

**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 quarter ended  
June 30, 2015

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

**16-0977505**  
(I.R.S. Employer  
Identification No.)  
**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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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 July 21, 2015 is 27,700,037 shares.

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**CONMED CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTER ENDED JUNE 30, 2015**

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**PART I FINANCIAL INFORMATION**  
**Item 1.**

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net sales	\$ 181,027	\$ 188,150	\$ 358,967	\$ 370,091
Cost of sales	87,529	87,122	173,187	166,481
Gross profit	93,498	101,028	185,780	203,610
Selling and administrative expense	73,581	78,234	148,367	156,598
Research and development expense	7,501	6,854	14,043	13,764
Operating expenses	81,082	85,088	162,410	170,362
Income from operations	12,416	15,940	23,370	33,248
Interest expense	1,489	1,571	2,949	3,032
Income before income taxes	10,927	14,369	20,421	30,216
Provision for income taxes	3,466	4,114	6,648	11,335
Net income	\$ 7,461	\$ 10,255	\$ 13,773	\$ 18,881
Comprehensive income	\$ 8,630	\$ 11,597	\$ 4,915	\$ 21,174
<i>Per share data:</i>				
Net income				
Basic	\$ 0.27	\$ 0.38	\$ 0.50	\$ 0.69
Diluted	0.27	0.37	0.49	0.68
Dividends per share of common stock	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40
Weighted average common shares				
Basic	27,620	27,257	27,603	27,303
Diluted	27,857	27,753	27,839	27,803

See notes to consolidated condensed financial statements.

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

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 62,216	\$ 66,332
Accounts receivable, net	129,660	129,287
Inventories	149,180	148,149
Deferred income taxes	13,137	14,348
Prepaid expenses and other current assets	20,073	23,034
Total current assets	374,266	381,150
Property, plant and equipment, net	131,625	133,429
Deferred income taxes	1,206	1,398
Goodwill	261,004	256,232
Other intangible assets, net	311,128	316,440
Other assets	10,157	9,545
Total assets	\$ 1,089,386	\$ 1,098,194
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 1,285	\$ 1,234
Accounts payable	27,364	23,752
Accrued compensation and benefits	29,932	36,446
Income taxes payable	2,621	2,668
Other current liabilities	48,680	51,856
Total current liabilities	109,882	115,956
Long-term debt	258,545	240,201
Deferred income taxes	112,720	112,223
Other long-term liabilities	30,145	48,516
Total liabilities	511,292	516,896
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; 31,299,194 shares issued in 2015 and 2014, respectively	313	313
Paid-in capital	318,694	319,752
Retained earnings	408,863	406,145
Accumulated other comprehensive loss	(48,680)	(39,822)
Less: 3,602,163 and 3,744,473 shares of common stock in treasury, at cost in 2015 and 2014, respectively	(101,096)	(105,090)
Total shareholders' equity	578,094	581,298
Total liabilities and shareholders' equity	\$ 1,089,386	\$ 1,098,194

See notes to consolidated condensed financial statements.



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

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 13,773	\$ 18,881
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	9,196	9,473
Amortization	11,885	12,831
Stock-based compensation	3,779	2,518
Deferred income taxes	2,176	3,837
<b>Increase (decrease) in cash flows from changes in assets and liabilities, net of acquisitions:</b>		
Accounts receivable	(3,571)	5,584
Inventories	(8,003)	(19,163)
Accounts payable	3,863	(1,353)
Income taxes receivable (payable)	(1,105)	(1,013)
Accrued compensation and benefits	(6,078)	(5,260)
Other assets	2,603	834
Other liabilities	(3,463)	(2,256)
	<u>11,282</u>	<u>6,032</u>
<b>Net cash provided by operating activities</b>	<u>25,055</u>	<u>24,913</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(7,783)	(8,641)
Payments related to business acquisitions	(6,104)	—
<b>Net cash used in investing activities</b>	<u>(13,887)</u>	<u>(8,641)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from common stock issued under employee plans	468	953
Repurchase of common stock	—	(16,862)
Payments on mortgage notes	(605)	(558)
Proceeds from senior credit agreement	19,000	31,000
Payments related to distribution agreement	(16,667)	(16,667)
Payment related to contingent consideration	(2,423)	—
Payments related to debt issuance costs	(1,410)	—
Dividends paid on common stock	(11,026)	(10,987)
Other, net	1,598	1,857
<b>Net cash used in financing activities</b>	<u>(11,065)</u>	<u>(11,264)</u>
Effect of exchange rate changes on cash and cash equivalents	(4,219)	963
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(4,116)</u>	<u>5,971</u>
Cash and cash equivalents at beginning of period	<u>66,332</u>	<u>54,443</u>
Cash and cash equivalents at end of period	<u>\$ 62,216</u>	<u>\$ 60,414</u>
<b>Non-cash financing activities:</b>		
Dividends payable	\$ 5,539	\$ 5,468

See notes to consolidated condensed financial statements.

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

**Note 1 – Operations**

CONMED Corporation (“CONMED”, the “Company”, “we” or “us”) is a medical technology company that provides surgical devices and equipment for minimally invasive procedures. The Company’s products 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. Results for the period ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The consolidated condensed financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2014 included in our Annual Report on Form 10-K.

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on net earnings or shareholders' equity as previously reported.

