		
Cash flow hedging loss (net of income tax benefit of $775)					(1,321)		
Net income				30,346			
Total comprehensive income							26,890
Balance at December 31, 2010	31,299	$313	$319,406	$354,020	$(15,861)	$(71,315)	$586,563
Common stock issued under employee plans			(3,849)	(333)		9,009	4,827
Repurchase of treasury stock						(15,021)	(15,021)
Tax benefit arising from common stock issued under employee plans			1,197				1,197
Stock based compensation			5,240				5,240
Comprehensive income (loss):							
Foreign currency translation adjustments					(1,937)		
Pension liability (net of income tax benefit of $7,482)					(12,768)		

Cash flow hedging gain (net of income tax expense of $2,472)					4,218		
Net income				752			
Total comprehensive income							(9,735)
Balance at December 31, 2011	31,299	$313	$321,994	$354,439	$(26,348)	$(77,327)	$573,071

See notes to consolidated financial statements.

55

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009, 2010 and 2011
(In thousands)

	2009	2010	2011
Cash flows from operating activities:			
Net income	$12,137	$30,346	$752
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	18,651	17,392	18,519
Amortization of debt discount	4,111	4,244	3,903
Amortization, all other	18,521	20,171	20,265
Stock-based compensation	4,308	4,223	5,240
Deferred income taxes	4,241	13,158	(13,098)
Sale of accounts receivable to (collections on behalf of) purchaser	(13,000)	(29,000)	—
Income tax benefit of stock option exercises	561	227	1,197
Excess tax benefit from stock option exercises	(886)	(485)	(1,363)
(Gain) loss on extinguishment of debt	(1,083)	79	—
Impairment of goodwill	—	—	60,302
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(12,879)	9,342	8,464
Inventories	(9,454)	(20,317)	(7,850)
Accounts payable	(7,400)	(4,645)	2,649
Income taxes	(2,287)	(692)	4,838
Accrued compensation and benefits	5,630	2,516	1,673
Other assets	(197)	332	(4,243)
Other liabilities	4,054	(8,648)	1,745
	12,891	7,897	102,241
Net cash provided by operating activities	25,028	38,243	102,993
Cash flows from investing activities:			
Payments related to intangible assets and business acquisitions, net of cash acquired	(330)	(5,289)	(4,191)
Purchases of property, plant and equipment	(21,444)	(14,732)	(17,552)
Net cash used in investing activities	(21,774)	(20,021)	(21,743)
Cash flows from financing activities:			
Net proceeds from common stock issued under employee plans	1,198	2,452	6,117
Repurchase of common stock	—	(22,977)	(15,021)
Excess tax benefit from stock option exercises	886	485	1,363
Payments on senior credit agreement	(1,350)	(1,350)	(1,350)

Proceeds of senior credit agreement	6,000	12,000	58,000
Payments on mortgage notes	(1,425)	(824)	(894)
Payments on senior subordinated notes	(7,808)	(2,933)	(111,766)
Payments related to issuance of debt	—	(2,525)	—

56

Net change in cash overdrafts	(1,188)	66	(3,148)
Net cash used in financing activities	(3,687)	(15,606)	(66,699)
Effect of exchange rate changes on cash and cash equivalents	(1,280)	(297)	(920)
Net increase (decrease) in cash and cash equivalents	(1,713)	2,319	13,631
Cash and cash equivalents at beginning of year	11,811	10,098	12,417
Cash and cash equivalents at end of year	$10,098	$12,417	$26,048

Supplemental disclosures of cash flow information:

Cash paid during the year for:			
Interest	$6,303	$6,025	$5,797
Income taxes	3,650	3,257	4,760

See notes to consolidated financial statements.

57

CONMED CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands except per share amounts)

Note 1 — Operations and Significant Accounting Policies

Organization and operations

CONMED Corporation (“CONMED”, the “Company”, “we” or “us”) is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company’s products serve the clinical areas of arthroscopy, powered surgical instruments, electrosurgery, cardiac monitoring disposables, endosurgery and endoscopic technologies. They are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, and gastroenterology.

Principles of consolidation

The consolidated financial statements include the accounts of CONMED Corporation and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments which affect the reported amounts of assets, liabilities, related disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, allowances for doubtful accounts, rebates and sales allowances, inventory allowances, purchased in-process research and development, pension benefits, goodwill and intangible assets, contingencies and other accruals. We base our estimates on historical experience and on various other assumptions which are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates. Estimates and assumptions are reviewed periodically, and the effect of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary.

Cash and cash equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined on the FIFO (first-in, first-out) method of accounting.

Property, plant and equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Leasehold improvements	Shorter of life of asset or life of lease
Machinery and equipment	2 to 15 years

Goodwill and other intangible assets

We have a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. We have accumulated goodwill of $234.8 million and other intangible assets of $195.5 million as of December 31, 2011.

In accordance with FASB guidance, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at least annual impairment testing. It is our policy to perform our annual impairment testing in the fourth quarter. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and other valuation techniques. Future cash flows may be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. The Company evaluates EBITDA multiples to value its reporting units relative to the Company's market capitalization plus a market-based control premium. The market-based control premium is defined as the premiums paid by acquirers of comparable businesses. The sum of the individual reporting units' estimated market values are compared to the Company's market value, with the sum of the individual values typically being larger than the market value of the Company. The Company considers premiums paid by acquirers of comparable businesses to determine the reasonableness of the implied control premium.

During the fourth quarter of 2011, we completed our goodwill impairment testing with data as of October 1, 2011. For our CONMED Electrosurgery, CONMED Endosurgery and CONMED Linvatec operating units, our impairment testing utilized CONMED Corporation's EBITDA multiple adjusted for a market-based control premium with the resultant fair values exceeding carrying values by 42% to 107%.

We estimated the fair value of the CONMED Patient Care operating unit utilizing both a market-based approach and an income approach. Under the income approach, we utilized a discounted cash flow valuation methodology and measured the goodwill impairment in accordance with ASC 350. The first step of the impairment test determined the carrying value exceeded fair value and therefore we proceeded to Step 2. Under Step 2, we calculated the amount of impairment loss by measuring the amount the carrying value of goodwill exceeded the implied fair value of the goodwill. We determined the goodwill of our CONMED Patient Care operating unit was impaired as a result of lower future earnings due to pricing pressures in a number of our product lines and consequently we recorded a goodwill impairment charge of $60.3 million to reduce the carrying amount of the unit's goodwill to its implied fair value.

Intangible assets with a finite life are amortized over the estimated useful life of the asset and are evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of an intangible asset subject to amortization is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. An impairment loss is recognized by reducing the carrying amount of the intangible asset to its current fair value.

Customer relationship assets arose principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 15 years. The weighted average life for customer relationship assets in aggregate is 33 years.

We evaluate the remaining useful life of our customer relationship intangible assets each reporting period in order to determine whether events and circumstances warrant a revision to the remaining period of amortization. In order to further evaluate the remaining useful life of our customer relationship intangible assets, we perform an analysis and assessment of actual customer attrition and activity as events and circumstances warrant. This assessment includes a comparison of customer activity since the acquisition date and review of customer attrition rates. In the event that our analysis of actual customer attrition rates indicates a level of attrition that is in excess of that which was originally contemplated, we would change the estimated useful life of the related customer relationship asset with the remaining carrying amount amortized prospectively over the revised remaining useful life.

