

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended
September 30, 2007

Commission File Number 0-16093

CONMED CORPORATION

(Exact name of the registrant as specified in its charter)

New York

(State or other jurisdiction of
incorporation or organization)

16-0977505

(I.R.S. Employer
Identification No.)

525 French Road, Utica, New York
(Address of principal executive offices)

13502
(Zip Code)

(315) 797-8375

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of registrant's common stock, as of November 1, 2007 is 28,611,431 shares.

CONMED CORPORATION

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

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PART I FINANCIAL INFORMATION
Item 1.

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited, in thousands except per share amounts)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Net sales	\$ 154,981	\$ 164,448	\$ 476,920	\$ 504,720
Cost of sales	<u>80,250</u>	<u>82,090</u>	<u>246,515</u>	<u>251,277</u>
Gross profit	74,731	82,358	230,405	253,443
Selling and administrative expense	56,219	57,506	172,716	175,518
Research and development expense	7,262	7,936	22,585	22,983
Other expense (income)	<u>2,066</u>	<u>-</u>	<u>4,220</u>	<u>(4,102)</u>
	<u>65,547</u>	<u>65,442</u>	<u>199,521</u>	<u>194,399</u>
Income from operations	9,184	16,916	30,884	59,044
Loss on early extinguishment of debt	-	-	678	-
Interest expense	<u>4,962</u>	<u>3,861</u>	<u>14,503</u>	<u>12,706</u>
Income before income taxes	4,222	13,055	15,703	46,338
Provision for income taxes	<u>890</u>	<u>4,700</u>	<u>4,617</u>	<u>16,716</u>
Net income	<u>\$ 3,332</u>	<u>\$ 8,355</u>	<u>\$ 11,086</u>	<u>\$ 29,622</u>
Per share data:				
Net income				
Basic	\$.12	\$.29	\$.40	\$ 1.06
Diluted	.12	.29	.39	1.04
Weighted average common shares				
Basic	27,888	28,572	27,999	27,990
Diluted	28,134	29,101	28,241	28,580

CONMED CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands except share and per share amounts)

	December 31, 2006	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,831	\$ 5,411
Accounts receivable, net	75,120	81,765
Inventories	151,687	166,712
Income taxes receivable	747	2,919
Deferred income taxes	15,212	15,432
Prepaid expenses and other current assets	3,286	3,284
Total current assets	249,883	275,523
Property, plant and equipment, net	116,480	121,653
Goodwill	290,512	294,659
Other intangible assets, net	191,135	189,470
Other assets	13,561	10,767
Total assets	\$ 861,571	\$ 892,072
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 3,148	\$ 3,247
Accounts payable	41,823	34,769
Accrued compensation and benefits	17,712	18,452
Accrued interest	727	1,901
Other current liabilities	11,795	13,108
Total current liabilities	75,205	71,477
Long-term debt	264,676	239,647
Deferred income taxes	51,004	66,399
Other long-term liabilities	30,332	25,817
Total liabilities	421,217	403,340
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.01 per share; authorized 500,000 shares; none outstanding	-	-
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 31,304,203 and 31,299,203 shares issued in 2006 and 2007, respectively	313	313
Paid-in capital	284,858	287,180
Retained earnings	247,425	273,049
Accumulated other comprehensive income (loss)	(8,612)	(3,869)
Less: 3,321,545 and 2,698,421 shares of common stock in treasury, at cost in 2006 and 2007, respectively	(83,630)	(67,941)
Total shareholders' equity	440,354	488,732
Total liabilities and shareholders' equity	\$ 861,571	\$ 892,072

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	<u>Nine months ended</u>	
	<u>September 30,</u>	
	<u>2006</u>	<u>2007</u>
Cash flows from operating activities:		
Net income	\$ 11,086	\$ 29,622
Adjustments to reconcile net income, to net cash provided by operating activities:		
Depreciation	8,591	9,498
Amortization	13,704	14,015
Stock-based compensation	2,599	2,932
Deferred income taxes	4,670	14,869
Loss on extinguishment of debt	203	-
Increase (decrease) in cash flows from changes in assets and liabilities:		
Sale of accounts receivable	(3,000)	(4,000)
Accounts receivable	3,320	(2,424)
Inventories	(9,975)	(21,826)
Accounts payable	4,065	(5,284)
Income taxes receivable	(1,979)	(1,904)
Accrued compensation and benefits	2,148	740
Accrued interest	844	1,174
Other assets	(1,083)	(298)
Other liabilities	5,604	(1,651)
	<u>29,711</u>	<u>5,841</u>
Net cash provided by operating activities	<u>40,797</u>	<u>35,463</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(16,738)	(15,964)
Proceeds from sale of equity investment	1,205	-
Payments related to business acquisitions	(2,463)	(5,837)
Net cash used in investing activities	<u>(17,996)</u>	<u>(21,801)</u>
Cash flows from financing activities:		
Net proceeds from common stock issued under employee plans	2,103	11,119
Excess tax benefits from stock-based compensation	102	-
Repurchase of common stock	(7,848)	-
Payments on senior credit agreement	(141,822)	(24,664)
Proceeds of senior credit agreement	135,000	-
Payments on mortgage notes	(223)	(266)
Payments related to issuance of long-term debt	(1,260)	-
Net change in cash overdrafts	(604)	(1,770)
Net cash used in financing activities	<u>(14,552)</u>	<u>(15,581)</u>
Effect of exchange rate changes on cash and cash equivalents		
	<u>1,789</u>	<u>3,499</u>
Net increase in cash and cash equivalents	10,038	1,580
Cash and cash equivalents at beginning of period	<u>3,454</u>	<u>3,831</u>
Cash and cash equivalents at end of period	<u>\$ 13,492</u>	<u>\$ 5,411</u>

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

Note 1 – Operations and Significant Accounting Policies

Organization and operations

The accompanying consolidated condensed financial statements include the accounts of CONMED Corporation and its controlled subsidiaries (“CONMED”, the “Company”, “we” or “us”). All intercompany accounts and transactions have been eliminated. CONMED 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.

Note 2 - Interim financial information

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year-ended December 31, 2006 included in our Annual Report on Form 10-K.

Note 3 – Other comprehensive income

Comprehensive income consists of the following:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Net income	\$ 3,332	\$ 8,355	\$ 11,086	\$ 29,622
Other comprehensive income:				
Adjustment to net				
amortization and deferral of pension cost	-	145	-	434
Foreign currency				
translation adjustment	860	2,368	2,182	4,309
Comprehensive income	<u>\$ 4,192</u>	<u>\$ 10,868</u>	<u>\$ 13,268</u>	<u>\$ 34,365</u>

Accumulated other comprehensive income consists of the following:

	Minimum Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (loss)
Balance, December 31, 2006	\$ (12,386)	\$ 3,774	\$ (8,612)
Adjustment to net amortization and deferral of pension cost	434	-	434
Foreign currency translation adjustments	<u>-</u>	<u>4,309</u>	<u>4,309</u>
Balance, September 30, 2007	<u>\$ (11,952)</u>	<u>\$ 8,083</u>	<u>\$ (3,869)</u>

Note 4 – Income Taxes

The Company adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”) on January 1, 2007. The impact of this pronouncement was not material to the Company’s consolidated financial statements. As of the date of adoption the Company’s unrecognized tax benefits totaled approximately \$1.4 million; \$1.3 million in taxes and \$0.1 million in interest. If recognized, the entire amount of unrecognized tax benefits would decrease the effective income tax rate.

The Internal Revenue Service (“IRS”) has completed examinations of our United States federal income tax returns through 2004. Tax years subsequent to 2004 are subject to future examination. Substantially all material state jurisdictions are closed for examination for tax years through 2002.

It is reasonably possible that the amount of unrecognized tax benefits could change in the next 12 months as a result of the anticipated completion of the 2005, 2006 and 2007 IRS examinations and expiration of statutes of limitations on prior tax returns. Unrecognized tax benefits for these years relate to permanent deductions and tax credits. A reasonable estimate of the range of change in unrecognized tax benefits cannot be made at this time.

The Company’s policy is to classify interest and penalties related to income tax matters as income tax expense.

Note 5 - Inventories

Inventories consist of the following:

	December 31, 2006	September 30, 2007
Raw materials	\$ 50,225	\$ 59,094
Work-in-process	17,815	22,488
Finished goods	<u>83,647</u>	<u>85,130</u>
Total	<u>\$ 151,687</u>	<u>\$ 166,712</u>

Note 6 – Earnings per share

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share (“diluted EPS”) gives effect to all dilutive potential shares outstanding resulting from employee share-based awards during the period. The following table sets forth the computation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2006 and 2007.

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Net income	\$ 3,332	\$ 8,355	\$ 11,086	\$ 29,622
Basic – weighted average shares outstanding	27,888	28,572	27,999	27,990
Effect of dilutive potential securities	246	529	242	590
Diluted – weighted average shares outstanding	28,134	29,101	28,241	28,580
Basic EPS	\$.12	\$.29	\$.40	\$ 1.06
Diluted EPS	.12	.29	.39	1.04

Stock based awards for both the three and nine months ended September 30, 2006 of approximately 1.7 million and for the three and nine months ended September 30, 2007 of 0.7 million and 0.6 million, respectively, were excluded from the computation of diluted earnings per share as the effect of exercise would be anti-dilutive. Upon conversion of our 2.50% convertible senior subordinated notes (the "Notes"), the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. As of September 30, 2007, our share price has not exceeded the conversion price of the Notes, therefore the conversion value was less than the principal amount of the Notes. Under the net share settlement method and in accordance with Emerging Issues Task Force (“EITF”) Issue 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share”, there were no potential shares issuable under the Notes to be used in the calculation of diluted EPS. The maximum number of shares we may issue with respect to the Notes is 5,750,000.