**Note 3 – Comprehensive Income**

Comprehensive income consists of the following:

	<b>Three Months Ended June</b>		<b>Six Months Ended June 30,</b>	
	<b>30,</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net income	\$ 7,461	\$ 10,255	\$ 13,773	\$ 18,881
Other comprehensive income:				
Pension liability, net of income tax (income tax expense of \$297 and \$158 for the three months ended June 30, 2015 and 2014, respectively, and \$598 and \$316 for the six months ended June 30, 2015 and 2014, respectively)	507	269	1,019	539
Cash flow hedging gain (loss), net of income tax (income tax expense (benefit) of (\$1,499) and (\$309) for the three months ended June 30, 2015 and 2014, respectively, and (\$349) and \$115 for the six months ended June 30, 2015 and 2014, respectively)	(2,557)	(528)	(595)	197
Foreign currency translation adjustment	3,219	1,601	(9,282)	1,557
Comprehensive income	<u>\$ 8,630</u>	<u>\$ 11,597</u>	<u>\$ 4,915</u>	<u>\$ 21,174</u>

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Accumulated other comprehensive loss consists of the following:

	<b>Cash Flow Hedging Gain (Loss)</b>	<b>Pension Liability</b>	<b>Cumulative Translation Adjustments</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance, December 31, 2014	\$ 3,276	\$ (30,760)	\$ (12,338)	\$ (39,822)
Other comprehensive income (loss) before reclassifications	2,583	—	(9,282)	(6,699)
Amounts reclassified from accumulated other comprehensive income (loss) before tax <sup>a</sup>	(5,040)	1,617	—	(3,423)
Income tax	1,862	(598)	—	1,264
Net current-period other comprehensive income (loss)	(595)	1,019	(9,282)	(8,858)
Balance, June 30, 2015	<u>\$ 2,681</u>	<u>\$ (29,741)</u>	<u>\$ (21,620)</u>	<u>\$ (48,680)</u>

	<b>Cash Flow Hedging Gain (Loss)</b>	<b>Pension Liability</b>	<b>Cumulative Translation Adjustments</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance, December 31, 2013	\$ (1,385)	\$ (18,918)	\$ 2,731	\$ (17,572)
Other comprehensive income (loss) before reclassifications	(150)	—	1,557	1,407
Amounts reclassified from accumulated other comprehensive income (loss) before tax <sup>a</sup>	551	855	—	1,406
Income tax	(204)	(316)	—	(520)
Net current-period other comprehensive income	197	539	1,557	2,293
Balance, June 30, 2014	<u>\$ (1,188)</u>	<u>\$ (18,379)</u>	<u>\$ 4,288</u>	<u>\$ (15,279)</u>

(a) The cash flow hedging gain (loss) and pension liability accumulated other comprehensive income (loss) components are included in sales or cost of sales and as a component of net periodic pension cost (income), respectively. The amounts recorded in the charts above are for the six months ended June 30, 2015 and 2014. For the three months ended June 30, 2015, \$2.4 million of the cash flow hedging gain and \$0.8 million of the pension liability were reclassified from accumulated other comprehensive loss to the statement of income. For the three months ended June 30, 2014, \$0.4 million of the cash flow hedging loss and \$0.4 million of the pension liability were reclassified from accumulated other comprehensive loss to the statement of income. Refer to Note 4 and Note 9, respectively, for further details.

**Note 4 – Fair Value of Financial Instruments**

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

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



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**Foreign Currency Forward Contracts.** We hedge forecasted intercompany sales denominated in foreign currencies through the use of forward contracts. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive loss. These changes in fair value will be recognized into earnings as a component of sales or cost of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at June 30, 2015 which have been accounted for as cash flow hedges totaled \$70.0 million. Net realized gains (losses) recognized for forward contracts accounted for as cash flow hedges approximated \$2.4 million and \$(0.4) million for the three months ended June 30, 2015 and 2014, respectively, and \$5.0 million and \$(0.6) million for the six months ended June 30, 2015 and 2014, respectively. Net unrealized gains on forward contracts outstanding, which have been accounted for as cash flow hedges and which have been included in other comprehensive income totaled \$2.7 million at June 30, 2015. It is expected these unrealized gains will be recognized in the consolidated condensed statement of comprehensive income in 2015.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. The notional contract amounts for forward contracts outstanding at June 30, 2015 which have not been designated as hedges totaled \$30.3 million. Net realized losses recognized in connection with those forward contracts not accounted for as hedges approximated \$(0.7) million and \$(0.7) million for the three months ended June 30, 2015 and 2014, respectively, offsetting gains on our intercompany receivables of \$0.4 million and \$0.5 million for the three months ended June 30, 2015 and 2014, respectively. Net realized losses recognized in connection with those forward contracts not accounted for as hedges approximated \$0.0 million and \$(0.5) million for the six months ended June 30, 2015 and 2014, respectively, offsetting gains (losses) on our intercompany receivables of \$(0.3) million and \$0.2 million for the six months ended June 30, 2015 and 2014, respectively. These gains and losses have been recorded in selling and administrative expense in the consolidated condensed statements of comprehensive income.

We record these forward foreign exchange contracts at fair value; the following tables summarize the fair value for forward foreign exchange contracts outstanding at June 30, 2015 and December 31, 2014:

	<b>Asset Balance Sheet Location</b>	<b>Fair Value</b>	<b>Liabilities Balance Sheet Location</b>	<b>Fair Value</b>	<b>Net Fair Value</b>
<b>June 30, 2015</b>					
Derivatives designated as hedged instruments:					
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 5,127	Prepaid expenses and other current assets	\$ (875)	\$ 4,252
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Prepaid expenses and other current assets	—	Prepaid expenses and other current assets	(36)	(36)
<b>Total derivatives</b>		\$ 5,127		\$ (911)	\$ 4,216

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December 31, 2014	Asset Balance Sheet Location	Fair Value	Liabilities Balance Sheet Location	Fair Value	Net Fair Value
Derivatives designated as hedged instruments:					
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 6,167	Prepaid expenses and other current assets	\$ (971)	\$ 5,196
Derivatives not designated as hedging instruments:					
Foreign exchange contracts	Prepaid expenses and other current assets	44	Prepaid expenses and other current assets	(61)	(17)
<b>Total derivatives</b>		<b>\$ 6,211</b>		<b>\$ (1,032)</b>	<b>\$ 5,179</b>

Our forward foreign exchange contracts are subject to a master netting agreement and qualify for netting in the consolidated balance sheets. Accordingly, at June 30, 2015 and December 31, 2014, we have recorded the net fair value of \$4.2 million and \$5.2 million, respectively, in prepaid expenses and other current assets.