We test our customer relationship assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors specific to our customer relationship assets which might lead to an impairment charge include a significant increase in the annual customer attrition rate or otherwise significant loss of customers, significant

59

decreases in sales or current-period operating or cash flow losses or a projection or forecast of losses. We do not believe that there have been events or changes in circumstances which would indicate the carrying amount of our customer relationship assets might not be recoverable.

Other long-lived assets

We review asset carrying amounts for impairment (consisting of intangible assets subject to amortization and property, plant and equipment) whenever events or circumstances indicate that such carrying amounts may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value to its current fair value.

Fair value of financial instruments

The carrying amounts reported in our balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt excluding the 2.50% convertible senior subordinated notes (the "Notes") approximate fair value. The fair value of the Notes approximated $111.7 million and $0.3 million at December 31, 2010 and 2011, respectively, based on their quoted market price.

Translation of foreign currency financial statements

Assets and liabilities of foreign subsidiaries have been translated into United States dollars at the applicable rates of exchange in effect at the end of the period reported. Revenues and expenses have been translated at the applicable weighted average rates of exchange in effect during the period reported. Translation adjustments are reflected in accumulated other comprehensive loss. Transaction gains and losses are included in net income.

Foreign exchange and hedging activity

We manage our foreign currency transaction risks through the use of forward contracts to hedge forecasted cash flows associated with foreign currency transaction exposures. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be reclassified into earnings as a component of sales when the forecasted transaction occurs.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. We record these forward contracts at fair value with resulting gains and losses included in selling and administrative expense in the consolidated statements of operations.

Income taxes

Deferred income tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities and operating loss and tax credit carryforwards as measured by the enacted tax rates that are anticipated to be in effect in the respective jurisdictions when these differences reverse. The deferred income tax provision generally represents the net change in the assets and liabilities for deferred income taxes. A valuation allowance is established when it is necessary to reduce deferred income tax assets to amounts for which realization is likely. In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets may be impacted by changes to tax laws, changes to statutory tax rates and ongoing and future taxable income levels.

Deferred income taxes are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are permanently reinvested. Such earnings may become taxable upon a repatriation of assets from a subsidiary or the sale or liquidation of a subsidiary. Deferred income taxes are provided when the Company no longer considers subsidiary earnings to be permanently invested, such as in situations where the Company’s subsidiaries plan to make future dividend distributions.

Revenue recognition

Revenue is recognized when title has been transferred to the customer which is at the time of shipment. The following policies apply to our major categories of revenue transactions:

- Sales to customers are evidenced by firm purchase orders. Title and the risks and rewards of ownership are transferred to the customer when product is shipped under our stated shipping terms. Payment by the customer is due under fixed payment terms.

- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment as the equipment is loaned and subject to return if certain minimum single-use purchases are not met. Revenue is recognized upon the sale and shipment of the related single-use products. The cost of the equipment is amortized over its estimated useful life.

- Product returns are only accepted at the discretion of the Company and in accordance with our "Returned Goods Policy". Historically the level of product returns has not been significant. We accrue for sales returns, rebates and allowances based upon an analysis of historical customer returns and credits, rebates, discounts and current market conditions.

- Our terms of sale to customers generally do not include any obligations to perform future services. Limited warranties are provided for capital equipment sales and provisions for warranty are provided at the time of product sale based upon an analysis of historical data.

- Amounts billed to customers related to shipping and handling have been included in net sales. Shipping and handling costs included in selling and administrative expense were \$11.3 million, \$7.9 million and \$8.8 million for 2009, 2010 and 2011, respectively.

- We sell to a diversified base of customers around the world and, therefore, believe there is no material concentration of credit risk.

- We assess the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. Historically, losses on accounts receivable have not been material. Management believes that the allowance for doubtful accounts of \$1.2 million at December 31, 2011 is adequate to provide for probable losses resulting from accounts receivable.

Earnings per share

Basic earnings per share ("basic EPS") is computed by dividing net income by the weighted average number of shares outstanding for the reporting period. Diluted earnings per share ("diluted EPS") gives effect during the reporting period to all dilutive potential shares outstanding resulting from employee share-based awards. The following table sets forth the calculation of basic and diluted earnings per share at December 31, 2009, 2010 and 2011, respectively:

	2009	2010	2011
Net income	\$12,137	\$30,346	\$752
Basic-weighted average shares outstanding	29,074	28,715	28,246

Effect of dilutive potential securities	68	196	387
Diluted-weighted average shares outstanding	29,142	28,911	28,633
Basic EPS	$0.42	$1.06	$0.03
Diluted EPS	$0.42	$1.05	$0.03

61

The shares used in the calculation of diluted EPS exclude options to purchase shares where the exercise price was greater than the average market price of common shares for the year. Such shares aggregated approximately 2.2 million, 1.5 million and 0.7 million at December 31, 2009, 2010 and 2011, respectively.

Stock-based compensation

All share-based payments to employees, including grants of employee stock options, restricted stock units, performance share units and stock appreciation rights are recognized in the financial statements based at their fair values. Compensation expense is generally recognized using a straight-line method over the vesting period. Compensation expense for performance share units is recognized using the graded vesting method.

We issue shares under our stock based compensation plans out of treasury stock whereby treasury stock is reduced by the weighted average cost of such treasury stock. To the extent there is a difference between the cost of the treasury stock and the exercise price of shares issued under stock based compensation plans, we record gains to paid in capital; losses are recorded to paid in capital to the extent any gain was previously recorded, otherwise the loss is recorded to retained earnings.

Accumulated other comprehensive loss

Accumulated other comprehensive loss consists of the following:

	Cash Flow Hedging Gain (Loss)	Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Loss
Balance, December 31, 2010	$(1,245)	$(18,482)	$3,866	$(15,861)
Pension liability, net of income tax	—	(12,768)	—	(12,768)
Cash flow hedging gain, net of income tax	4,218	—	—	4,218
Foreign currency translation adjustments	—	—	(1,937)	(1,937)
Balance, December 31, 2011	$2,973	$(31,250)	$1,929	$(26,348)

Note 2 — Inventories

Inventories consist of the following at December 31,:

	2010	2011
Raw materials	$49,038	$52,351
Work in process	15,460	15,499
Finished goods	108,298	100,588
	$172,796	$168,438

62

Note 3 — Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31,:

	2010	2011
Land	$4,486	$4,367
Building and improvements	95,923	90,360
Machinery and equipment	161,635	163,923
Construction in progress	5,198	6,310
	267,242	264,960
Less: Accumulated depreciation	(126,347)	(125,773)
	$140,895	$139,187

We lease various manufacturing facilities, office facilities and equipment under operating leases. Rental expense on these operating leases was approximately $5,988, $5,830, and $6,221 for the years ended December 31, 2009, 2010 and 2011, respectively. The aggregate future minimum lease commitments for operating leases at December 31, 2011 are as follows:

2012	$6,291
2013	5,389
2014	4,321
2015	2,621
2016	2,700
Thereafter	7,578

Note 4 – Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the years ended December 31, are as follows:

	2010	2011
Balance as of January 1,	$290,505	$295,068
Goodwill impairment	—	(60,302)
Adjustments to goodwill resulting from business acquisitions finalized	4,378	—
Foreign currency translation	185	49
Balance as of December 31,	$295,068	$234,815

The CONMED Patient Care operating unit historically has had a small excess of fair value over carrying value. During the fourth quarter of 2011 we performed our annual goodwill impairment testing. We estimated the fair value of the CONMED Patient Care operating unit utilizing both a market-based approach and an income approach. Under the income approach, we utilized a discounted cash flow valuation methodology and measured the goodwill impairment in accordance with ASC 350. The first step of the impairment test determined the carrying value exceeded fair value and therefore we proceeded to Step 2. Under Step 2, we calculated the amount of impairment loss by measuring the amount the carrying value of goodwill exceeded the implied fair value of the goodwill. We determined the goodwill of our CONMED Patient Care operating unit was impaired as a result of lower future earnings due to pricing pressures in a number of our product lines and consequently we recorded a goodwill impairment charge of $60.3 million to reduce the carrying amount of the unit's goodwill to its implied fair value.

Total accumulated impairment losses (associated with our CONMED Patient Care and CONMED Endoscopic Technologies operating units) aggregated $46,689 and $106,991 at December 31, 2010 and 2011, respectively.

During 2010, the Company acquired the stock of a business for a cash purchase price of $5.0 million. The fair value of this acquisition included assets of $5.0 million related to in-process research and development and $4.1 million in goodwill, and liabilities of $2.4 million related to contingent consideration and $1.7 million in deferred income tax liabilities. The in-process research and development and goodwill associated with the acquisition are not deductible for income tax purposes.

Goodwill associated with each of our principal operating units at December 31, is as follows:

	2010	2011
CONMED Electrosurgery	$16,645	$16,645
CONMED Endosurgery	42,439	42,439
CONMED Linvatec	175,682	175,731
CONMED Patient Care	60,302	—
Balance as of December 31,	$295,068	$234,815

Other intangible assets consist of the following:

	December 31, 2010		December 31, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	$127,594	$(40,801)	$133,965	$(45,112)
Patents and other intangible assets	47,178	(32,224)	52,702	(34,368)
Unamortized intangible assets:				
Trademarks and tradenames	88,344	—	88,344	—
	$263,116	$(73,025)	$275,011	$(79,480)

Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The weighted average amortization period for intangible assets which are amortized is 29 years. Customer relationships are being amortized over a weighted average life of 33 years. Patents and other intangible assets are being amortized over a weighted average life of 14 years.

Trademarks and tradenames were recognized principally in connection with the 1997 acquisition of Linvatec Corporation. We continue to market products, release new product and product extensions and maintain and promote these trademarks and tradenames in the marketplace through legal registration and such methods as advertising, medical education and trade shows. It is our belief that these trademarks and tradenames will generate cash flow for an indefinite period of time. Therefore, our trademarks and tradenames intangible assets are not amortized.

64

During 2011, CONMED acquired our former distributor in the Nordic region of Europe. The fair value of this acquisition included assets of $6.4 million related to customer relationships. During 2011, we also purchased patents totaling $3.0 million and recorded a related deferred tax liability of $1.8 million.

Amortization expense related to intangible assets for the year ending December 31, 2011 and estimated amortization expense for each of the five succeeding years is as follows:

2011	$6,455
2012	6,940
2013	6,722
2014	6,330
2015	5,941
2016	5,840

Note 5 — Long Term Debt

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

	2010	2011
Revolving line of credit	$22,000	$80,000
Term loan borrowings on senior credit facility	54,938	53,588
2.50% convertible senior subordinated notes	108,189	327
Mortgage notes	10,488	9,594
Total long-term debt	195,615	143,509
Less: Current portion	110,433	54,557
	$85,182	$88,952

On November 30, 2010, we entered into the First Amendment to our Amended and Restated Credit Agreement (the "senior credit agreement") providing for an expanded revolving credit facility of $250.0 million expiring on November 30, 2015. The senior credit agreement continues to include a $135.0 million term loan of which $53.6 million was outstanding at December 31, 2011. There were $80.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2011. Our available borrowings on the revolving credit facility at December 31, 2011 were $160.2 million with approximately $9.8 million of the facility set aside for outstanding letters of credit.

Borrowings outstanding on the revolving credit facility are due and payable on November 30, 2015. The scheduled principal payments on the term loan portion of the senior credit agreement are $0.3 million due on March 31, 2012, $31.7 million due June 30, 2012 and the remaining $21.5 million due on September 30, 2012. We may also be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the senior credit agreement. Interest rates on the term loan portion of the senior credit agreement are at LIBOR plus 1.50% (1.76% at December 31, 2011) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.75% (2.04% at December 31, 2011) or an alternative base rate. For those borrowings where the Company elects to use the alternative base rate, the base rate will be the greater of the Prime Rate or the Federal Funds Rate in effect on such date plus 0.50%, plus a margin of 0.50% for term loan borrowings or 0.25% for borrowings under the revolving credit facility.

The senior credit agreement is collateralized by substantially all of our personal property and assets. The senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios, and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issuance of equity and asset sales.

65

We have a mortgage note outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated $9.6 million at December 31, 2011. The mortgage note is collateralized by the CONMED Linvatec property and facilities.

On November 15, 2011 holders of the 2.50% convertible senior subordinated notes due 2024 (“the Notes”) put to us and we were required to repurchase $111.8 million of the Notes at par; $0.3 million remains outstanding at December 31, 2011. We used cash on hand and borrowings under our revolving credit facility to fund the repurchase. During 2010, we repurchased and retired $3.0 million of the Notes for $2.9 million and recorded a loss on the early extinguishment of debt of $0.1 million. During 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized Notes discount. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the indenture for the Notes, into a combination of cash and CONMED common stock. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2014. Holders of the Notes have the right to put to us some or all of the Notes for repurchase on November 15, 2014 and 2019 and, provided the terms of the indenture for the Notes are satisfied, we will be required to repurchase the Notes.

Our effective borrowing rate for nonconvertible debt at the time of issuance of the Notes was estimated to be 6.67%, which resulted in $34.6 million of the $150.0 million aggregate principal amount of Notes issued, or $21.8 million after taxes, being attributable to equity. For the years ended December 31, 2009, 2010 and 2011, we have recorded interest expense related to the amortization of debt discount on the Notes of $4.1 million, $4.2 million and $3.9 million, respectively, at the effective interest rate of 6.67%. The debt discount on the Notes was amortized through November 2011. For the years ended December 31, 2009, 2010 and 2011, we recorded interest expense on the Notes of $2.9 million, $2.8 million and $2.5 million, respectively, at the contractual coupon rate of 2.50%.