Note 7 – Goodwill and other intangible assets

The changes in the net carrying amount of goodwill for the nine months ended September 30, 2007 are as follows:

Balance as of January 1, 2007	\$ 290,512
Goodwill acquired	3,253
Adjustments to goodwill resulting from business acquisitions finalized	492
Foreign currency translation	402
Balance as of September 30, 2007	\$ 294,659

Goodwill associated with each of our principal operating units is as follows:

	December 31, 2006	September 30, 2007
CONMED Electrosurgery	\$ 16,645	\$ 16,645
CONMED Endosurgery	42,419	42,430
CONMED Linvatec	173,007	173,409
CONMED Patient Care	<u>58,441</u>	<u>62,175</u>
	<u>\$ 290,512</u>	<u>\$ 294,659</u>

During the third quarter of 2007, we acquired a business in the amount of \$4.6 million of which \$3.3 million related to goodwill.

During our fourth quarter 2006 goodwill impairment testing, we determined that the goodwill of our Endoscopic Technologies operating unit was impaired and consequently we recorded a goodwill impairment charge of \$46.7 million in the year ended December 31, 2006.

Other intangible assets consist of the following:

	December 31, 2006		September 30, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Customer relationships	\$ 113,376	\$ (24,498)	\$ 114,708	\$ (27,107)
Patents and other intangible assets	39,609	(24,696)	39,597	(26,072)
Unamortized intangible assets:				
Trademarks and tradenames	<u>87,344</u>	<u>-</u>	<u>88,344</u>	<u>-</u>
	<u>\$ 240,329</u>	<u>\$ (49,194)</u>	<u>\$ 242,649</u>	<u>\$ (53,179)</u>

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 24 years. Customer relationships are being amortized over a weighted average life of 36 years. Patents and other intangible assets are being amortized over a weighted average life of 11 years.

Amortization expense related to intangible assets which are subject to amortization totaled \$1,428 and \$3,985 in the three and nine months ended September 30, 2007, respectively, and \$1,289 and \$3,853 in the three and nine months ended September 30, 2006, respectively, and is included in selling and administrative expense on the consolidated condensed statement of income.

The estimated amortization expense for the year ending December 31, 2007, including the nine month period ended September 30, 2007 and for each of the five succeeding years is as follows:

2007	\$	5,712
2008		5,718
2009		5,718
2010		5,119
2011		4,840
2012		4,788

Note 8 — 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 nine months ended September 30, 2007 are as follows:

Balance as of January 1, 2007	\$	3,617
Provision for warranties		2,575
Claims made		(2,684)
Balance as of September 30, 2007	\$	<u>3,508</u>

Note 9 – Pension plan

Net periodic pension costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Service cost	\$ 1,391	\$ 1,602	\$ 4,175	\$ 4,312
Interest cost on projected benefit obligation	742	855	2,228	2,301
Expected return on plan assets	(687)	(793)	(2,066)	(2,134)
Net amortization and deferral	<u>312</u>	<u>229</u>	<u>937</u>	<u>687</u>
Net periodic pension cost	<u>\$ 1,758</u>	<u>\$ 1,893</u>	<u>\$ 5,274</u>	<u>\$ 5,166</u>

We previously disclosed in our Annual Report on Form 10-K for the year-ended December 31, 2006 that we expect to make \$12.0 million in contributions to our pension plan in 2007. We made \$9.0 million in contributions for the nine months ended September 30, 2007.

Note 10 – Other expense

Other expense (income) consists of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2006	2007	2006	2007
Acquisition-related costs	\$ 628	\$ -	\$ 2,104	\$ -
Termination of product offering	1,009	-	1,092	148
Write-off of inventory in settlement of a patent dispute	-	-	595	-
Facility closure costs	429	-	429	1,822
Litigation settlement	-	-	-	(6,072)
Other expense (income)	<u>\$ 2,066</u>	<u>\$ -</u>	<u>\$ 4,220</u>	<u>\$ (4,102)</u>

On September 30, 2004, we acquired the business operations of the Endoscopic Technologies Division of C.R. Bard, Inc. (the “Endoscopic Technologies acquisition”). As part of the acquisition, manufacturing of the acquired products was conducted in various C.R. Bard facilities under a transition agreement. During the three and nine months ended September 30, 2006, we incurred \$0.6 million and \$2.1 million of acquisition and transition-integration related charges associated with the Endoscopic Technologies acquisition which have been recorded in other expense (income). The Endoscopic Technologies acquisition transition was completed during 2006.

During 2004, we elected to terminate our surgical lights product line. We instituted a customer replacement program whereby all currently installed surgical lights were replaced by CONMED. During the three and nine months ended September 30, 2006 we incurred \$1.0 million and \$1.1 million, respectively, in costs related to the surgical lights customer replacement program. During the nine months ended September 30, 2007, we incurred an additional \$148 which was recorded in other expense (income). The surgical lights customer replacement program was completed during the second quarter of 2007.

During 2006, we were notified by Dolphin Medical, Inc. (“Dolphin”), that it would discontinue its Dolphin ONE® product line as a result of an agreement between Dolphin and Masimo Corporation in which Masimo agreed to release Dolphin and its affiliates from certain patent infringement claims. We have sold the Dolphin ONE® and certain other pulse oximetry products manufactured by Dolphin under a distribution agreement. As a result of the product line discontinuation, we recorded a \$0.6 million charge to other expense to write-off on-hand inventory of the discontinued product line.

During 2006, we elected to close our facility in Montreal, Canada which manufactured products for our CONMED Linvatec line of integrated operating room systems and equipment. The products which had been manufactured in the Montreal facility are now purchased from third party vendors. The closing of this facility was completed in the first quarter of 2007. We incurred a total of \$2.2 million in costs (including \$0.4 million in the third quarter of 2006) associated with this closure, of which \$1.3 million related to the write-off of inventory and was included in cost of goods sold during 2006. The remaining \$0.9 million (including \$0.3 million in the first quarter of 2007) primarily relates to severance expense and the disposal of fixed assets which we have recorded in other expense (income).

During 2007, we elected to close our CONMED Endoscopic Technologies sales office in France. During the nine months ended September 30, 2007, we incurred \$1.5 million in costs associated with this closure primarily related to severance expense. We did not incur any additional costs during the third quarter of 2007. We have recorded such costs in other expense (income); no further expenses are expected to be incurred.

In November 2003, we commenced litigation against Johnson & Johnson and several of its subsidiaries, including Ethicon, Inc. for violations of federal and state antitrust laws. In the lawsuit we claimed that Johnson & Johnson engaged in illegal and anticompetitive conduct with respect to sales of product used in endoscopic surgery, resulting in higher prices to consumers and the exclusion of competition. We sought relief including an injunction restraining Johnson & Johnson from continuing its anticompetitive practices as well as receiving the maximum amount of damages allowed by law. During the litigation, Johnson & Johnson represented that the marketing practices which gave rise to the litigation had been altered with respect to CONMED. On March 31, 2007, CONMED and Johnson & Johnson settled the litigation. Under the terms of the final settlement agreement, CONMED received a payment of \$11.0 million from Johnson & Johnson in return for which we terminated the lawsuit. After deducting legal and other related costs, we recorded a pre-tax gain of \$6.1 million related to the settlement which we have recorded in other expense (income).

Note 11 — 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. In accordance with Statement of Financial Accounting Standards No. 131 “Disclosures About Segments of an Enterprise and Related Information” (“SFAS 131”), our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments also have similar economic characteristics and therefore qualify for aggregation under SFAS 131. Our CONMED Patient Care and CONMED Endoscopic Technologies operating segments do not qualify for aggregation under SFAS 131 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 and 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 in the digestive tract.

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Arthroscopy	\$ 54,773	\$ 58,825	\$ 168,387	\$ 186,017
Powered Surgical Instruments	33,184	36,314	100,598	109,857
CONMED Linvatec	87,957	95,139	268,985	295,874
Electrosurgery	23,388	22,948	70,991	69,097
Endosurgery	12,592	15,279	37,728	44,319
CONMED Linvatec, Endosurgery and Electrosurgery	123,937	133,366	377,704	409,290
CONMED Patient Care	18,345	18,546	57,065	56,222
CONMED Endoscopic Technologies	12,699	12,536	42,151	39,208
Total	\$ 154,981	\$ 164,448	\$ 476,920	\$ 504,720

Total assets, capital expenditures, depreciation and amortization information are not available by segment.

The following is a reconciliation between segment operating income and income before income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
CONMED Linvatec, Endosurgery and Electrosurgery	\$ 14,551	\$ 18,229	\$ 50,523	\$ 61,938
CONMED Patient Care	339	1,110	(1,109)	872
CONMED Endoscopic Technologies	(4,439)	(1,449)	(10,830)	(5,092)
Corporate	(1,267)	(974)	(7,700)	1,326
Income from Operations	9,184	16,916	30,884	59,044
Loss on early extinguishment of debt	-	-	678	-
Interest expense	4,962	3,861	14,503	12,706
Total income before income taxes	\$ 4,222	\$ 13,055	\$ 15,703	\$ 46,338

Note 12 – Legal proceedings

On April 7, 2006, CONMED received a copy of a complaint filed in the United States District for the Northern District of New York on behalf of a purported class of former CONMED Linvatec sales representatives. The complaint alleges that the former sales representatives were entitled to, but did not receive, severance in 2003 when CONMED Linvatec restructured its distribution channels. We believe that the exposure related to this complaint ranges from \$0 to \$3.0 million, not including any interest, fees or costs that might be awarded if the five named plaintiffs were to prevail on their own behalf as well as on behalf of the approximately 70 (or 90 as alleged by the plaintiffs) other members of the purported class. CONMED Linvatec did not generally pay severance during the 2003 restructuring because the former sales representatives were offered sales positions with CONMED Linvatec's new manufacturer's representatives. Other than three of the five named plaintiffs in the class action, nearly all of CONMED Linvatec's former sales representatives accepted such positions.