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

**Valuation Hierarchy.** A valuation hierarchy was established for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves and credit risks or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. There have been no significant changes in the assumptions since the EndoDynamix, Inc. acquisition.

**Valuation Techniques.** Assets and liabilities carried at fair value and measured on a recurring basis as of June 30, 2015 consist of forward foreign exchange contracts and contingent liabilities associated with the EndoDynamix, Inc. acquisition as further described in Note 7. The Company values its forward foreign exchange contracts using quoted prices for similar assets. The most significant assumption is quoted currency rates. The value of the forward foreign exchange contract assets and liabilities were determined within Level 2 of the valuation hierarchy and are listed in the table above.

The EndoDynamix, Inc. acquisition involves the potential for the payment of future contingent consideration upon the achievement of certain product development milestones and revenue based payments as further described in Note 7. Contingent consideration is recorded at the estimated fair value of the contingent milestone and revenue based payments on the acquisition date. The fair value of the contingent consideration is remeasured at the estimated fair value at each reporting period with the change in fair value recognized as income or expense within selling and administrative expenses in the consolidated condensed statements of comprehensive income. We measure the initial liability and remeasure the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements.

The carrying amounts reported in our consolidated condensed balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximate fair value.

**Note 5 - Inventories**

Inventories consist of the following:

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	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Raw materials	\$ 44,035	\$ 44,847
Work-in-process	15,925	13,876
Finished goods	89,220	89,426
Total	<u>\$ 149,180</u>	<u>\$ 148,149</u>

**Note 6 – Earnings Per Share**

Basic earnings per share (“basic 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 stock options, restricted stock units, performance share units and stock appreciation rights during the period. The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2015 and 2014.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income	<u>\$ 7,461</u>	<u>\$ 10,255</u>	<u>\$ 13,773</u>	<u>\$ 18,881</u>
Basic – weighted average shares outstanding	27,620	27,257	27,603	27,303
Effect of dilutive potential securities	<u>237</u>	<u>496</u>	<u>236</u>	<u>500</u>
Diluted – weighted average shares outstanding	<u>27,857</u>	<u>27,753</u>	<u>27,839</u>	<u>27,803</u>
Net income				
Basic (per share)	\$ 0.27	\$ 0.38	\$ 0.50	\$ 0.69
Diluted (per share)	0.27	0.37	0.49	0.68

The shares used in the calculation of diluted EPS exclude options and SARs to purchase shares where the exercise price was greater than the average market price of common shares for the period and the effect of the inclusion would be antidilutive. Such shares were not material in the three and six months ended June 30, 2015 and 2014.

**Note 7 – Goodwill and Other Intangible Assets**

The changes in the net carrying amount of goodwill for the six months ended June 30, 2015 are as follows:

Balance as of December 31, 2014	\$ 256,232
Goodwill resulting from business acquisitions	5,369
Reduction in goodwill resulting from a business acquisition purchase price allocation adjustment	(525)
Foreign currency translation	(72)
Balance as of June 30, 2015	<u>\$ 261,004</u>

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Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. During the six months ended June 30, 2015, the Company entered into three acquisitions totaling a cash purchase price of \$6.1 million. Goodwill resulting from business acquisitions in the six months ended June 30, 2015 amounted to \$5.4 million. The allocation of purchase price is preliminary and therefore subject to adjustment in future periods. The purchase price in a prior acquisition was allocated based on information available at the acquisition date. During the quarter ended March 31, 2015, we recorded a measurement period adjustment, which reduced goodwill by \$0.5 million. The amount was not considered material and therefore prior periods have not been revised.

Other intangible assets consist of the following:

	June 30, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortized intangible assets:</b>				
Customer relationships	\$ 136,898	\$ (62,097)	\$ 136,126	\$ (59,707)
Promotional, marketing and distribution rights	149,376	(21,000)	149,376	(18,000)
Patents and other intangible assets	63,396	(41,989)	63,464	(41,363)
<b>Unamortized intangible assets:</b>				
Trademarks and tradenames	86,544	—	86,544	—
	<u>\$ 436,214</u>	<u>\$ (125,086)</u>	<u>\$ 435,510</u>	<u>\$ (119,070)</u>

Customer relationships, trademarks and tradenames and patents and other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. Promotional, marketing and distribution rights represent intangible assets created under our Sports Medicine Joint Development and Distribution Agreement (the "JDDA") with Musculoskeletal Transplant Foundation ("MTF").

On January 3, 2012, the Company entered into the JDDA with MTF to obtain MTF's worldwide promotion rights with respect to allograft tissues within the field of sports medicine and related products. The initial consideration from the Company included a \$63.0 million up-front payment for the rights and certain assets, with an additional \$84.0 million contingently payable over a four year period depending on MTF meeting supply targets for tissue. On January 5, 2015 and January 3, 2014, we paid equal installments of \$16.7 million and on January 3, 2013, we paid \$34.0 million of the additional consideration. The remaining \$16.7 million of the additional consideration is due in January 2016 and is accrued in other current liabilities as we believe it is probable MTF will meet the supply targets.

On July 30, 2014, the Company purchased the stock of EndoDynamix, Inc., a developer of minimally invasive surgical instruments. The purchase price included \$13.9 million in contingent consideration based upon certain milestones being achieved totaling \$10.3 million and future royalties to be incurred of \$3.6 million. Contingent consideration was valued using a discounted cash flow method. We paid \$3.7 million of the milestone payment on October 17, 2014 and another \$2.4 million payment on April 13, 2015. We expect the remaining milestones to be achieved and paid in 2016. We expect the royalty payments to be made between 2016 and 2021. The remaining contingent consideration totaled \$7.8 million as of June 30, 2015.