Amounts recognized in the consolidated balance sheets related to the Notes consist of the following at December 31,:

	2010	2011
Principal value of the Notes	$112,093	$327
Unamortized discount	(3,904)	—
Carrying value of the Notes	$108,189	$327
Equity component	$21,438	$—

The scheduled maturities of long-term debt outstanding at December 31, 2011 are as follows:

2012	$54,557
2013	1,050
2014	1,467
2015	81,234
2016	1,339
Thereafter	3,862

Note 6 — Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2009, 2010 and 2011 consists of the following:

66

	2009	2010	2011
Current tax expense (benefit):			
Federal	$(1,281)	$(717)	$3,021
State	791	232	1,596
Foreign	2,267	2,638	5,424
	1,777	2,153	10,041
Deferred income tax expense (benefit)	4,241	13,158	(13,098)
Provision (benefit) for income taxes	$6,018	$15,311	$(3,057)

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes for the years ended December 31, 2009, 2010 and 2011 follows:

	2009	2010	2011
Tax provision (benefit) at statutory rate based on income before income taxes	35.00 %	35.00 %	(35.00)%
State income taxes, net of federal tax benefit	5.59	2.55	22.73
Stock-based compensation	1.59	0.01	(1.61)
Foreign income taxes	(2.90)	0.07	1.35
Impact of repatriation of foreign earnings	—	—	(57.51)
Research & development credit	(4.46)	(1.83)	(32.25)
Settlement of taxing authority examinations	(5.60)	(3.27)	(6.55)
Non deductible/non-taxable items	2.86	1.22	(13.28)
Other, net	1.07	(0.22)	(10.50)
	33.15 %	33.53 %	(132.62)%

The tax effects of the significant temporary differences which comprise the deferred income tax assets and liabilities at December 31, 2010 and 2011 are as follows:

67

	2010	2011
Assets:		
Inventory	$4,509	$4,288
Net operating losses	3,091	—
Capitalized research and development	3,213	4,561
Deferred compensation	2,381	2,631
Accounts receivable	2,903	2,968
Employee benefits	2,877	2,842
Accrued pension	4,309	9,530
Research and development credit	4,581	1,696
Foreign tax credit	2,079	—
Other	8,558	5,746
Valuation allowance	(226)	—
	38,275	34,262
Liabilities:		
Goodwill and intangible assets	108,230	101,514
Depreciation	7,446	9,500
State taxes	3,443	2,975
Contingent interest	14,717	386
	133,836	114,375
Net liability	$(95,561)	$(80,113)

Income before income taxes consists of the following U.S. and foreign income:

	2009	2010	2011
U.S. income	$10,108	$37,953	$(20,521)
Foreign income	8,047	7,704	18,216
Total income	$18,155	$45,657	$(2,305)

The amount of Federal Research and Development credit carryforward available is $1.7 million. These credits begin to expire in 2029.

Deferred tax amounts include approximately $3.4 million of future tax benefits associated with state tax credits which have an indefinite carryforward period.

As a result of the contingent interest deferred tax liability realized upon the convertible notes repurchase during the fourth quarter of 2011, the Company reevaluated our unremitted foreign earnings and tax credit carryforwards. Based upon this assessment, we repatriated $16.2 million of foreign earnings to the United States. The company recorded a net tax benefit of $1.3 million to recognize the tax liabilities and related foreign tax credit benefits associated with the repatriation. It is our intention to permanently reinvest the remaining amount of unremitted foreign earnings.

U.S. income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. The amount of such temporary differences totaled $38.5 million as of December 31, 2011. It is not practicable given the complexities of the hypothetical foreign tax credit calculation to determine the tax liability on this temporary difference.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. Taxing authority examinations can involve complex issues and may require an extended period of time to resolve. Our Federal income tax returns have been examined by the Internal Revenue Service ("IRS") for calendar years ending through 2010.

We recognize tax liabilities in accordance with the provisions for accounting for uncertainty in income taxes. Such guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The following table summarizes the activity related to our unrecognized tax benefits for the years ending December 31,:

	2009	2010	2011
Balance as of January 1,	$2,869	$1,869	$1,330
Increases for positions taken in prior periods	139	52	283
Increases for positions taken in current periods	183	166	789
Decreases in unrecorded tax positions related to settlement with the taxing authorities	(1,322)	(757)	—
Decreases in unrecorded tax positions related to lapse of statute of limitations	—	—	(59)
Balance as of December 31,	$1,869	$1,330	$2,343

If the total unrecognized tax benefits of $2.3 million at December 31, 2011 were recognized, it would reduce our annual effective tax rate. The amount of interest accrued in 2011 related to these unrecognized tax benefits was not material and is included in the provision for income taxes in the consolidated statements of operations. It is reasonably possible that the amount of unrecognized tax benefits, each of which are individually insignificant, could change in the next 12 months as a result of the anticipated completion of taxing authority examinations and lapse of statute of limitations. The range of change in unrecognized tax benefits is estimated between $0.0 million and $0.8 million.

Note 7 – Shareholders' Equity

Our shareholders have authorized 500,000 shares of preferred stock, par value $.01 per share, which may be issued in one or more series by the Board of Directors without further action by the shareholders. As of December 31, 2010 and 2011, no preferred stock had been issued.

Our Board of Directors authorized a $100.0 million share repurchase program in 2005. In October 2011, our Board of Directors authorized an additional $100.0 million of share repurchases under an amendment to the share repurchase program. Through December 31, 2011, we have repurchased a total of 4.0 million shares of common stock aggregating $91.2 million under these authorizations and have $108.8 million remaining available for share repurchases. The repurchase program calls for shares to be purchased in the open market or in private transactions from time to time. We may suspend or discontinue the share repurchase program at any time. During 2011, we repurchased 0.7 million shares for an aggregate cost of $15.0 million. During 2010, we repurchased 1.2 million shares for an aggregate cost of $23.0 million. No stock repurchases were made in 2009.

We have reserved 6.0 million shares of common stock for issuance to employees and directors under three shareholder-approved share-based compensation plans (the "Plans") of which approximately 0.7 million shares remain available for grant at December 31, 2011. The exercise price on all outstanding options and stock appreciation rights (“SARs”) is equal to the quoted fair market value of the stock at the date of grant. Restricted stock units (“RSUs”) and performance stock units (“PSUs”) are valued at the market value of the underlying stock on the date of grant. Stock options, SARs, RSUs and PSUs are non-transferable other than on death and generally become exercisable over a five year period from date of grant. Stock options and SARs expire ten years from date of grant. SARs are only settled in shares of the Company’s stock. The issuance of shares pursuant to the exercise of stock options and SARs and vesting of RSUs and PSUs are from the Company’s treasury stock.

69

Total pre-tax stock-based compensation expense recognized in the Consolidated Statements of Operations was $4.3 million, $4.2 million and $5.2 million for the years ended December 31, 2009, 2010 and 2011, respectively. This amount is included in selling and administrative expenses on the Consolidated Statements of Operations. Tax related benefits of $1.3 million, $1.6 million and $1.9 million were also recognized for the years ended December 31, 2009, 2010 and 2011. Cash received from the exercise of stock options was $0.7 million, $2.0 million and $5.6 million for the years ended December 31, 2009, 2010 and 2011, respectively and is reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The weighted average fair value of awards of options and SARs granted in the years ended December 31, 2009, 2010 and 2011, respectively was $7.03, $7.72 and $10.43, respectively. The fair value of these options and SARs was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for options and SARs granted in the years ended December 31, 2009, 2010 and 2011, respectively: risk-free interest rate of 2.48%, 2.07% and 1.59%; volatility factor of the expected market price of the Company's common stock of 37.17%, 36.72% and 35.52%; a weighted-average expected life of the option and SAR of 6.2 years for 2009, 6.4 years for 2010, and 6.3 years for 2011; and that no dividends would be paid on common stock. The risk free interest rate is based on the option and SAR grant date for a traded U.S. Treasury bond with a maturity date closest to the expected life. Expected volatilities are based upon historical volatility of the Company's stock over a period equal to the expected life of each option and SAR grant. The expected life represents the period of time that the options and SARs are expected to be outstanding based on a study of historical data of option holder exercise and termination behavior.