The Company's motions to dismiss and for summary judgment, which were heard at a hearing held on January 5, 2007, were denied by a Memorandum Decision and Order dated May 22, 2007. The District Court also granted the plaintiffs' motion to certify a class of former CONMED Linvatec sales representatives whose employment with CONMED Linvatec was involuntarily terminated in 2003 and who did not receive severance benefits. Although the Court's ruling on the motions to dismiss, for summary judgment and the motion to certify the class do not represent final rulings on the merits, the Company has filed a motion seeking reconsideration of the motions to dismiss and for summary judgment, and sought to appeal to the United State Court of Appeals for the Second Circuit from the class certification ruling. The Second Circuit declined to consider the appeal by Order dated August 28, 2007. There is no fixed time frame within the District Court must rule on the motions. The Company believes there is no merit to the claims asserted in the Complaint, and plans to vigorously defend the case. There can be no assurance, however, that the Company will prevail in the litigation.

The Company is defending a product liability claim asserted against it and several of the Company's subsidiaries in a case captioned *Wehner v. Linvatec Corp., et al.* The claim arises out of a June 2002 shoulder surgery involving a product manufactured and sold by Bionx Implants, Oy and Bionx Implants, Inc., respectively, prior to Conmed's acquisition of Bionx, now known as Linvatec Biomaterials, in March 2003. The Plaintiff's initial demand was for \$1.75 million, which demand the Company declined to accept. The Company plans to vigorously defend the claims, although there can be no assurance that the Company will prevail.

As the occurrence giving rise to the Wehner Case occurred in 2002 prior to Conmed's acquisition of the Bionx companies, the Wehner Case is not covered by the Company's current product liability insurance policy. The former product liability insurance carrier has denied coverage, and the Company commenced suit in the United States District Court for the Eastern District of Pennsylvania seeking a declaration that the underlying claim is covered by the policy. The Company plans to vigorously pursue its claims for insurance coverage, although there can be no assurance that the Company will prevail.

Note 13 – New accounting pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157") which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. We are currently evaluating the potential impact of this statement.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets and liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and other eligible financial instruments. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its consolidated financial statements.

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

Forward-Looking Statements

In this Report on Form 10-Q, we make forward-looking statements about our financial condition, results of operations and business. Forward-looking statements are statements made by us concerning events that may or may not occur in the future. These statements may be made directly in this document or may be "incorporated by reference" from other documents. Such statements may be identified by the use of words such as "anticipates", "expects", "estimates", "intends" and "believes" and variations thereof and other terms of similar meaning.

Forward-Looking Statements are not Guarantees of Future Performance

Forward-looking statements involve known and unknown risks, uncertainties and other factors, including those that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include those identified under "Risk Factors" in our Annual Report on Form 10-K for the year-ended December 31, 2006 and the following, among others:

- general economic and business conditions;
- cyclical customer purchasing patterns due to budgetary and other constraints;
- changes in customer preferences;
- competition;
- changes in technology;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- the introduction and acceptance of new products;
- changes in business strategy;
- the availability and cost of materials;
- the possibility that United States or foreign regulatory and/or administrative agencies may initiate enforcement actions against us or our distributors;
- future levels of indebtedness and capital spending;
- changes in foreign exchange and interest rates;
- quality of our management and business abilities and the judgment of our personnel;

- the risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation;
- changes in regulatory requirements; and
- the availability, terms and deployment of capital.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below and “Risk Factors” and “Business” in our Annual Report on Form 10-K for the year-ended December 31, 2006 for a further discussion of these factors. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

Overview:

CONMED Corporation (“CONMED”, the “Company”, “we” or “us”) is a medical technology company with six principal product lines. These product lines and the percentage of consolidated revenues associated with each, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Arthroscopy	35.4%	35.8%	35.3%	36.8%
Powered Surgical Instruments	21.4	22.1	21.1	21.8
Patient Care	11.8	11.3	12.0	11.1
Electrosurgery	15.1	14.0	14.9	13.7
Endosurgery	8.1	9.3	7.9	8.8
Endoscopic Technologies	8.2	7.5	8.8	7.8
Consolidated Net Sales	100.0%	100.0%	100.0%	100.0%

A significant amount of our products are used in surgical procedures with the majority of our revenues derived from the sale of disposable products. We manufacture substantially all of our products in facilities located in the United States, Mexico, and Finland. We market our products both domestically and internationally directly to customers and through distributors. International sales represent a significant portion of our business. During the three and nine months ended September 30, 2007, sales to purchasers outside of the United States accounted for 40.0% and 41.1%, respectively, of total net sales.

Business Environment and Opportunities

The aging of the worldwide population along with lifestyle changes, continued cost containment pressures on healthcare systems and the desire of clinicians and administrators to use less invasive (or noninvasive) procedures are important trends which are driving the growth in our industry. We believe that with our broad product offering of high quality surgical and patient care products, we can capitalize on this growth for the benefit of the Company and our shareholders.

In order to further our growth prospects, we have historically used strategic business acquisitions and exclusive distribution relationships to continue to diversify our product offerings, increase our market share and realize economies of scale.

Continued innovation and commercialization of new proprietary products and processes are essential elements of our long-term growth strategy. In February 2007, we unveiled several new products at the American Academy of Orthopaedic Surgeons Annual Meeting which we believe further enhance our product offerings and reputation as an innovator as exemplified by the IM4000 High Definition Camera System, our first high definition camera system designed for use in both arthroscopic and multi-specialty endoscopy.

Business Challenges

In September 2004, we acquired the business operations of the Endoscopic Technologies Division of C.R. Bard, Inc. (the “Endoscopic Technologies acquisition”) for aggregate consideration of \$81.3 million in cash. The acquired business has enhanced our product offerings by adding a comprehensive line of single-use medical devices employed by gastro-intestinal and pulmonary physicians to diagnose and treat diseases of the digestive tract and lungs using minimally invasive endoscopic techniques. The transfer of the Endoscopic Technologies production lines from C.R. Bard facilities to CONMED facilities proved to be more time-consuming, costly and complex than was originally anticipated. Operational issues associated with the transfer of production lines resulted in backorders, which combined with increased competition and pricing pressures in the marketplace resulted in decreased sales, lower than anticipated gross margins and continuing operating losses. As a result of these factors, during our fourth quarter 2006 goodwill impairment testing, we determined that the goodwill of our Endoscopic Technologies business was impaired and consequently we recorded an impairment charge of \$46.7 million in the year ended December 31, 2006 to reduce the carrying amount of this business to its fair value. We have taken and are continuing to take corrective action to address the business and operational issues associated with the Endoscopic Technologies business in an effort to ensure a return to sales growth and profitability.

Our facilities are subject to periodic inspection by the United States Food and Drug Administration (“FDA”) for, among other things, conformance to Quality System Regulation and Current Good Manufacturing Practice (“CGMP”) requirements. We are committed to the principles and strategies of systems-based quality management for improved CGMP compliance, operational performance and efficiencies through our Company-wide quality systems initiative. However, there can be no assurance that our actions will ensure that we will not receive a warning letter or other regulatory action which may include consent decrees or fines.

Critical Accounting Estimates

Preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the consolidated financial statements in our Annual Report on Form 10-K for the year-ended December 31, 2006 describes the significant accounting policies used in preparation of the consolidated financial statements. The most significant areas involving management judgments and estimates are described below and are considered by management to be critical to understanding the financial condition and results of operations of CONMED Corporation. There have been no significant changes in our critical accounting estimates during the third quarter of 2007.

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 and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the term of individual commitment agreements.
- 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 are included in selling and administrative expense.
- 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 \$1.0 million at September 30, 2007 is adequate to provide for probable losses resulting from accounts receivable.

Inventory Reserves

We maintain reserves for excess and obsolete inventory resulting from the inability to sell our products at prices in excess of current carrying costs. The markets in which we operate are highly competitive, with new products and surgical procedures introduced on an on-going basis. Such marketplace changes may result in our products becoming obsolete. We make estimates regarding the future recoverability of the costs of our products and record a provision for excess and obsolete inventories based on historical experience, expiration of sterilization dates and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write-downs may be required. We believe that our current inventory reserves are adequate.

Business Acquisitions

We have a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded under the purchase method of accounting 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 \$294.7 million and other intangible assets of \$189.5 million as of September 30, 2007.

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142"), goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at least annual impairment testing. The identification and measurement of goodwill impairment involves the estimation of the fair value of our business. 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 contemplate 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.

Intangible assets with a finite life are amortized over the estimated useful life of the asset. Intangible assets which continue to be subject to amortization are also evaluated to determine whether events and circumstances warrant a revision to the remaining period of amortization. An intangible asset is determined to be impaired when estimated undiscounted future cash flows indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized by reducing the recorded value to its current fair value. Although no goodwill or other intangible asset impairment has been recorded in the current year, there can be no assurance that future impairment will not occur. It is our policy to perform annual impairment tests in the fourth quarter.