Amortization expense related to intangible assets which are subject to amortization totaled \$3.1 million and \$3.3 million in the three months ended June 30, 2015 and 2014, respectively, and \$6.4 million and \$6.5 million in the six months ended June 30, 2015 and 2014, respectively, and is included as a reduction of revenue (for amortization related to our promotional, marketing and distribution rights) and in selling and administrative expense (for all other intangible assets) in the consolidated condensed statements of comprehensive income. The weighted average amortization period for intangible assets which are amortized is 27

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years. Customer relationships are being amortized over a weighted average life of 33 years. Promotional, marketing and distribution rights are being amortized over a weighted average life of 25 years. Patents and other intangible assets are being amortized over a weighted average life of 14 years. Included in patents and other intangible assets at June 30, 2015 is an in-process research and development asset related to the EndoDynamix, Inc. acquisition that is not currently amortized.

The estimated intangible asset amortization expense for the year ending December 31, 2015, including the six month period ended June 30, 2015 and for each of the five succeeding years is as follows:

	Amortization included in expense	Amortization recorded as a reduction of revenue	Total
2015	\$ 6,542	\$ 6,000	\$ 12,542
2016	7,017	6,000	13,017
2017	7,479	6,000	13,479
2018	7,423	6,000	13,423
2019	7,423	6,000	13,423
2020	7,455	6,000	13,455

**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 six months ended June 30, are as follows:

	2015	2014
Balance as of January 1,	\$ 2,286	\$ 2,422
Provision for warranties	1,950	1,736
Claims made	(1,716)	(1,815)
Balance as of June 30,	\$ 2,520	\$ 2,343

**Note 9 – Pension Plan**

Net periodic pension (income) cost consists of the following:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Service cost	\$ 52	\$ 72	\$ 120	\$ 145
Interest cost on projected benefit obligation	810	877	1,697	1,753
Expected return on plan assets	(1,380)	(1,496)	(2,849)	(2,992)
Net amortization and deferral	805	427	1,617	855
Net periodic pension (income) cost	\$ 287	\$ (120)	\$ 585	\$ (239)

We do not expect to make any pension contributions during 2015.

**Note 10 – Restructuring and Other Expense**

Restructuring and other expense consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Restructuring costs included in cost of sales	\$ 1,534	\$ 1,358	\$ 3,863	\$ 2,306
Restructuring costs	\$ 2,284	\$ 494	\$ 8,464	\$ 1,207
Patent dispute and other matters	—	1,410	—	3,304
Shareholder activism costs	—	935	—	1,525
Restructuring and other expense included in selling and administrative expense	\$ 2,284	\$ 2,839	\$ 8,464	\$ 6,036

During the three and six months ended June 30, 2014, we incurred \$0.0 million and \$1.9 million, respectively, in legal fees associated with a patent infringement claim, including \$0.9 million in settlement costs during the first quarter of 2014. In addition, the three and six months ended June 30, 2014 included \$1.4 million in consulting fees and costs associated with a legal matter in which we prevailed at trial.

During the three and six months ended June 30, 2014, we incurred \$0.9 million and \$1.5 million, respectively, in consulting fees related to shareholder activism.

During 2015 and 2014, we continued our operational restructuring plan. In 2015, we continued the consolidation of our Centennial, Colorado manufacturing operations into other existing CONMED manufacturing facilities. We expect our Centennial, Colorado consolidation to be completed over the next 6 months. During 2014 we completed the consolidation of our Finland operations into our Largo, Florida and Utica, New York manufacturing facilities and the consolidation of our Westborough, Massachusetts manufacturing operations into our Largo, Florida and Chihuahua, Mexico facilities. We incurred \$1.5 million and \$1.4 million in costs associated with the operational restructuring during the three months ended June 30, 2015 and 2014, respectively, and \$3.9 million and \$2.3 million during the six months ended June 30, 2015 and 2014, respectively. These costs were charged to cost of sales and include severance and other charges associated with the consolidation of our Finland, Westborough, Massachusetts and Centennial, Colorado operations.

During 2015 and 2014, we restructured certain selling and administrative functions and incurred severance and other related costs in the amount of \$2.3 million and \$0.5 million for the three months ended June 30, 2015 and 2014, respectively, and \$8.5 million and \$1.2 million for the six months ended June 30, 2015 and 2014, respectively.

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We have recorded an accrual in current and other long term liabilities of \$7.7 million at June 30, 2015 mainly related to severance and lease impairment costs associated with the restructuring. Below is a rollforward of the accrual:

Balance as of January 1, 2015	\$	8,254
Expenses incurred		3,979
Payments made		(4,549)
Balance at June 30, 2015	\$	<u>7,684</u>

**Note 11 — Business Segments**

We are accounting and reporting for our business as a single operating segment entity engaged in the development, manufacturing and sale on a global basis of surgical devices and related equipment. Our chief operating decision maker (the CEO) evaluates the various global product portfolios on a net sales basis and evaluates profitability, investment and cash flow metrics on a consolidated worldwide basis due to shared infrastructure and resources.