The following table illustrates the stock option and SAR activity for the year ended December 31, 2011.

	Number of Shares (in 000's)		Weighted-Average Exercise Price
Outstanding at December 31, 2010	2,337		$23.98
Granted	149		$27.63
Forfeited	(18	)	$28.77
Exercised	(339	)	$21.55
Outstanding at December 31, 2011	2,129		$24.58
Exercisable at December 31, 2011	1,639		$25.08

The weighted average remaining contractual term for stock options and SARs outstanding and exercisable at December 31, 2011 was 4.3 years and 3.2 years, respectively. The aggregate intrinsic value of stock options and SARs outstanding and exercisable at December 31, 2011 was $5.5 million and $3.6 million, respectively. The aggregate intrinsic value of stock options and SARs exercised during the years ended December 31, 2009, 2010 and 2011 was $0.2 million, $1.2 million and $2.0 million, respectively.

The following table illustrates the RSU and PSU activity for the year ended December 31, 2011. There were no PSU's granted prior to 2010.

	Number of Shares (in 000's)	Weighted-Average Grant-Date Fair Value

Outstanding at December 31, 2010	534	$20.54
Granted	294	$27.48
Vested	(140)	$21.65
Forfeited	(180)	$25.75
Outstanding at December 31, 2011	508	$23.43

70

The weighted average fair value of awards of RSUs and PSUs granted in the years ended December 31, 2009, 2010 and 2011was $17.02, $19.26 and $27.48, respectively.

The total fair value of shares vested was $1.8 million, $2.8 million and $3.6 million for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, there was $12.9 million of total unrecognized compensation cost related to nonvested stock options, SARs, RSUs and PSUs granted under the Plan which is expected to be recognized over a weighted average period of 3.5 years.

We offer to our employees a shareholder-approved Employee Stock Purchase Plan (the "Employee Plan"), under which we have reserved 1.0 million shares of common stock for issuance to our employees. The Employee Plan provides employees with the opportunity to invest from 1% to 10% of their annual salary to purchase shares of CONMED common stock through the exercise of stock options granted by the Company at a purchase price equal to 95% of the fair market value of the common stock on the exercise date. During 2011, we issued approximately 20,350 shares of common stock under the Employee Plan. No stock-based compensation expense has been recognized in the accompanying consolidated financial statements as a result of common stock issuances under the Employee Plan.

Note 8 — Business Segments and Geographic Areas

CONMED conducts its business through five principal operating segments, CONMED Endoscopic Technologies, CONMED Endosurgery, CONMED Electrosurgery, CONMED Linvatec and CONMED Patient Care. We believe each of our segments are similar in the nature of products, production processes, customer base, distribution methods and regulatory environment. Our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments also have similar economic characteristics and therefore qualify for aggregation. Our CONMED Patient Care and CONMED Endoscopic Technologies operating units do not qualify for aggregation since their economic characteristics do not meet the criteria for aggregation as a result of the lower overall operating income (loss) in these segments.

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec consist of a single aggregated segment comprising a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic procedures, electrosurgical generators and related surgical instruments, arthroscopic instrumentation for use in orthopedic surgery and small bone, large bone and specialty powered surgical instruments. CONMED Patient Care product offerings include a line of vital signs and cardiac monitoring products as well as suction instruments & tubing for use in the operating room. CONMED Endoscopic Technologies product offerings include a comprehensive line of minimally invasive endoscopic diagnostic and therapeutic instruments used in procedures which require examination of the digestive tract.

The following is net sales information by product line and reportable segment:

	2009	2010	2011
Arthroscopy	$269,820	$288,421	$289,878
Powered Surgical Instruments	144,014	142,288	147,849
CONMED Linvatec	413,834	430,709	437,727
CONMED Electrosurgery	94,959	97,210	98,632
CONMED Endosurgery	66,027	69,004	73,716
CONMED Linvatec, Electrosurgery, and Endosurgery	574,820	596,923	610,075

CONMED Patient Care	70,978	68,283	65,651
CONMED Endoscopic Technologies	48,941	48,517	49,351
Total	$694,739	$713,723	$725,077

Total assets, capital expenditures, depreciation and amortization information are impracticable to present by reportable segment because the necessary information is not available.

71

The following is a reconciliation between segment operating income (loss) and income (loss) before income taxes. The Corporate line includes corporate related items not allocated to operating units:

	2009	2010	2011
CONMED Linvatec, Electrosurgery and Endosurgery	$62,715	$77,271	$89,093
CONMED Patient Care	(1,263)	(38)	(62,878)
CONMED Endoscopic Technologies	(7,904)	(1,315)	273
Corporate	(25,279)	(18,825)	(18,214)
Income from operations	28,269	57,093	8,274
Gain (loss) on early extinguishment of debt	1,083	(79)	—
Amortization of bond discount	4,111	4,244	3,903
Interest expense	7,086	7,113	6,676
Income (loss) before income taxes	$18,155	$45,657	$(2,305)

Net sales information for geographic areas consists of the following:

	2009	2010	2011
United States	$385,770	$371,914	$364,588
Canada	48,713	61,593	65,794
United Kingdom	35,155	31,576	32,106
Japan	29,244	32,226	34,178
Australia	30,159	34,564	40,122
All other countries	165,698	181,850	188,289
Total	$694,739	$713,723	$725,077

Sales are attributed to countries based on the location of the customer. There were no significant investments in long-lived assets located outside the United States at December 31, 2010 and 2011. No single customer represented over 10% of our consolidated net sales for the years ended December 31, 2009, 2010 and 2011.

Note 9 — Employee Benefit Plans

We sponsor an employee savings plan (“401(k) plan”) and a defined benefit pension plan (the “pension plan”) covering substantially all our United States based employees.

Total employer contributions to the 401(k) plan were $6.8 million, $6.5 million and $6.3 million during the years ended December 31, 2009, 2010 and 2011, respectively.

During the first quarter of 2009, the Company announced the freezing of benefit accruals under the defined benefit pension plan for United States employees (“the Plan”) effective May 14, 2009. As a result, the Company recorded a curtailment gain of $4.4 million and a reduction in accrued pension of $11.4 million which is included in other long term liabilities. During 2009, the Company recorded a one-time discretionary $4.0 million employer 401(k) contribution and in 2010 permanently increased the 401(k) employer contribution to offset the negative impact of the Plan freeze.