During the fourth quarter of 2006, after completing our annual goodwill impairment analysis, we determined that the goodwill of our CONMED Endoscopic Technologies business was impaired and consequently we recorded a goodwill impairment charge of \$46.7 million.

Pension Plan

We sponsor a defined benefit pension plan covering substantially all our employees. Major assumptions used in the accounting for the plan include the discount rate, expected return on plan assets, rate of increase in employee compensation levels and expected mortality. Assumptions are determined based on Company data and appropriate market indicators, and are evaluated annually as of the plan's measurement date. A change in any of these assumptions would have an effect on net periodic pension costs reported in the consolidated financial statements.

Higher market interest rates have resulted in us increasing the discount rate used in determining pension expense from 5.55% in 2006 to 5.90% in 2007. This rate

was determined by using the Citigroup Pension Liability Index rate which, we believe, is a reasonable indicator of our plan's future payment stream.

We have used an expected rate of return on pension plan assets of 8.0% for purposes of determining the net periodic pension benefit cost. 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.

We have estimated our rate of increase in employee compensation levels at 3.0% consistent with our internal budgeting.

Based on these and other factors, pension expense for the year-ended December 31, 2007 is estimated at approximately \$6.9 million consistent with the expense recorded in 2006. For the nine month period ended September 30, 2007 we recorded \$5.2 million in pension expense.

Stock Based Compensation

We adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R") effective January 1, 2006. SFAS 123R requires that all share-based payments to employees, including grants of employee stock options, restricted stock units, and stock appreciation rights be recognized in the financial statements based on their fair values. Prior to January 1, 2006, we accounted for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). No compensation expense was recognized for stock options under the provisions of APB 25 since all options granted had an exercise price equal to the market value of the underlying stock on the grant date.

SFAS 123R was adopted using the modified prospective transition method. Under this method, the provisions of SFAS 123R apply to all awards granted or modified after the date of adoption. In addition, compensation expense must be recognized for any nonvested stock option awards outstanding as of the date of adoption. We recognize such expense using a straight-line method over the vesting period. Prior periods have not been restated.

We elected to adopt the alternative transition method, as permitted by FASB Staff Position No. FAS 123R-3 "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards," to calculate the tax effects of stock-based compensation pursuant to SFAS 123R for those employee awards that were outstanding upon adoption of SFAS 123R. The alternative transition method allows the use of a simplified method to calculate the beginning pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R.

Income Taxes

The recorded future tax benefit arising from net deductible temporary differences and tax carryforwards is approximately \$35.0 million at September 30, 2007. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits.

We operate in multiple taxing jurisdictions, both within and outside the United States. We face audits from these various tax authorities regarding the amount of taxes due. Such audits can involve complex issues and may require an extended period of time to resolve. The Internal Revenue Service ("IRS") has completed examinations of our United States federal income tax returns through 2004. Tax years subsequent to 2004 are currently under examination. Substantially all material state jurisdictions are closed for examination for tax years through 2002.

We have established a valuation allowance to reflect the uncertainty of realizing the benefits of certain net operating loss carryforwards recognized in connection with an acquisition. Any subsequently recognized tax benefits associated with the valuation allowance would be allocated to reduce goodwill. 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 future taxable income levels.

We adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on January 1, 2007. The impact of this pronouncement was not material to our consolidated financial statements (See Note 4 to the Consolidated Condensed Financial Statements for further discussion).

Results of Operations

The following table presents, as a percentage of net sales, certain categories included in our consolidated statements of income for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	51.8	49.9	51.7	49.8
Gross profit	48.2	50.1	48.3	50.2
Selling and administrative expense	36.3	35.0	36.2	34.8
Research and development expense	4.7	4.8	4.7	4.6
Other expense	1.3	0.0	0.9	(0.8)
Income from operations	5.9	10.3	6.5	11.6
Loss on early extinguishment of debt	0.0	0.0	0.1	0.0
Interest expense	3.2	2.3	3.0	2.5
Income before income taxes	2.7	8.0	3.4	9.1
Provision for income taxes	0.6	2.9	1.0	3.3
Net income	2.1%	5.1%	2.4%	5.8%

Three months ended September 30, 2007 compared to three months ended September 30, 2006

Sales for the quarter ended September 30, 2007 were \$164.4 million, an increase of \$9.4 million (6.1%) compared to sales of \$155.0 million in the same period a year ago. Favorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) increased sales by approximately \$3.2 million.

Cost of sales increased to \$82.1 million in the quarter ended September 30, 2007 as compared to \$80.3 million in the same period a year ago on increased sales volumes. Gross profit margins increased to 50.1% in the quarter ended September 30, 2007 as compared to 48.2% in the same period a year ago. The increase of 1.9 percentage points is comprised of improved gross margins in our Endoscopic Technologies product lines (0.9 percentage points) as a result of the completion of the transfer of production lines from C.R. Bard to CONMED during 2006 and improved gross margins in our Patient Care, Electrosurgery and Endosurgery product lines as a result of higher selling prices (1.3 percentage points) offsetting a decline in our Arthroscopy and Powered Instrument product lines (0.5 percentage points) caused by higher production variances. Improved product mix also contributed to the increase in gross profit margins (0.2 percentage points).

Selling and administrative expense increased to \$57.5 million in the quarter ended September 30, 2007 as compared to \$56.2 million in the same period a year ago. Selling and administrative expense as a percentage of net sales decreased 1.3 percentage points to 35.0% in the quarter ended September 30, 2007 as compared to 36.3% in the same period a year ago. The decrease of 1.3 percentage points is attributable to greater leveraging of our cost structure as benefit costs (0.7 percentage points), distribution expense (0.5 percentage points) and other administrative costs (0.1 percentage points) declined as a percentage of net sales.

Research and development expense totaled \$7.9 million in the quarter ended September 30, 2007 as compared to \$7.3 million in the same period a year ago. As a percentage of net sales, research and development expense remained flat at 4.8% in the quarter ended September 30, 2007, as compared to 4.7% in the same period a year ago.

As discussed in Note 10 to the Consolidated Condensed Financial Statements, other expense in the quarter ended September 30, 2006 consisted of \$0.4 million in costs related to severance payments due to the closing of a manufacturing plant, \$1.0 million in charges related to the termination of a product line, and \$0.6 million in Endoscopic Technologies acquisition-related costs.

Interest expense in the quarter ended September 30, 2007 was \$3.9 million compared to \$5.0 million in the same period a year ago. The decrease in interest expense is due primarily to lower weighted average borrowings outstanding in the quarter ended September 30, 2007 as compared to the same period a year ago. Also contributing to the decrease in interest expense were lower weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) which declined to 5.18% for the quarter ended September 30, 2007 as compared to 5.82% in the same period a year ago.

A provision for income taxes has been recorded at an effective tax rate of 36.1% for the quarter ended September 30, 2007 compared with 21.1% recorded in the same period a year ago. During the third quarter of 2006, we filed our United States federal income tax return for 2005. As a result of the filing, we identified a greater benefit than was originally anticipated associated with the extraterritorial income exclusion rules and research and development tax credit. The net effect of these adjustments was a \$0.6 million reduction in income tax expense in the third quarter of 2006 resulting in a lower effective tax rate in the

third quarter of 2006 as compared to the current period. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in our Annual Report on Form 10-K for the year-ended December 31, 2006, Note 7 to the Consolidated Financial Statements.

Nine months ended September 30, 2007 compared to nine months ended September 30, 2006

Sales for the nine months ended September 30, 2007 were \$504.7 million, an increase of \$27.8 million (5.8%) compared to sales of \$476.9 million in the same period a year ago. Favorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) increased sales by approximately \$9.1 million.

Cost of sales increased to \$251.3 million in the nine months ended September 30, 2007 as compared to \$246.5 million in the same period a year ago on increased sales volumes. Gross profit margins increased to 50.2% in the nine months ended September 30, 2007 as compared to 48.3% in the same period a year ago. The increase of 1.9 percentage points is comprised of improved gross margins in our Endoscopic Technologies product lines (0.7 percentage points) as a result of the completion of the transfer of production lines from C.R. Bard to CONMED during 2006 and improved gross margins in our Patient Care, Electrosurgery and Endosurgery product lines as a result of higher selling prices (0.9 percentage points). Improved product mix also contributed to the increase in gross profit margins (0.3 percentage points).

Selling and administrative expense increased to \$175.5 million in the nine months ended September 30, 2007 as compared to \$172.7 million in the same period a year ago. Selling and administrative expense as a percentage of sales decreased 1.4 percentage points to 34.8% in the nine months ended September 30, 2007 as compared to 36.2% in the same period a year ago. The decrease of 1.4 percentage points is attributable to greater leveraging of our cost structure as benefit costs (0.7 percentage points), distribution expense (0.2 percentage points) and other administrative costs (0.5 percentage points) declined as a percentage of net sales.

Research and development expense totaled \$23.0 million in the nine months ended September 30, 2007 as compared to \$22.6 million in the same period a year ago. As a percentage of net sales, research and development expense remained flat at 4.6% in the nine months ended September 30, 2007, as compared to 4.7% in the same period a year ago.

As discussed in Note 10 to the Consolidated Condensed Financial Statements, other expense (income) in the nine months ended September 30, 2007 consisted of a \$1.8 million charge related to the closing of our manufacturing facility in Montreal, Canada and a sales office in France, a \$0.1 million charge related to the termination of our surgical lights product offering, and \$6.1 million in income related to the settlement of the antitrust case with Johnson & Johnson. In the nine months ended September 30, 2006, other expense consisted of \$0.4 million in costs related to the closing of our manufacturing facility in Montreal, Canada; \$0.6 million in costs related to the write-off of inventory in settlement of a patent dispute; \$1.1 million in charges related to the termination of a product line; and \$2.1 million in Endoscopic Technologies acquisition-related costs.