Our product lines consist of orthopedic surgery, general surgery and surgical visualization. Orthopedic surgery consists of sports medicine instrumentation and small bone, large bone and specialty powered surgical instruments and service fees related to the promotion and marketing of sports medicine allograft tissue. General surgery consists of a complete line of endo-mechanical instrumentation for minimally invasive laparoscopic and gastrointestinal procedures, a line of cardiac monitoring products as well as electrosurgical generators and related instruments. Surgical visualization consists of imaging systems for use in minimally invasive orthopedic and general surgery procedures including 2DHD and 3DHD vision technologies. These product lines' net sales are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Orthopedic surgery	\$ 96,801	\$ 102,362	\$ 195,398	\$ 208,310
General surgery	71,111	70,745	137,173	134,205
Surgical visualization	13,115	15,043	26,396	27,576
Consolidated net sales	<u>\$ 181,027</u>	<u>\$ 188,150</u>	<u>\$ 358,967</u>	<u>\$ 370,091</u>

**Note 12 – Legal Proceedings**

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

Manufacturers of medical products may face exposure to significant product liability claims. To date, we have not experienced any product liability claims that have been material to our financial statements or financial condition, but any such

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claims arising in the future could have a material adverse effect on our business or results of operations. We currently maintain commercial product liability insurance of \$25 million per incident and \$25 million in the aggregate annually, which we believe is adequate. This coverage is on a claims-made basis. There can be no assurance that claims will not exceed insurance coverage, that the carriers will be solvent or that such insurance will be available to us in the future at a reasonable cost.

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

During the third quarter of 2013, the U.S. Food and Drug Administration ("FDA") inspected our Centennial, Colorado manufacturing facility and issued a Form 483 with observations on September 20, 2013. We subsequently submitted responses to the Observations and the FDA issued a Warning Letter on January 30, 2014 relating to the inspection and the responses to the Form 483 Observations. Accordingly, we undertook corrective actions. During the fourth quarter of 2014, the FDA again inspected our Centennial, Colorado manufacturing facility and, on November 18, 2014, issued a Form 483 with eight observations, three of which the FDA characterized as repeat observations. On December 10, 2014, we responded to the Form 483 Observations. We have received some additional questions from the FDA and have responded to these questions. The remediation costs to date have not been material, although there can be no assurance that a future inspection by the FDA will not result in an additional Form 483 or warning letter, or other regulatory actions, which may include consent decrees or fines that could be material.

### **Note 13 – New Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers". This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2017 and early adoption is permitted as of January 1, 2017. We plan to adopt this ASU on January 1, 2018. The new standard will become effective beginning with the first quarter of 2018 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is currently evaluating both the impact of adopting this new guidance on the consolidated financial statements and the method of adoption.

The Company does not believe there are any other new accounting pronouncements that would have a material impact on its financial position or results of operations.

### **Note 14 - Income Taxes**

A provision for income taxes has been recorded at an effective tax rate of 32.6% for the six months ended June 30, 2015 compared to the 37.5% effective tax rate recorded in the same period a year ago due to tax legislation changes. In New York State, corporate tax reform enacted in March 2014 changed the tax rate of a manufacturing company such as CONMED to essentially 0%. While this will be positive for the future, previously recorded New York State deferred tax assets of \$2.3 million that would have been used to offset taxes otherwise payable, no longer had value due to a zero percent tax rate. Accordingly, we had written off these New York State tax assets as a non-cash charge to income tax expense in the six months ended June 30, 2014.

### **Note 15 - Amended and Restated Senior Credit Agreement**

On April 28, 2015 we entered into an amended and restated \$450.0 million senior credit agreement (the "amended and restated senior credit agreement"). The amended and restated senior credit agreement consists of a \$450.0 million revolving credit facility expiring on April 28, 2020. The amended and restated senior credit agreement was used to repay borrowings outstanding on the revolving credit facility under the then existing senior credit agreement. Initial interest rates are at LIBOR plus 1.50% (1.69% at June 30, 2015) 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, the Federal Funds Rate in effect on such date plus 0.50%, or the one month Eurocurrency rate plus 1%, plus an additional margin of 0.50%. The agreement also contains customary covenants and restrictions, all of which the Company was in full compliance with as of June 30, 2015.



**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, 2014 and the following, among others:

- general economic and business conditions;
- changes in foreign exchange and interest rates;
- cyclical customer purchasing patterns due to budgetary and other constraints;
- changes in customer preferences;
- competition;
- changes in technology;
- the introduction and acceptance of new products;
- the ability to evaluate, finance and integrate acquired businesses, products and companies;
- 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;
- quality of our management and business abilities and the judgment of our personnel;
- the availability, terms and deployment of capital;
- the risk of litigation, especially patent litigation, as well as the cost associated with patent and other litigation;
- the risk of a lack of allograft tissue due to reduced donations of such tissues or due to tissues not meeting the appropriate high standards for screening and/or processing of such tissues; and
- compliance with and changes in regulatory requirements.

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, 2014 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 that provides surgical devices and equipment for minimally invasive procedures. The Company's products are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery and gastroenterology. These product lines as a percentage of consolidated net sales are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Orthopedic surgery	53.5%	54.4%	54.4%	56.2%
General surgery	39.3%	37.6%	38.2%	36.3%
Surgical visualization	7.2%	8.0%	7.4%	7.5%
Consolidated net sales	100.0%	100.0%	100.0%	100.0%

A significant amount of our products are used in surgical procedures with approximately 80% of our revenues derived from the sale of single-use products. Our capital equipment offerings also facilitate the ongoing sale of related single-use products and accessories, thus providing us with a recurring revenue stream. We manufacture substantially all of our products in facilities located in the United States and Mexico. We market our products both domestically and internationally directly to customers and through distributors. International sales approximated 51% during the three and six months ended June 30, 2015.

### Business Environment

2014 brought with it a year of change for CONMED Corporation. As discussed more fully in our Annual Report on Form 10-K, we have had many changes in senior management and the Board of Directors of the Company.

As a result of these changes, there is a renewed focus on research and development initiatives and our new leadership has been overhauling much of our U.S. selling effort including the combination of our Advanced Energy and Endomechanical sales forces into a new Advanced Surgical sales force and an expanded Orthopedic sales force with new sales management. We believe these changes and others will enable us to leverage our extensive product portfolio and sales and marketing infrastructure and lead to enhanced customer focus and improved sales performance. We will look to further expand our footprint through organic growth and acquisitions that fit into our business model.