72

We use a December 31, measurement date for our pension plan. Gains and losses are amortized on a straight-line basis over the average remaining service period of active participants. The following table provides a reconciliation of the projected benefit obligation, plan assets and funded status of the pension plan at December 31,:

	2010	2011
Accumulated Benefit Obligation	$66,136	$82,289
Change in benefit obligation		
Projected benefit obligation at beginning of year	$61,222	$66,136
Service cost	219	281
Interest cost	3,585	3,519
Actuarial loss	5,538	15,305
Benefits paid	(4,428)	(2,952)
Projected benefit obligation at end of year	$66,136	$82,289
Change in plan assets		
Fair value of plan assets at beginning of year	$52,842	$55,309
Actual gain (loss) on plan assets	4,962	(2,145)
Employer contributions	1,933	1,610
Benefits paid	(4,428)	(2,952)
Fair value of plan assets at end of year	$55,309	$51,822
Funded status	$(10,827)	$(30,467)

Amounts recognized in the consolidated balance sheets consist of the following at December 31,:

	2010	2011
Accrued long-term pension liability	$10,827	$30,467
Accumulated other comprehensive loss	(29,313)	(49,563)

The following actuarial assumptions were used to determine our accumulated and projected benefit obligations as of December 31,:

	2010	2011
Discount rate	5.41%	4.30%
Expected return on plan assets	8.00%	8.00%

Accumulated other comprehensive loss for the years ended December 31, 2010 and 2011 consists of net actuarial losses of $29,313 and $49,563, respectively, not yet recognized in net periodic pension cost (before income taxes).

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2011 are as follows:

Current year actuarial loss	$(21,828)

Amortization of actuarial loss	1,578
Total recognized in other comprehensive loss	$(20,250)

73

The estimated portion of net actuarial loss in accumulated other comprehensive loss that is expected to be recognized as a component of net periodic pension cost in 2012 is $2,927.

Net periodic pension cost for the years ended December 31, consists of the following:

	2009		2010		2011	
Service cost — benefits earned during the period	$1,887		$219		$281	
Interest cost on projected benefit obligation	3,920		3,585		3,519	
Return on plan assets	(3,817	)	(4,227	)	(4,378	)
Curtailment gain	(4,368	)	—		—	
Transition amount	1		—		—	
Prior service cost	(88	)	—		—	
Amortization of loss	1,627		1,313		1,578	
Net periodic pension cost	$(838	)	$890		$1,000	

The following actuarial assumptions were used to determine our net periodic pension benefit cost for the years ended December 31,:

	2009		2010		2011	
Discount rate	5.97	%*	5.86	%	5.41	%
Expected return on plan assets	8.00	%	8.00	%	8.00	%
Rate of compensation increase	3.50	%	N/A		N/A	

*For the year ending December 31, 2009, the discount rate used in determining pension expense was 5.97% in the first quarter of 2009; the discount rate used for purposes of remeasuring plan liabilities as of the date the plan freeze was approved and for purposes of measuring pension expense for the remainder of 2009 was 7.30%.

In determining the expected return on pension plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we consult with financial and investment management professionals in developing appropriate targeted rates of return.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and providing adequate liquidity to meet immediate and future benefit payment requirements.

The allocation of pension plan assets by category is as follows at December 31,:

	Percentage of Pension Plan Assets 2010		2011		Target Allocation 2012	
Equity securities	70	%	69	%	75	%
Debt securities	30		31		25	
Total	100	%	100	%	100	%

As of December 31, 2011, the Plan held 27,562 shares of our common stock, which had a fair value of $0.7 million. We believe that our long-term asset allocation on average will approximate the targeted allocation. We regularly review our actual asset allocation and periodically rebalance the pension plan's investments to our targeted allocation when deemed appropriate.

The following table sets forth the fair value of Plan assets as of December 31,:

74

	2010	2011
Common Stock	$24,035	$21,893
Money Market Fund	14,818	12,461
Mutual Funds	14,456	14,112
Fixed Income Securities	2,000	3,356
Total Assets at Fair Value	$55,309	$51,822

FASB guidance, defines fair value, establishes a framework for measuring fair value and related disclosure requirements. A valuation hierarchy was established for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2011:

Common Stock:	Common stock is valued at the closing price reported on the common stock's respective stock exchange and is classified within level 1 of the valuation hierarchy.
Money Market Fund:	These investments are public investment vehicles valued using $1 for the Net Asset Value (NAV). The money market fund is classified within level 2 of the valuation hierarchy.
Mutual Funds:	These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and is classified within level 1 of the valuation hierarchy.
Fixed Income Securities:	Valued at the closing price reported on the active market on which the individual securities are traded and are classified within level 1 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011:

	Level 1	Level 2	Total
Common Stock	$21,893	$—	$21,893

Money Market Fund	—	12,461	12,461
Mutual Funds	14,112	—	14,112
Fixed Income Securities	3,356	—	3,356
	$39,361	$12,461	$51,822

75

We are required and expect to contribute approximately $2.0 million to our pension plan for the 2012 Plan year.

The following table summarizes the benefits expected to be paid by our pension plan in each of the next five years and in aggregate for the following five years. The expected benefit payments are estimated based on the same assumptions used to measure the Company's projected benefit obligation at December 31, 2011 and reflect the impact of expected future employee service.

2012	$3,665
2013	2,571
2014	3,072
2015	2,986
2016	2,895
2017-2021	20,980

Note 10 — Legal Matters

From time to time, we are a defendant in certain lawsuits alleging product liability, patent infringement, or other claims incurred in the ordinary course of business. Likewise, from time to time, the Company may receive a subpoena from a government agency such as the Securities and Exchange Commission, Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the Department of Labor, the Treasury Department, or other federal and state agencies or foreign governments or government agencies. These subpoenas may or may not be routine inquiries, or may begin as routine inquiries and over time develop into enforcement actions of various types. The product liability claims are generally covered by various insurance policies, subject to certain deductible amounts, maximum policy limits and certain exclusions in the respective policies or required as a matter of law. In some cases we may be entitled to indemnification by third parties. When there is no insurance coverage, as would typically be the case primarily in lawsuits alleging patent infringement or in connection with certain government investigations, or indemnification obligations of a third party, we establish reserves sufficient to cover probable losses associated with such claims. We do not expect that the resolution of any pending claims or investigations will have a material adverse effect on our financial condition, results of operations or cash flows. There can be no assurance, however, that future claims or investigations, or the costs associated with responding to such claims or investigations, especially claims and investigations not covered by insurance, will not have a material adverse effect on our financial condition, results of operations or cash flows.

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any product liability claims that have been material to our financial statements or condition, but any such claims arising in the future could have a material adverse effect on our business or results of operations. We currently maintain commercial product liability insurance of $25 million per incident and $25 million in the aggregate annually, which we believe is adequate. This coverage is on a claims-made basis. There can be no assurance that claims will not exceed insurance coverage, that the carriers will be solvent or that such insurance will be available to us in the future at a reasonable cost.

Our operations are subject, and in the past have been subject, to a number of environmental laws and regulations governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater remediation and employee health and safety. In some jurisdictions environmental requirements may be expected to become more stringent in the future. In the United States certain environmental laws can impose liability for the entire cost of site restoration upon each of the parties that may have contributed to conditions at the site regardless of fault or the lawfulness of the party's activities. While we do not believe that the present costs of environmental compliance and remediation are material, there can be no assurance that future compliance or remedial obligations would not have a material adverse effect on our financial condition, results of operations or cash flows.