During the nine months ended September 30, 2006, we recorded \$0.7 million in losses on the early extinguishment of debt in connection with the refinancing of our senior credit agreement.

Interest expense in the nine months ended September 30, 2007 was \$12.7 million compared to \$14.5 million in the same period a year ago. The decrease in interest expense is due to lower weighted average borrowings outstanding and weighted average interest rates in the nine months ended September 30, 2007 as compared to the same period a year ago. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) decreased to 5.47% in the nine months ended September 30, 2007 as compared to 5.54% in the same period a year ago.

A provision for income taxes has been recorded at an effective tax rate of 36.1% for the nine months ended September 30, 2007 and 29.4% for the same period a year ago. The effective rate for the nine months ended September 30, 2006 is lower than that recorded in the current period as a result of the settlement in the first quarter of 2006 of the 2001 through 2003 IRS income tax return examinations. Due to the settlement of the income tax examinations, we adjusted our reserves to consider positions taken in our income tax return for periods subsequent to 2003 resulting in a \$0.5 million reduction in income tax expense. During the third quarter of 2006, we filed our United States federal income tax return for 2005. As a result of the filing, we identified a greater benefit than was originally anticipated associated with the extraterritorial income exclusion rules and research and development tax credit resulting in a \$0.6 million reduction in income tax expense. The net effect of these adjustments in the first quarter and third quarter 2006 was a \$1.1 million reduction in income tax expense in the nine months ended September 30, 2006 as compared to the current period. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in our Annual Report on Form 10-K for the year-ended December 31, 2006, Note 7 to the Consolidated Financial Statements.

Operating Segment Results:

Segment information is prepared on the same basis that we review financial information for operational decision-making purposes. We conduct our business through five principal operating segments: CONMED Endoscopic Technologies, CONMED Endosurgery, CONMED Electrosurgery, CONMED Linvatec and CONMED Patient Care. Based upon the aggregation criteria for segment reporting under Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131"), we have grouped our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments into a single reporting segment. The economic characteristics of CONMED Patient Care and CONMED Endoscopic Technologies do not meet the criteria for aggregation due to the lower overall operating income (loss) of these segments.

The following tables summarize the Company's results of operations by reportable segment for the three and nine months ended September 30, 2006 and 2007.

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Net sales	\$ 123,937	\$ 133,366	\$ 377,704	\$ 409,290
Income from operations	14,551	18,229	50,523	61,938
Operating Margin	11.7%	13.7%	13.4%	15.1%

Product offerings include a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic procedures, electro-surgical generators and related surgical instruments, arthroscopic instrumentation for use in orthopedic surgery and small bone, large bone and specialty powered surgical instruments.

- Arthroscopy sales increased \$4.0 million (7.3%) in the quarter ended September 30, 2007 to \$58.8 million from \$54.8 million in the same period a year ago. Arthroscopy sales increased \$17.5 million (10.4%) in the nine months ended September 30, 2007 to \$186.0 million from \$168.4 million in the same period a year ago. These increases are principally a result of increased sales of our procedure specific, resection and video imaging products for arthroscopy and general surgery.
- Powered surgical instrument sales increased \$3.1 million (9.3%) in the quarter ended September 30, 2007 to \$36.3 million from \$33.2 million in the same period a year ago. Powered surgical instrument sales increased \$9.3 million (9.2%) in the nine months ended September 30, 2007 to \$109.9 million from \$100.6 million in the same period a year ago. These increases are principally a result of increased sales of our large bone and small bone handpieces.
- Electrosurgery sales decreased \$0.4 million (1.7%) in the quarter ended September 30, 2007 to \$23.0 million from \$23.4 million in the same period a year ago. Electrosurgery sales decreased \$1.8 million (2.5%) in the nine months ended September 30, 2007 to \$69.1 million from \$70.9 million in the same period a year ago. These decreases are principally a result of decreased sales of our System 5000™ electro-surgical generators and pencils offset by increased sales of our ABC® handpieces.
- Endosurgery sales increased \$2.7 million (21.4%) in the quarter ended September 30, 2007 to \$15.3 million from \$12.6 million in the same period a year ago. Endosurgery sales increased \$6.5 million (17.2%) in the nine months ended September 30, 2007 to \$44.3 million from \$37.8 million. These increases are principally a result of increased sales of hand held instruments, suction irrigation products and trocars.
- Operating margins as a percentage of net sales increased 2.0 percentage points to 13.7% in the quarter ended September 30, 2007 compared to 11.7% in 2006 while operating margins increased 1.7 percentage points to 15.1% in the nine months ended September 30, 2007 compared to 13.4% in the same period a year ago. The increases in operating margins in the quarter and nine months ended September 30, 2007 are due to increases in gross margins of 0.1 and 0.4 percentage points, respectively, compared to the same periods a year ago as a result of higher selling prices. The remaining increases in operating margins in the quarter and nine months ended September 30, 2007 are attributable to lower costs in the 2007 periods associated with the termination of a product offering and facility closure costs discussed in Note 10 to the Consolidated Condensed Financial Statements (1.2 and 0.3 percentage points in the quarter

and nine months ended September 30, 2007, respectively) and lower distribution and other administrative expenses (0.7 and 1.0 percentage points in the quarter and nine months ended September 30, 2007, respectively).

CONMED Patient Care

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Net sales	\$ 18,345	\$ 18,546	\$ 57,065	\$ 56,222
Income (loss) from operations	339	1,110	(1,109)	872
Operating Margin	1.8%	6.0%	(1.9%)	1.6%

Product offerings include a line of vital signs and cardiac monitoring products including pulse oximetry equipment and sensors, ECG electrodes and cables, cardiac defibrillation and pacing pads and blood pressure cuffs. We also offer a complete line of reusable surgical patient positioners and suction instruments and tubing for use in the operating room, as well as a line of IV products.

- Patient Care sales increased \$0.2 million (1.1%) in the quarter ended September 30, 2007 to \$18.5 million from \$18.3 million in the same period a year ago. Patient care sales decreased \$0.9 million (1.6%) in the nine months ended September 30, 2007 to \$56.2 million from \$57.1 million in the same period a year ago. These decreases are principally a result of decreased sales of our suction instrument and ECG electrode product lines.
- Operating margins as a percentage of net sales increased 4.2 percentage points to 6.0% for the quarter ended September 30, 2007 compared to 1.8% in 2006 while operating margins increased 3.5 percentage points to 1.6% for the nine months ended September 30, 2007 compared to -1.9% in the same period a year ago. The increases in operating margins in the quarter and nine months ended September 30, 2007 are primarily due to increases in gross margins of 6.0 and 4.2 percentage points, respectively, compared to the same periods a year ago as a result of higher selling prices, offset by higher selling, administrative and research and development costs (1.8 and 0.7 percentage points, respectively), in the quarter and nine months ended September 30, 2007 compared to the same period a year ago.

CONMED Endoscopic Technologies

	Three months ended September 30,		Nine months ended September 30,	
	2006	2007	2006	2007
Net sales	\$ 12,699	\$ 12,536	\$ 42,151	\$ 39,208
Loss from operations	(4,439)	(1,449)	(10,830)	(5,092)
Operating Margin	(35.0%)	(11.6%)	(25.7%)	(13.0%)

Product offerings include a comprehensive line of minimally invasive endoscopic diagnostic and therapeutic instruments used in procedures which require examination of the digestive tract.

- Endoscopic Technologies sales decreased \$0.2 million (1.6%) in the quarter ended September 30, 2007 from \$12.7 million to \$12.5 million in the same period a year ago. Endoscopic Technologies sales decreased \$2.9 million (6.9%) in the nine months ended September 30, 2007 to \$39.2 million from \$42.1 million in the same period a year ago. These decreases are principally a result of decreased sales of forceps and biliary products as a result of increased competition and pricing pressures as well as production and operational issues which resulted in product shortages and backorders during the first half of the year.
- Operating margins as a percentage of net sales increased 23.4 percentage points to -11.6% in the quarter ended September 30, 2007 compared to -35.0% in 2006 while operating margins increased 12.7 percentage points to -13.0% for the nine months ended September 30, 2007 compared to -25.7% in the same period a year ago. The increases in operating margins in the quarter and nine months ended September 30, 2007 are primarily due to increases in gross margins of 11.4 and 9.3 percentage points, respectively, compared to the same periods a year ago as a result of the completion of the transfer of production lines from C.R. Bard to CONMED during 2006. The remaining increases in operating margins of 12.0 and 3.4 percentage points in the quarter and nine months ended September 30, 2007 are attributable to lower costs in the 2007 periods associated with acquisition-related costs (discussed in Note 10 to the Consolidated Condensed Financial Statements) and other administrative expenses.

Liquidity and Capital Resources

Our liquidity needs arise primarily from capital investments, working capital requirements and payments on indebtedness under the senior credit agreement. We have historically met these liquidity requirements with funds generated from operations, including sales of accounts receivable and borrowings under our revolving credit facility. In addition, we use term borrowings, including borrowings under our senior credit agreement and borrowings under separate loan facilities, in the case of real property purchases, to finance our acquisitions. We also have the ability to raise funds through the sale of stock or we may issue debt through a private placement or public offering. We generally attempt to minimize our cash balances on-hand and use available cash to pay down debt or repurchase our common stock.