We are continuing our efforts to restructure and streamline both our operations and administrative functions in an effort to make our organization more efficient and to reduce costs. These efforts include the ongoing restructuring plan to consolidate our Centennial, Colorado manufacturing operation into other CONMED facilities which we expect to complete by the end of the year.

Finally, our facilities are subject to periodic inspection by the United States Food and Drug Administration (“FDA”) and foreign regulatory agencies or notified bodies for, among other things, conformance to Quality System Regulation and Current Good Manufacturing Practice (“CGMP”) requirements and foreign or international standards. During the third quarter of 2013, the FDA inspected our Centennial, Colorado manufacturing facility and issued a Form 483 with observations on September 20, 2013. We subsequently submitted responses to the Observations, and the FDA issued a Warning Letter on January 30, 2014 relating to the inspection and the responses to the Form 483 Observations. Accordingly, we undertook corrective actions. During the fourth quarter of 2014, the FDA again inspected our Centennial, Colorado manufacturing facility and, on November 18, 2014, issued a Form 483 with eight observations, three of which the FDA characterized as repeat observations. On December 10, 2014, we responded to the Form 483 Observations. We have received some additional questions from the FDA and have responded to these questions. The remediation costs to date have not been material, although there can be no assurance that responding to the Form 483 observations or a future inspection by the FDA will not result in an additional Form 483 or warning letter, or other regulatory actions, which may include consent decrees or fines.

### Critical Accounting Policies

Preparation of our financial statements requires us to make estimates and assumptions which 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, 2014 describes the significant accounting policies used in preparation of the Consolidated Financial Statements. On an ongoing basis, we evaluate the critical accounting policies used to prepare our consolidated financial statements, including, but not limited to, those related to:

- revenue recognition;
- inventory valuation;

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- goodwill and intangible assets;
- pension plan;
- stock-based compensation costs; and
- income taxes.

There have been no material changes in these aforementioned critical accounting policies.

### Consolidated Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	48.4	46.3	48.2	45.0
Gross profit	51.6	53.7	51.8	55.0
Selling and administrative expense	40.6	41.6	41.3	42.3
Research and development expense	4.1	3.6	3.9	3.7
Income from operations	6.9	8.5	6.6	9.0
Interest expense	0.8	0.8	0.8	0.8
Income before income taxes	6.1	7.7	5.8	8.2
Provision for income taxes	1.9	2.2	1.9	3.1
Net income	4.2%	5.5%	3.9%	5.1%

### Sales

Sales for the three months ended June 30, 2015 were \$181.0 million, a decrease of \$7.2 million (-3.8%) compared to sales of \$188.2 million in the three months ended June 30, 2014 with decreases in our orthopedic surgery and surgical visualization products offset by increases in our general surgery products. Sales for the six months ended June 30, 2015 were \$359.0 million, a decrease of \$11.1 million (-3.0%) compared to sales of \$370.1 million in the six months ended June 30, 2014 with decreases in our orthopedic surgery and surgical visualization products offset by increases in our general surgery products. In constant currency, excluding the effects of the hedging program, sales decreased 0.4% and increased 0.2% for the three and six months ended June 30, 2015, respectively, from the same periods one year ago. Sales of capital equipment decreased \$2.3 million (-6.1%) to \$35.7 million in the three months ended June 30, 2015 from \$38.0 million in the three months ended June 30, 2014; sales of single-use products decreased \$4.9 million (-3.2%) to \$145.3 million in the three months ended June 30, 2015 from \$150.2 million in the three months ended June 30, 2014. Sales of capital equipment remained flat at \$73.5 million in the six months ended June 30, 2015 and 2014; sales of single-use products decreased \$11.1 million (-3.7%) to \$285.5 million in the six months ended June 30, 2015 from \$296.6 million in the six months ended June 30, 2014. On a constant currency basis, excluding the effects of our hedging program, sales of capital equipment decreased 2.8% and increased 3.2% for the three and six months ended June 30, 2015, respectively, and single-use products increased 0.2% and decreased 0.6% for the three and six months ended June 30, 2015, respectively, from the same periods one year ago.

- Orthopedic surgery sales decreased \$5.6 million (-5.4%) to \$96.8 million in the three months ended June 30, 2015 from \$102.4 million in the three months ended June 30, 2014 due to lower sales in our resection product offerings and powered instrument burs and blades. For the six months ended June 30, 2015 sales decreased \$12.9 million (-6.2%) to \$195.4 million from \$208.3 million in the six months ended June 30, 2014 mainly due to lower sales in our procedure specific and resection product offerings as well as our powered instrument burs and blades. In constant currency, excluding the effects of the hedging program, sales decreased 1.0% and 2.1% in the three and six months ended June 30, 2015, respectively, from the same periods one year ago.

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- General surgery sales increased \$0.4 million (0.5%) in the three months ended June 30, 2015 to \$71.1 million from \$70.7 million in the three months ended June 30, 2014 and increased \$3.0 million (2.2%) in the six months ended June 30, 2015 to \$137.2 million from \$134.2 million in the six months ended June 30, 2014. The increase in the three and six months ended June 30, 2015 is due to higher sales in our advanced surgical and critical care product offerings. In constant currency, excluding the effects of the hedging program, sales increased 2.3% and 3.9% in the three and six months ended June 30, 2015, respectively, from the same periods one year ago.
- Surgical visualization sales decreased \$2.0 million (-12.8%) in the three months ended June 30, 2015 to \$13.1 million from \$15.1 million in the three months ended June 30, 2014 and decreased \$1.2 million (-4.3%) in the six months ended June 30, 2015 to \$26.4 million from \$27.6 million in the six months ended June 30, 2014. The decrease is mainly due to the discontinuation of an OEM video system in our export business. In constant currency, excluding the effects of the hedging program, sales decreased 9.4% and 1.0% in the three and six months ended June 30, 2015, respectively, from the same periods one year ago.