Note 11 — Other Expense

Other expense for the year ended December 31, consists of the following:

	2009	2010	2011
New plant/facility consolidation costs	$2,726	$—	$—
Net pension gain	(1,882)	—	—
Product recall	5,992	—	—
Administrative consolidation costs	4,080	2,176	792
Costs associated with purchase of a distributor	—	—	300
Other expense	$10,916	$2,176	$1,092

During 2009, we incurred $2.7 million in charges related to the consolidation of certain domestic distribution activities in a new leased consolidated distribution center in Atlanta, Georgia.

During 2009, we elected to freeze benefit accruals under the defined benefit pension plan for United States employees, effective May 14, 2009. As a result, we recorded a net pension gain of $1.9 million in the first quarter of 2009 associated with the elimination of future benefit accruals under the pension plan (see Note 9).

During 2009, we announced a voluntary recall of certain model numbers of the PRO5 & PRO6 series battery handpieces and certain lots of the MC5057 Universal Cable used with certain of CONMED Linvatec's powered handpieces. Current models of products are not affected. The cost of this recall is expected to be approximately $6.0 million and we have recorded this cost in 2009. We have performed repairs on $5.7 million of the total $6.0 million of expected costs.

During 2009, we elected to consolidate the administrative offices and operations of the CONMED Endoscopic Technologies division from its offices in Chelmsford, Massachusetts to our Corporate headquarters in Utica, New York. The sales force and product portfolio remain unchanged and CONMED Endoscopic Technologies continues to operate as a separate division of the Company. We incurred a total of $4.9 million in charges of which $4.1 million have been recorded in other expense and include charges relating to severance, lease impairment costs, write down of fixed assets and other transition costs. The remaining $0.8 million in costs relate to the write-down of inventory and is included in cost of goods sold. During 2010, we recorded a lease impairment charge of $0.7 million related to our Chelmsford, Massachusetts facility.

During 2010, we consolidated certain administrative functions in our CONMED Linvatec division and incurred $1.5 million in severance related restructuring costs.

During 2011, we consolidated certain administrative functions in our Utica, New York facility and incurred $0.8 million in related costs consisting principally of severance charges.

During 2011, we purchased the Company's former distributor in the Nordic region of Europe. We incurred $0.3 million in charges associated with this purchase.

Note 12 — Guarantees

We provide warranties on certain of our products at the time of sale. The standard warranty period for our capital and reusable equipment is generally one year. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant.

Changes in the carrying amount of service and product warranties for the year ended December 31, are as follows:

	2009	2010	2011
Balance as of January 1,	$3,341	$3,383	$3,363
Provision for warranties	3,638	3,510	4,344
Claims made	(3,596)	(3,530)	(4,089)
Balance as of December 31,	$3,383	$3,363	$3,618

77

Note 13 – Fair Value Measurement

We enter into derivative instruments for risk management purposes only. We operate internationally and, in the normal course of business, are exposed to fluctuations in interest rates, foreign exchange rates and commodity prices. These fluctuations can increase the costs of financing, investing and operating the business. We use forward contracts, a type of derivative instrument, to manage certain foreign currency exposures.

By nature, all financial instruments involve market and credit risks. We enter into forward contracts with major investment grade financial institutions and have policies to monitor the credit risk of those counterparties. While there can be no assurance, we do not anticipate any material non-performance by any of these counterparties.

Foreign Currency Forward Contracts. We hedge forecasted intercompany sales denominated in foreign currencies through the use of forward contracts. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be recognized into earnings as a component of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at December 31, 2011 which have been accounted for as cash flow hedges totaled $114.3 million. Net realized gains (losses) recognized for forward contracts accounted for as cash flow hedges approximated -$0.4 million, $2.0 million and -$4.7 million for the years ended December 31, 2009, 2010, and 2011 respectively. Net unrealized gains on forward contracts outstanding which have been accounted for as cash flow hedges and which have been included in other comprehensive income totaled $3.0 million at December 31, 2011. It is expected these unrealized gains will be recognized in the consolidated statement of operations in 2012.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. The notional contract amounts for forward contracts outstanding at December 31, 2011 which have not been designated as hedges totaled $46.8 million. Net realized gains (losses) recognized in connection with those forward contracts not accounted for as hedges approximated -$3.9 million, $0.3 million and $0.0 million for the years ended December 31, 2009, 2010, and 2011, respectively, offsetting gains (losses) on our intercompany receivables of $4.6 million, -$0.7 million and -$0.3 million for the years ended December 31, 2009, 2010, and 2011, respectively. These gains and losses have been recorded in selling and administrative expense in the consolidated statements of operations.

We record these forward foreign exchange contracts at fair value; the following table summarizes the fair value for forward foreign exchange contracts outstanding at December 31, 2011:

	Asset Balance Sheet Location	Fair Value	Liabilities Balance Sheet Location	Fair Value	Net Fair Value
Derivatives designated as hedged instruments:					
Foreign Exchange Contracts	Prepaid expenses and other current assets	$5,042	Prepaid expenses and other current assets	$(326)	$4,716
Derivatives not designated as hedging instruments:					

Foreign Exchange Contracts	Prepaid expenses and other current assets	41	Prepaid expenses and other current assets	(95)	(54)
Total derivatives		$5,083		$(421)	$4,662

Our forward foreign exchange contracts are subject to a master netting agreement and qualify for netting in the consolidated balance sheets. Accordingly, we have recorded the net fair value of $4.7 million in prepaids and other current assets.

78

Fair Value Disclosure. FASB guidance defines fair value, establishes a framework for measuring fair value and related disclosure requirements. This guidance applies when fair value measurements are required or permitted. The guidance indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Fair value is defined based upon an exit price model.

Valuation Hierarchy. A valuation hierarchy was established for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Valuation Techniques. Assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2011 consist of forward foreign exchange contracts. The value of the forward foreign exchange contract assets and liabilities were determined within Level 2 of the valuation hierarchy and are listed in the table above.

The carrying amounts reported in our balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt excluding the 2.50% convertible senior subordinated notes approximate fair value. The fair value of the Notes approximated $111.7 million and $0.3 million at December 31, 2010 and December 31, 2011, respectively, based on their quoted market price. See Note 5 for additional discussion of the Notes.

Note 14 - New Accounting Pronouncements

In May 2011, the FASB issued new authoritative guidance to provide a consistent definition of fair value and ensure that fair value measurements and disclosure requirements are similar between GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. We do not expect such guidance to have a material impact on our consolidated financial statements.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. This guidance is effective for interim and annual periods beginning after December 15, 2011. We do not believe this guidance will have a material impact on our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08 which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, an entity can choose to early adopt even if its annual test date is before the issuance of the final standard, provided that the entity has not yet performed its 2011 annual impairment test or issued its financial statements. The adoption of this ASU is not expected to significantly impact the Company's consolidated financial statements.