Cash provided by operations

Our net working capital position was \$204.0 million at September 30, 2007. Net cash provided by operating activities was \$35.5 million in the nine months ended September 30, 2007 and \$40.8 million in the same period a year ago.

Net cash provided by operating activities decreased by \$5.3 million in 2007 as compared to 2006 as higher net income was offset by increases in inventory levels from their December 31, 2006 levels in our arthroscopy and powered instrument product lines in anticipation of continued sales growth and to accommodate sales orders for new products.

Investing cash flows

Net cash used in investing activities in the nine months ended September 30, 2007 consisted of capital expenditures, the purchase of a business and additional cash consideration paid for a business acquisition as a result of a purchase price adjustment. Capital expenditures were \$16.0 million and \$16.7 million for the nine months ended September 30, 2007 and 2006, respectively. The decrease in capital expenditures in the nine months ended September 30, 2007 as compared to the same period a year ago is primarily due to the completion of certain manufacturing and distribution infrastructure improvements. The purchase of a business resulted in a \$4.6 million payment while a purchase price adjustment resulted in a payment of \$1.2 million in additional consideration.

Financing cash flows

Net cash used in financing activities in the nine months ended September 30, 2007 consisted primarily of the following: \$11.1 million in proceeds from the issuance of common stock under our equity compensation plans and employee stock purchase plan and \$24.7 million in repayments of term borrowings under our senior credit agreement.

Our \$235.0 million senior credit agreement (the "senior credit agreement") consists of a \$100.0 million revolving credit facility and a \$135.0 million term loan. There was \$19.0 million outstanding on the revolving credit facility as of September 30, 2007. Our available borrowings on the revolving credit facility at September 30, 2007 were \$76.0 million with approximately \$5.0 million of the facility set aside for outstanding letters of credit. There were \$59.3 million in borrowings outstanding on the term loan at September 30, 2007.

The scheduled principal payments on the term loan portion of the amended and restated senior credit agreement are \$1.4 million annually through December 2011, increasing to \$53.6 million in 2012 with the remaining balance outstanding due and payable on April 12, 2013. 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% (6.63% at September 30, 2007) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.35% 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 0.75% for term loan borrowings or 0.50% for borrowings under the revolving credit facility.

The senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which are pledged in connection with our accounts receivable sales agreement. The amended and restated 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 were in full compliance with these covenants and restrictions as of September 30, 2007. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issue of equity and asset sales.

Mortgage notes outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary consist of a note bearing interest at 7.50% per annum with semiannual payments of principal and interest through June 2009 (the "Class A note"); and a note bearing interest at 8.25% per annum compounded semiannually through June 2009, after which semiannual payments of principal and interest will commence, continuing through June 2019 (the "Class C note"). The principal balances outstanding on the Class A note and Class C note aggregated \$4.4 million and \$10.2 million, respectively, at September 30, 2007. These mortgage notes are secured by the CONMED Linvatec property and facilities.

We have outstanding \$150.0 million in 2.50% convertible senior subordinated notes (the "Notes") due 2024. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the bond indenture, into a combination of cash and CONMED common stock. Upon conversion, the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. Amounts in excess of the principal amount are at an initial conversion rate, subject to adjustment, of 26.1849 shares per \$1,000 principal amount of the Note (which represents an initial conversion price of \$38.19 per share). The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2011. Holders of the Notes will be able to require that we repurchase some or all of the Notes on November 15, 2011, 2014 and 2019.

Our Board of Directors has authorized a share repurchase program under which we may repurchase up to \$50.0 million of our common stock in any calendar year. We did not repurchase any shares during the first nine months of 2007. We have financed the repurchases and may finance additional repurchases through the proceeds from the issuance of common stock under our stock option plans, from operating cash flow and from available borrowings under our revolving credit facility.

Management believes that cash flow from operations, including accounts receivable sales, cash and cash equivalents on hand and available borrowing capacity under our senior credit agreement will be adequate to meet our anticipated operating working capital requirements, debt service, funding of capital expenditures and common stock repurchases in the foreseeable future.

Off-balance sheet arrangements

We have an accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain accounts receivable to CONMED Receivables Corporation ("CRC"), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate \$50.0 million undivided percentage ownership interest in such receivables (the "asset interest") to a bank (the "purchaser"). The purchaser's share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended. Effectively, collections on the pool of receivables flow first to the purchaser and then to CRC, but to the extent that the purchaser's share of collections may be less than the amount of the purchaser's asset interest, there

is no recourse to CONMED or CRC for such shortfall. For receivables which have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of September 30, 2007, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated \$40.0 million, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser's financing costs to purchase the accounts receivable were \$2.2 million in the nine months ended September 30, 2007 and are included in interest expense.

There are certain statistical ratios, primarily related to sales dilution and losses on accounts receivable, which must be calculated and maintained on the pool of receivables in order to continue selling to the purchaser. The pool of receivables is in full compliance with these ratios. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to meet the requirements for sale under the accounts receivables sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our \$100.0 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment"), on an annual basis, from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment was amended effective October 23, 2006 whereby it was extended through October 31, 2008 under substantially the same terms and conditions.

New accounting pronouncements

See Note 13 to the Consolidated Condensed Financial Statements for a discussion of new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our primary market risk exposures or in how these exposures are managed during the three and nine month periods ended September 30, 2007. Reference is made to Item 7A. of our Annual Report on Form 10-K for the year-ended December 31, 2006 for a description of Qualitative and Quantitative Disclosures About Market Risk.

Item 4. Controls and Procedures

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) was carried out under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Vice President-Finance and Chief Financial Officer ("the Certifying Officers") as of September 30, 2007. Based on that evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the

quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year-ended December 31, 2006 and to Note 12 of the Notes to Consolidated Condensed Financial Statements included in Part I of this Report for a description of certain legal matters.

Item 5. Other Information

On November 5, 2007, the Board of Directors approved an amendment to Sections 5.1 and 5.2 of the by-laws so as to permit a Direct Registration Program, or book entry ownership, with respect to CONMED Corporation common stock, as required by Rule 4350(l) of the Nasdaq Listing Rules. The by-laws as amended and restated as of November 5, 2007 are attached as Exhibit 3.1.

Item 6. Exhibits

Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.1	Amended By-laws of the Company
31.1	Certification of Joseph J. Corasanti pursuant to Rule 13a-14(a) or Rule 15d-14(a), 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-14(a) or Rule 15d-14(a), of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification 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.

SIGNATURES

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

CONMED CORPORATION
(Registrant)

Date: November 5, 2007

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

Exhibit Index

<u>Exhibit</u>		<u>Sequential Page Number</u>
31.1	Certification of Joseph J. Corasanti pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-1
31.2	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	E-2
32.1	Certification 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.	E-3
3.1	Amended By-laws of the Company	E-4

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph J. Corasanti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CONMED Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2007

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

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert D. Shallish, Jr. certify that:

1. I have reviewed this quarterly report on Form 10-Q of CONMED Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2007

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

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of CONMED Corporation, a New York corporation (the "Corporation"), does hereby certify that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (the "Form 10-Q") of the Corporation fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: November 5, 2007

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

Date: November 5, 2007

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

AMENDED AND RESTATED BY-LAWS
OF
CONMED CORPORATION
(Formed under the New York Business Corporation Law)
As adopted by the Board of Directors
November 5, 2007

ARTICLE I

Shareholders

Section 1.1. Annual Meeting. A meeting of shareholders shall be held annually for the election of directors and the transaction of other business on such date as may be designated by the Board of Directors from time to time.

Section 1.2. Special Meetings. Special meetings of the shareholders may be called by the Board of Directors, the Chairman of the Board, if any, or the President.

Section 1.3. Place of Meetings. Meetings of shareholders shall be held at such place, within or without the State of New York, as may be fixed by the Board of Directors. If no place is so fixed, such meetings shall be held at the principal office of the Corporation in the State of New York.

Section 1.4. Notice of Meetings. Written notice of each meeting of shareholders shall be given stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called. Notice of a special meeting of shareholders shall indicate that it is being issued by or at the direction of the person or persons calling the meeting.

If, at any meeting of shareholders, action is proposed to be taken which would, if taken, entitle objecting shareholders to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect.

A copy of the notice of each meeting of shareholders shall be given, personally or by first class mail, not less than ten nor more than fifty days before the date of the meeting, to each shareholder entitled to vote at meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, then directed to him at such other address.

When a meeting of shareholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice under the preceding paragraphs of this Section 1.4.

Section 1.5. Waiver of Notice. Notice of meeting need not be given to any shareholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

Section 1.6. Inspectors. Voting at meetings of shareholders need not be conducted by inspectors unless a shareholder present in person or by proxy and entitled to vote at such meeting so requests. The Board of Directors, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint two inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them.

Section 1.7. List of Shareholders at Meetings. A list of shareholders as of the record date, certified by the Secretary or any Assistant Secretary or by a transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 1.8. Qualification of Voters. Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his name on the record of shareholders, unless otherwise provided in the certificate of incorporation.

Treasury shares as of the record date and shares held as of the record date by another domestic or foreign corporation of any type or kind, if a majority of the shares entitled to vote in the election of directors of such other corporation is held as of the record date by the Corporation, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

Shares held by an administrator, executor, guardian, conservator, committee or other fiduciary, except a trustee, may be voted by him or it, either in person or by proxy, without transfer of such shares into his or its name.

Shares held by a trustee may be voted by him or it, either in person or by proxy, only after the shares have been transferred into his or its name as trustee or into the name of his or its nominee.

Shares standing in the name of another domestic or foreign corporation of any type or kind may be voted by such officer, agent or proxy as the by-laws of such corporation may provide, or, in the absence of such provision, as the board of directors of such corporation may determine.