### **Cost of Sales**

Cost of sales increased to \$87.5 million in the three months ended June 30, 2015 as compared to \$87.1 million in the three months ended June 30, 2014. Cost of sales increased to \$173.2 million in the six months ended June 30, 2015 as compared to \$166.5 million in the six months ended June 30, 2014. Gross profit margins decreased 2.1 percentage points to 51.6% in the three months ended June 30, 2015 as compared to 53.7% in the three months ended June 30, 2014. The decrease in gross profit margins of 2.1 percentage points in the three months ended June 30, 2015 is a result of the impact of unfavorable foreign currency exchange rates on sales (1.6 percentage points), expensing unfavorable production variances (0.4 percentage points) and product mix (0.1 percentage points). Gross profit margins decreased 3.2 percentage points to 51.8% in the six months ended June 30, 2015 as compared to 55.0% in the six months ended June 30, 2014. The decrease in gross profit margins of 3.2 percentage points in the six months ended June 30, 2015 is a result of the impact of unfavorable foreign currency exchange rates on sales (1.5 percentage points), expensing unfavorable production variances (1.0 percentage points), higher costs associated with the operational restructuring (0.5 percentage points) and product mix (0.2 percentage points).

### **Selling and Administrative Expense**

Selling and administrative expense decreased to \$73.6 million in the three months ended June 30, 2015 as compared to \$78.2 million in the three months ended June 30, 2014. Selling and administrative expense as a percentage of net sales decreased to 40.6% in the three months ended June 30, 2015 as compared to 41.6% in the three months ended June 30, 2014 due to the restructuring across our selling and administrative functions during 2014 and the first two quarters of 2015, lower medical device tax, lower benefit costs, and 2014 including costs associated with a legal matter in which we prevailed at trial and shareholder activism related charges. Selling and administrative expense decreased to \$148.4 million in the six months ended June 30, 2015 as compared to \$156.6 million in the six months ended June 30, 2014. Selling and administrative expense as a percentage of net sales decreased to 41.3% in the six months ended June 30, 2015 as compared to 42.3% in the six months ended June 30, 2014 mainly due to the restructuring across our selling and administrative functions during 2014 and the first two quarters of 2015, lower medical device tax, lower benefit costs, and 2014 including legal fees associated with a patent infringement claim that we settled in the first quarter of 2014 as well as costs associated with a legal matter in which we prevailed at trial in the 2014 period and shareholder activism related charges in the 2014 period.

### **Research and Development Expense**

Research and development expense increased to \$7.5 million in the three months ended June 30, 2015 as compared to \$6.9 million in the three months ended June 30, 2014 and \$14.0 million in the six months ended June 30, 2015 as compared to \$13.8 million in the six months ended June 30, 2014. As a percentage of net sales, research and development expense increased 0.5 percentage points to 4.1% in the three months ended June 30, 2015 as compared to 3.6% in the three months ended June 30, 2014 and 0.2 percentage points to 3.9% in the six months ended June 30, 2015 as compared to 3.7% in the six months ended June 30, 2014. The increase is mainly a result of the timing of development projects.

### **Interest Expense**

Interest expense remained relatively flat at \$1.5 million in the three months ended June 30, 2015 as compared to \$1.6 million in the three months ended June 30, 2014 and \$2.9 million in the six months ended June 30, 2015 as compared to \$3.0 million in the six months ended June 30, 2014. The weighted average interest rates on our borrowings decreased to 2.19% in the three months ended June 30, 2015 as compared to 2.49% in the three months ended June 30, 2014. The weighted average interest

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rates on our borrowings decreased to 2.19% in the six months ended June 30, 2015 as compared to 2.43% in the six months ended June 30, 2014.

### **Provision for Income Taxes**

A provision for income taxes has been recorded at an effective tax rate of 31.7% for the three months ended June 30, 2015 compared to the 28.6% effective tax rate recorded in the three months ended June 30, 2014. The increase is mainly due to benefits recorded in the quarter ended June 30, 2014 related to settlements with taxing authorities. A provision for income taxes has been recorded at an effective tax rate of 32.6% for the six months ended June 30, 2015 compared to the 37.5% effective tax rate recorded in the six months ended June 30, 2014 due to tax legislation changes. In New York State, corporate tax reform enacted in March 2014 changed the tax rate of a manufacturing company such as CONMED to essentially 0%. While this will be positive for the future, previously recorded New York State deferred tax assets of \$2.3 million that would have been used to offset taxes otherwise payable, no longer had value due to a zero percent tax rate. Accordingly, we had written off these New York State tax assets as a non-cash charge to income tax expense in the quarter ended March 31, 2014. 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, 2014, Note 6 to the Consolidated Financial Statements.

### **Liquidity and Capital Resources**

Our liquidity needs arise primarily from capital investments, working capital requirements and payments on indebtedness under the amended and restated senior credit agreement, described below. We have historically met these liquidity requirements with funds generated from operations and borrowings under our revolving credit facility. In addition, we have historically used term borrowings, including borrowings under the amended and restated 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 believe that our cash on hand, cash from operating activities and proceeds from our amended and restated senior credit agreement provide us with sufficient financial resources to meet our anticipated capital requirements and obligations as they come due for the foreseeable future.

#### **Operating cash flows**

Our net working capital position was \$264.4 million at June 30, 2015. Net cash provided by operating activities was \$25.1 million and \$24.9 million in the six months ended June 30, 2015 and 2014, respectively, generated on net income of \$13.8 million and \$18.9 million for the six months ended June 30, 2015 and 2014, respectively.