Note 15 – Restructuring

During 2009, 2010, and 2011 we incurred the following restructuring costs:

	2009	2010	2011
New plant/facility consolidation costs	$11,859	$2,397	$3,467
CONMED Endoscopic Technologies division consolidation	845	—	—
Termination of a product offering	—	2,489	—
Restructuring costs included in cost of sales	$12,704	$4,886	$3,467
New plant/facility consolidation costs	$2,726	$—	$—
Administrative consolidation costs	$4,080	$2,176	$792
Restructuring costs included in other expense	$6,806	$2,176	$792

During 2008, we announced a plan to restructure certain of our operations. For the years ending December 31, 2009, 2010 and 2011, we charged $11.9 million , $2.4 million, and $3.5 million, respectively in restructuring related expense to cost of goods sold. In 2009, these charges represent startup activities associated with a new manufacturing facility in Chihuahua, Mexico and the closure of two Utica, New York area manufacturing facilities. These costs include under-utilization of production facilities, accelerated depreciation, severance and other charges. During 2010 and 2011, we continued our operational restructuring plan which includes the transfer of additional production lines from Utica, New York, Largo, Florida and Goleta, California to our manufacturing facility in Chihuahua, Mexico. These costs include severance and other charges associated with the transfer of production lines.

During 2009, the Company elected to consolidate the administrative offices and operations of the CONMED Endoscopic Technologies division from its offices in Chelmsford, Massachusetts to our Corporate headquarters in Utica, New York. As part of this consolidation, we incurred $0.8 million in costs related to the write-down of inventory and included such charges in cost of goods sold (see Note 11).

As part of our ongoing restructuring, the Company discontinued certain product offerings within our CONMED Linvatec portfolio. These product offerings include the service arms and service managers associated with our integrated operating room systems and equipment line. During 2010, we incurred $2.5 million in costs associated with this termination of a product offering which were charged to cost of goods sold.

Restructuring costs included in other expense are described more fully in Note 11.

Note 16 – Subsequent Events

On January 3, 2012, the Company entered into a Sports Medicine Joint Development and Distribution Agreement (the "JDDA") with Musculoskeletal Tissue Foundation (“MTF”) to obtain (i) MTF's worldwide promotion rights with respect to allograft tissues within the field of sports medicine, and (ii) an exclusive license to an autograft (patient's own) blood Platelet-Rich Plasma (“PRP”) therapy technology and products (collectively, the “Transaction”).

Under the JDDA, we acquired the worldwide marketing, educational and promotion rights for sports medicine allograft tissue. We also acquired certain assets relating to certain instrument sets used for the allograft procedures and approximately 35 MTF sales and marketing employees joined the Company. The JDDA has a term of 25 years with renewals thereafter. The initial consideration from the Company includes a $63.0 million up-front payment for the rights and certain assets, with an additional $84.0 million potentially payable over a four year period depending on MTF meeting supply targets, as further set forth in the JDDA. As compensation for our marketing efforts, the Company will receive 50% of the revenue streams relating to MTF's sports medicine allograft product line and 100% of the revenue from the PRP products.

We used cash on hand and available borrowings under the revolving credit facility to fund this transaction.

Note 17 — Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 2010 and 2011 are as follows:

80

	Three Months Ended			
	March	June	September	December
2010				
Net sales	$176,365	$181,086	$172,195	$184,077
Gross profit	91,795	93,683	88,983	90,923
Net income	7,319	7,306	8,758	6,963
EPS:				
Basic	.25	.25	.31	.25
Diluted	.25	.25	.31	.24

	Three Months Ended			
	March	June	September	December
2011				
Net sales	$183,450	$183,236	$172,814	$185,577
Gross profit	95,716	91,455	91,311	96,452
Net income (loss)	8,995	8,680	8,211	(25,134)
EPS:				
Basic	.32	.31	.29	(.90)
Diluted	.31	.30	.29	(.90)

Items Included In Selected Quarterly Financial Data:

2010

First Quarter

During the first quarter of 2010, we incurred $0.6 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

Second Quarter

During the second quarter of 2010, we incurred $1.0 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

During the second quarter of 2010, we recorded a charge of $1.0 million in other expense related to the consolidation of administrative functions in our CONMED Linvatec division – see Note 11 and Note 15.

During the second quarter of 2010, we repurchased and retired $3.0 million of our 2.50% convertible senior subordinated notes (the “Notes”) for $2.9 million and recorded a loss on the early extinguishment of debt of $0.1 million - see Note 5.

Third Quarter

During the third quarter of 2010, we incurred $0.3 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note

15.

During the third quarter of 2010, we recorded a charge of $0.3 million in other expense related to the consolidation of administrative functions in our CONMED Linvatec division – see Note 11 and Note 15.

Fourth Quarter

During the fourth quarter of 2010, we incurred $0.6 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

81

During the fourth quarter of 2010, we incurred $2.5 million in costs associated with the termination of a product offering in our CONMED Linvatec division. These costs were charged to cost of goods sold – see Note 15.

During the fourth quarter of 2010, we recorded a charge of $0.2 million in other expense related to the consolidation of administrative functions in our CONMED Linvatec division – see Note 11 and Note 15.

During the fourth quarter of 2010, we recorded a charge of $0.7 million in other expense related to a lease impairment in our CONMED Endoscopic Technologies division – see Note 11.

2011

First Quarter

During the first quarter of 2011, we incurred $0.8 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

During the first quarter of 2011, we recorded a charge of $0.7 million to other expense related to consolidating certain administrative functions in our Utica, New York facility consisting principally of severance charges - see Note 11 and Note 15.

Second Quarter

During the second quarter of 2011, we incurred $1.0 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

During the second quarter of 2011, we recorded a charge of $0.1 million to other expense related to consolidating certain administrative functions in our Utica, New York facility consisting principally of severance charges - see Note 11 and Note 15.

Third Quarter

During the third quarter of 2011, we incurred $0.8 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

Fourth Quarter

During the fourth quarter of 2011, we incurred $0.9 million in costs associated with the moving of additional product lines to our manufacturing facility in Chihuahua, Mexico. These costs were charged to cost of goods sold – see Note 15.

During the fourth quarter of 2011, after completing our annual goodwill impairment testing, we determined that the goodwill of our Patient Care operating unit was impaired and consequently we recorded a goodwill impairment charge of $60.3 million - see Note 4.

During the fourth quarter of 2011, we purchased the Company's former distributor in the Nordic region of Europe. We incurred $0.3 million in charges associated with this purchase - see Note 11.

82

SCHEDULE II—Valuation and Qualifying Accounts
(in thousands)

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Charged to Other Accounts	Column D Deductions	Column E Balance at End of Period
2011					
Allowance for bad debts	$1,066	$3,935	$—	$(3,818)	$1,183
Sales returns and allowance	3,980	291	—	(174)	4,097
Deferred tax asset valuation allowance	226	—	—	(226)	—
2010					
Allowance for bad debts	$1,175	$397	$—	$(506)	$1,066
Sales returns and allowance	3,356	721	—	(97)	3,980
Deferred tax asset valuation allowance	1,058	226	—	(1,058)	226
2009					
Allowance for bad debts	$1,370	$119	$—	$(314)	$1,175
Sales returns and allowance	2,974	647	—	(265)	3,356
Deferred tax asset valuation allowance	2,069	278	—	(1,289)	1,058

83