A shareholder shall not sell his vote or issue a proxy to vote to any person for any sum of money or anything of value except as permitted by law.

Section 1.9. Quorum of Shareholders. The holders of a majority of the shares entitled to vote thereat shall constitute a quorum at the meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified items of business.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The shareholders present in person or by proxy and entitled to vote may, by a majority of the votes cast, adjourn the meeting despite the absence of a quorum.

Section 1.10. Proxies. Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy.

Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided by law.

The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the shareholder who executed the proxy, unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the Secretary or any Assistant Secretary.

Section 1.11. Vote or Consent of Shareholders. Directors shall, except as otherwise required by law or by the certificate of incorporation, be elected by a plurality of the votes cast at a meeting of the shareholders by the holders of shares entitled to vote in the election.

Whenever any corporate action, other than the election of directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by law or by the certificate of incorporation, be authorized by a majority of the votes cast at the meeting of shareholders by the holders of shares entitled to vote thereon.

Whenever shareholders are required or permitted to take any action by vote, such action may be taken without a meeting or written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon. Written consent thus given by the holders of all outstanding shares entitled to vote shall have the same effect as a unanimous vote of shareholders.

Section 1.12. Fixing Record Date. For the purpose of determining the shareholders entitled to notice of or to vote any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action.

If no record date is fixed: (1) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or if no notice is given, the day on which the meeting is held; and (2) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the resolution of the Board of Directors relating thereto is adopted.

When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 1.13. Actions to be Taken at an Annual Meeting of Shareholders. No business shall be transacted at an annual meeting of shareholders, except such business as shall be (a) specified in the notice of meeting given as provided in Section 1.4, (b) otherwise brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise brought before the meeting by a shareholder of record of the Corporation entitled to vote at the meeting in compliance with the procedure set forth in this Section 1.13. For business to be brought before an annual meeting by a shareholder pursuant to (c) above, written notice by the shareholder must be addressed and delivered to the Corporation, or mailed to the Corporation, postage prepaid, and received, at the principal executive offices of the Corporation not less than sixty days nor more than ninety days prior to the meeting; provided, however, that in the event that less than seventy days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, such notice by the shareholder must be so delivered or received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting or such public disclosure was made. Notice of actions to be brought before the annual meeting pursuant to (c) above shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for bringing such business before the annual meeting, and (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such shareholder, (ii) the classes and number of shares of the Corporation which are owned of record or beneficially by such shareholder, (iii) a representation that the shareholder intends to appear in person or by proxy at the meeting to present such business to the meeting, and (iv) any material interest of such shareholder in such business other than his interest as a shareholder of the Corporation. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the provisions set forth in this Section 1.13. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that any business was not properly brought before the meeting in accordance with the provisions prescribed by these by-laws and, if he should so determine, he shall so declare to the meeting and, to the extent permitted by law, any such business not so properly brought before the meeting shall not be transacted.

ARTICLE II

Board of Directors

Section 2.1. Power of Board and Qualification of Directors. The business of the Corporation shall be managed under the direction of the Board of Directors. Each director shall be at least eighteen years of age.

Section 2.2. Number of Directors. The number of directors constituting the entire Board of Directors shall be the number, not less than three, fixed from time to time by a majority of the total number of directors which the Corporation would have, prior to any increase or decrease, if there were no vacancies, provided that no decrease shall shorten the term of any incumbent director. Until otherwise fixed by the directors, the number directors constituting the entire Board shall be four.

Section 2.3. Election and Term of Directors. At each annual meeting of shareholders, directors shall be elected to hold office until the next annual meeting and until their successors have been elected and qualified.

Section 2.4. Quorum of Directors and Action by the Board. Unless a greater proportion is required by law or by the certificate of incorporation, one-half of the entire Board of Directors shall constitute a quorum for the transaction of business or of any specified item of business. Except where otherwise provided by law or in the certificate of incorporation or these by-laws, the vote of a majority of the directors present at a meeting at the time of such vote, if a quorum is then present, shall be the act of the Board.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents by the members of the Board shall be filed with the minutes of the proceedings of the Board.

Except as otherwise provided by law, all corporate action to be taken by the Board of Directors shall be taken at a meeting of the Board or by unanimous written consent. Any one or more members of the Board of Directors may participate in a meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

Section 2.5. Meetings of the Board. An annual meeting of the Board of Directors shall be held in each year as soon as practicable after the annual meeting of shareholders. Regular meetings of the Board shall be held at such times as may be fixed by the Board. Special meetings of the Board may be held at any time whenever called by the Chairman of the Board, if any, the President or any two directors.

Meetings of the Board of Directors shall be held at such places within or without the State of New York as may be fixed by the Board for annual and regular meetings and in the notice of meeting for special meetings.

No notice need be given of annual or regular meetings of the Board of Directors. Notice of each special meeting of the Board shall be given to each director either by mail not later than noon, New York time, on the third day prior to the meeting or by telegram, by written message or orally to the director not later than noon, New York time, on the day prior to the meeting. Notices shall be deemed to have been given by mail when deposited in the United States mail, by telegram at the time of filing, and by messenger at the time of delivery by the messenger. Notices by mail, telegram or messenger shall be sent to each director at the address designated by him for that purpose, or, if none has been so designated, at his last known residence or business address.

Notice of a meeting of the Board of Directors need not be given to any director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him.

A notice or waiver of notice need not specify the purpose of any meeting of the Board of Directors.

A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of any adjournment of a meeting to another time or place shall be given in the manner described above to the directors who were not present at the time of the adjournment and, unless such time and place are announced at the meeting, to the other directors.

Section 2.6. Resignation. Any director of the Corporation may resign at any time by giving written notice to the Board of Directors or to the Chairman of the

Board, if any, or the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective.

Section 2.7. Removal of Directors. Directors shall be subject to removal only for cause, by action of the Board of Directors or a vote of the shareholders.

Section 2.8. Newly Created Directorships and Vacancies. Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board of Directors for any reason except the removal of directors by the shareholders may be filled by vote of the Board. If the number of directors then in office is less than a quorum, such newly created directorships and vacancies may be filled by vote of a majority of the directors then in office. Vacancies occurring by reason of the removal of directors by the shareholders shall be filled by vote of the shareholders. A director elected to fill a vacancy, unless elected by the shareholders, shall hold office until the next meeting of shareholders at which the election of directors is in the regular order of business, and until his successor has been elected and qualified.

Section 2.9. Compensation of Directors. The Board of Directors shall have authority to fix the compensation of directors for services in any capacity.

Section 2.10. Nominations for Elections of Directors. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, only persons who are nominated in accordance with the provisions set forth in this Section 2.10 shall be eligible to be elected as directors at an annual or special meeting of shareholders. Nominations of persons for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors, or by any shareholder entitled to vote in the election of directors generally if written notice of such shareholder's intent to make such nomination or nominations has been addressed and delivered to the Corporation, or mailed to the Corporation, postage prepaid, at the principal executive offices of the Corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, sixty nor more than ninety days prior to such meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to shareholders; provided, however, that in the event that less than seventy days' notice or prior public disclosure of the date of an annual meeting is given or made to shareholders, such notice by the shareholder must be so delivered and received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting or such public disclosure was made. Each such shareholder notice to the Corporation shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director, (i) such person's name and address, employment history for the past five years, affiliations, if any, with the Corporation and others, the class and number of shares of the Corporation which are owned of record or beneficially by such person and information concerning any transactions in such shares within the prior sixty days, whether such person has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) within the past five years and the details thereof, whether such person has been a party to any proceeding or subject to any judgment, decree or final order with respect to violations of federal or state securities laws within the past five years and the details thereof, and the details of any contract, arrangement, understanding or relationships with any person with respect to any securities of the Corporation, and (ii) such person's written consent to being named as a nominee and to serving as a director if elected; and (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such shareholder, (ii) the classes and number of shares of the Corporation which are owned of record or beneficially by such shareholder and

(iii) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions prescribed by these by-laws and, if he should so determine, he shall so declare to the meeting that the defective nomination shall be disregarded.

ARTICLE III

Executive and Other Committees

Section 3.1. Executive and Other Committees of Directors. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an executive committee and other committees, each consisting of three or more directors, and each of which, to the extent provided in the resolution, shall have all the authority of the Board, except that no such committee shall have authority as to the following matters:

- (1) The submission to shareholders of any action that needs shareholders' approval;
- (2) The filling of vacancies in the Board or in any committee thereof;
- (3) The fixing of compensation of the directors for serving on the Board or on any committee thereof;
- (4) The amendment or repeal of the bylaws, or the adoption of new by-laws;
- (5) The amendment or repeal of any resolution of the Board which, by its terms, shall not be so amendable or repealable; or
- (6) The removal or indemnification of directors.

The Board of Directors may designate one or more directors as alternate members of any such committee, who may replace any absent member or members at any meeting of such committee.

Unless the Board of Directors otherwise provides, each committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board of Directors or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present or the unanimous written consent of all members thereof shall be the act of such committee, any one or more members of such committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time and participation by such means shall constitute presence in person at such meeting, and in other respects each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these by-laws.

Each such committee shall serve at the pleasure of the Board of Directors.

ARTICLE IV

Officers

Section 4.1. Officers. As soon as practicable after the annual meeting of shareholders in each year, the Board of Directors shall elect or appoint a President, a Secretary and a Treasurer, and it may, if it so determines, elect or appoint from among its members a Chairman of the Board and one or more Vice-Chairmen of the Board. The Board may also elect or appoint one or more Vice-Presidents, Assistant Vice-Presidents, Assistant Secretaries and Assistant Treasurers and may give any of them such further designations or alternate titles as it considers desirable. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 4.2. Term of Office; Resignation; Removal; Vacancies. Except as otherwise provided in the resolution of the Board of Directors electing or appointing any officer, all officers shall be elected or appointed to hold office until the meeting of the Board of Directors following the next succeeding annual meeting of shareholders. Each officer shall hold office for the term for which he is elected or appointed, and until his successor has been elected or appointed and qualified. Any officer may resign at any time by giving written notice to the Board or to the Chairman of the Board, if any, or the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Any officer may be removed by the Board, with or without cause, at any time. Removal of an officer without cause shall be without prejudice to his contract rights, if any, with the Corporation, but the election or appointment of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal, or otherwise may be filled for the unexpired portion of the term by the Board.

Section 4.3. Powers and Duties. The officers of the Corporation shall have such authority and perform such duties in the management of the Corporation as may be prescribed by the Board of Directors and, to the extent not so prescribed, as generally pertain to their respective offices, subject to the control of the Board. Securities of other corporations held by the Corporation may be voted by any officer designated by the Board and, in the absence of any such designation, by the President, any Vice-President, the Secretary or the Treasurer. The Board may require any officer, agent or employee to give security for the faithful performance of his duties.

ARTICLE V Shares and Transfer of Shares

Section 5.1. Forms of Share Certificates. The shares of the Corporation may be represented by certificates or may be uncertificated shares. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Shares represented by certificates shall be in such forms as the Board of Directors may prescribe, signed by the Chairman or a Vice-Chairman of the Board or the President or a Vice-President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee or if the shares are listed on a national securities exchange. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of issue. Each certificate representing shares shall state upon the face thereof (1) that the Corporation is formed under the laws of the State of New York;

(2) the name of the person or persons to whom issued; and (3) the number and class of shares, and the designation of the series, if any, which such certificate represents.

Within a reasonable time after the issuance of uncertificated shares, or within two business days after a transfer of uncertificated shares, the Corporation shall send a written notice to the registered owner of such shares and to any other party required by law to receive such notice. Each such notice shall be signed by or on behalf of the Corporation and shall state (1) that the Corporation is formed under the laws of the State of New York; (2) the name of the person or persons to whom issued; (3) the number and class of shares, and the designation of the series, if any, with respect to which such notice was issued; and (4) any other information required by law to be contained therein.

Section 5.2. Transfers of Shares. Shares represented by certificates of the Corporation shall be transferable on the record of shareholders upon presentation to the Corporation or a transfer agent of a certificate or certificates representing the shares requested to be transferred, with proper endorsement on the certificate or on a separate accompanying document, together with such evidence of the payment of transfer taxes and compliance with other provisions of law as the Corporation or its transfer agent may require. Uncertificated shares of the Corporation shall be transferable on the record of shareholders upon presentation to the Corporation or a transfer agent of a transfer request indicating the shares requested to be transferred, with proper endorsement on a separate accompanying document, together with such evidence of the payment of transfer taxes and compliance with other provisions of law as the Corporation or its transfer agent may require.

Section 5.3. Lost, Stolen or Destroyed Share Certificates. The Corporation may issue a new certificate for shares represented by certificates in place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the Corporation may require the owner of the lost or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss or destruction of any such certificate or the issuance of any such new certificate.

ARTICLE VI

Other Matters

Section 6.1. Corporate Seal. The Board of Directors may adopt a corporate seal; alter such seal at pleasure, and authorize it to be used by causing it or a facsimile to be affixed or impressed or reproduced in any other manner.

Section 6.2. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 6.3. When Notice or Lapse of Time Unnecessary. Whenever for any reason the Corporation or the Board of Directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a shareholder, his attorney-in-fact, submit a signed waiver of notice of such requirements.

Section 6.4. Books to be Kept. The Corporation shall keep (a) correct and complete books and records of account, (b) minutes of the proceedings of the shareholders, Board of Directors and Executive Committee, if any, and (c) a current list of the directors and officers and their residence addresses; and the Corporation shall also keep at its principal office in the State of New York or at

the office of its transfer agent or registrar in the State of New York, if any, a record containing the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof. Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into written form within a reasonable time.

The Board of Directors may determine whether and to what extent and at what times and places and under what conditions and regulations any accounts, books, records or other documents of the Corporation shall be open to inspection, and no creditor, security holder or other person shall have any right to inspect any accounts, books, records or other documents of the Corporation except as conferred by law or as so authorized by the Board.

Section 6.5. Interest of Directors and Officers in Transactions. In the absence of fraud, no contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of its directors are directors or officers, or have a substantial financial interest, shall be either void or voidable, irrespective of whether such interested director or directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction and irrespective of whether his or their votes are counted for such purpose:

(1) If the material facts as to such director's interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the Board of Directors, or a committee thereof, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote of such interested director or, if the votes of the disinterested directors are insufficient to constitute an act of the Board under Section 2.4 of these by-laws, by unanimous vote of the disinterested directors; or

(2) If the material facts as to such director's interest in such contract or transaction and as to any such common directorship, officership or financial interest are disclosed in good faith or known to the shareholders entitled to vote thereon, and such contract or transaction is approved by vote of such shareholders.

If there was no such disclosure or knowledge, or if the vote of such interested director was necessary for the approval of such contract or transaction at a meeting of the Board or committee at which it was approved, the Corporation may avoid the contract or transaction unless the party or parties thereto shall establish affirmatively that the contract or transaction was fair and reasonable as to the Corporation at the time it was approved by the Board, a committee or the shareholders.

Notwithstanding the foregoing, no loan, except advances in connection with indemnification, shall be made by the Corporation to any director unless it is authorized by vote of the shareholders. For this purpose, shares of the director who would be the borrower shall not be shares entitled to vote.

Section 6.6. Indemnification. The Corporation shall indemnify each person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that such person or such person's testator or intestate is or was a director or officer of the Corporation, or serves or served at the request of the Corporation, any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments,

finances, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred in connection with such action or proceeding, or any appeal therein, provided that no such indemnification shall be made if a judgment or other final adjudication adverse to such person establishes that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or that he or she personally gained in fact a financial profit or other advantage to which he or she was not legally entitled, and provided further that no such indemnification shall be required with respect to any settlement or other nonadjudicated disposition of any threatened or pending action or proceeding unless the Corporation has given its prior consent to such settlement or other disposition.

The Corporation may advance or promptly reimburse upon request any person entitled to indemnification hereunder for all expenses, including attorneys' fees, reasonably incurred in defending any action or proceeding in advance of the final disposition thereof upon receipt of an undertaking by or on behalf of such person to repay such amount if such person is ultimately found not to be entitled to indemnification or, where indemnification is granted, to the extent the expenses so advanced or reimbursed exceed the amount to which such person is entitled, provided, however, that such person shall cooperate in good faith with any request by the Corporation that common counsel be utilized by the parties to an action or proceeding who are similarly situated unless to do so would be inappropriate due to actual or potential differing interests between or among such parties.

Anything in these by-laws to the contrary notwithstanding, no elimination of this by-law, and no amendment of this by-law adversely affecting the right of any person to indemnification or advancement of expenses hereunder shall be effective until the 60th day following notice to such person of such action, and no elimination of or amendment to this by-law shall deprive any person of his or her rights hereunder arising out of alleged or actual occurrences, acts or failures to act prior to such 60th day.

The Corporation shall not, except by elimination or amendment of this by-law in a manner consistent with the preceding paragraph, take any corporate action or enter into any agreement which prohibits, or otherwise limits the rights of any person to, indemnification in accordance with the provisions of this by-law. The indemnification of any person provided by this by-law shall continue after such person has ceased to be a director, officer or employee of the Corporation and shall inure to the benefit of such person's heirs, executors, administrators and legal representatives.

The Corporation is authorized to enter into agreements with any of its directors, officers or employees extending rights to indemnification and advancement of expenses to such person to the fullest extent permitted by applicable law as it currently exists, but the failure to enter into any such agreement shall not affect or limit the rights of such person pursuant to this by-law, it being expressly recognized hereby that all directors, officers and employees of the Corporation, by serving as such after the adoption hereof, are acting in reliance hereon and that the Corporation is estopped to contend otherwise.

In case any provision in this by-law shall be determined at any time to be unenforceable in any respect, the other provisions shall not in any way be affected or impaired thereby, and the affected provision shall be given the fullest possible enforcement in the circumstances, it being the intention of the Corporation to afford indemnification and advancement of expenses to its directors, officers and employees, acting in such capacities or in the other capacities mentioned herein, to the fullest extent permitted by law.

For purposes of this by-law, the Corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of

his or her duties to the Corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan, and excise taxes assessed on a person with respect to an employee benefit plan pursuant to applicable law shall be considered indemnifiable expenses. For purposes of this by-law, the term "Corporation" shall include any legal successor to the Corporation, including any corporation which acquires all or substantially all of the assets of the Corporation in one or more transactions.

Section 6.7. Amendments. By-laws of the Corporation may be adopted, amended or repealed by vote of the holders of the shares at the time entitled to vote in the election of any directors. By-laws may also be adopted, amended or repealed by the Board of Directors by the vote of a majority of the directors present at a meeting of the Board at which a quorum is present, but any by-law adopted by the Board may be amended or repealed by the shareholders entitled to vote thereon as hereinabove provided.

If any by-law regulating an impending election of directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the by-law so adopted, amended or repealed, together with a concise statement of the changes made.