#### **Investing cash flows**

Net cash used in investing activities in the six months ended June 30, 2015 consisted of capital expenditures, cash paid for business acquisitions and the purchase of a distributor. Capital expenditures were \$7.8 million and \$8.6 million in the six months ended June 30, 2015 and 2014, respectively, and are expected to approximate \$16.0 million in 2015. Payments related to acquiring businesses and a distributor resulted in a \$6.1 million use of cash.

#### **Financing cash flows**

Financing activities in the first six months of 2015 resulted in a use of cash of \$11.1 million compared to \$11.3 million in the same period a year ago. This lower use of cash was a result of the Company repurchasing \$16.9 million of common stock in 2014, and did not have any repurchases in 2015. Offsetting this were lower borrowings on our revolving credit facility under our amended and restated senior credit agreement in 2015 at \$19.0 million compared to \$31.0 million in 2014; a milestone payment of \$2.4 million associated with the EndoDynamix acquisition; proceeds from the issuance of common stock under our equity compensation plans and employee stock purchase plan of \$0.5 million in 2015 compared to \$1.0 million in 2014 and payments related to issuance of debt were \$1.4 million in 2015. Other uses of cash also included a \$16.7 million payment in both 2015 and 2014 associated with the distribution and development agreement with MTF; dividend payments related to our common stock remained the same in both 2015 and 2014 at \$11.0 million and payments on our mortgage were \$0.6 million in both 2015 and 2014.

On April 28, 2015, we entered into an amended and restated \$450.0 million senior credit agreement (the "amended and restated senior credit agreement"). The amended and restated senior credit agreement consists of a \$450.0 million revolving credit facility expiring on April 28, 2020. The amended and restated senior credit agreement was used to repay borrowings outstanding on the revolving credit facility under the then existing senior credit agreement. Initial interest rates are at LIBOR plus 1.50% (1.69% at June 30, 2015) or an alternative base rate. For those borrowings where we elect to use the alternative base rate, the base

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rate will be the greater of the Prime Rate, the Federal Funds Rate in effect on such date plus 0.50%, or the one month Eurocurrency rate plus 1%, plus an additional margin of 0.50%. As described in Note 7, we entered into a distribution and development agreement with MTF and have \$16.7 million remaining in contingent payments. We expect to fund these payments through cash on hand and available borrowings under our revolving credit facility as the payments come due over the next year.

There were \$254.0 million in borrowings outstanding under the revolving credit facility as of June 30, 2015. Our available borrowings on the revolving credit facility at June 30, 2015 were \$190.6 million with approximately \$5.4 million of the facility set aside for outstanding letters of credit.

The amended and restated senior credit agreement is collateralized by substantially all of our personal property and assets. The senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We were in full compliance with these covenants and restrictions as of June 30, 2015. We are also required, under certain circumstances, to make mandatory prepayments from net cash proceeds from any issuance of equity and asset sales.

We have a mortgage note outstanding in connection with the Largo, Florida property and facilities bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated \$5.8 million at June 30, 2015. The mortgage note is collateralized by the Largo, Florida property and facilities.

Our Board of Directors has authorized a \$200.0 million share repurchase program. Through June 30, 2015, we have repurchased a total of 6.1 million shares of common stock aggregating \$162.6 million under this authorization and have \$37.4 million remaining available for share repurchases. We have not purchased any shares of common stock under the share repurchase program during 2015. The repurchase program calls for shares to be purchased in the open market or in private transactions from time to time. We may suspend or discontinue the share repurchase program at any time. We have financed the repurchases and may finance additional repurchases through operating cash flow and from available borrowings under our revolving credit facility.

Management believes that cash flow from operations, including cash and cash equivalents on hand and available borrowing capacity under our amended and restated 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.

### **Restructuring**

During 2015 and 2014, we continued our operational restructuring plan. In 2015, we continued the consolidation of our Centennial, Colorado manufacturing operations into other existing CONMED manufacturing facilities. We expect our Centennial, Colorado consolidation is to be completed over the next 6 months. During 2014 we completed the consolidation of our Finland operations into our Largo, Florida and Utica, New York manufacturing facilities and the consolidation of our Westborough, Massachusetts manufacturing operations into our Largo, Florida and Chihuahua, Mexico facilities. We incurred \$1.5 million and \$1.4 million in costs associated with the operational restructuring during the three months ended June 30, 2015 and 2014, respectively, and \$3.9 million and \$2.3 million during the six months ended June 30, 2015 and 2014, respectively. These costs were charged to cost of sales and include severance and other charges associated with the consolidation of our Finland, Westborough, Massachusetts and Centennial, Colorado operations.

During 2015 and 2014, we restructured certain sales, marketing and administrative functions and incurred severance and other related costs in the amount of \$2.3 million and \$0.5 million for the three months ended June 30, 2015 and 2014, respectively, and \$8.5 million and \$1.2 million for the six months ended June 30, 2015 and 2014, respectively. These costs were charged to selling and administrative expense.

We have recorded an accrual in current and other long term liabilities of \$7.7 million at June 30, 2015 mainly related to severance and lease impairment costs associated with the restructuring.

We plan to continue to restructure both operations and administrative functions as necessary throughout the organization during the remainder of 2015. As the restructuring plan progresses, we will incur additional charges, including employee termination costs and other exit costs. We estimate restructuring costs will approximate \$2.5 million to \$3.5 million, net of tax, for the remainder of 2015 which will be recorded to cost of sales and selling and administrative expense.

We expect \$3.5 million to \$4.5 million in net annual savings in cost of sales from the Centennial consolidation principally as a result of lower employee costs which is expected to result in higher earnings and cash flows in future periods when completed. These savings will not be evident until 2016 and we will incur significant costs during the restructuring as a result of severance

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and other costs associated with the restructuring. We do not anticipate any reductions in revenues associated with the Centennial consolidation.

See Note 10 to the Consolidated Condensed Financial Statements for further discussions regarding restructuring.

**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 six months ended June 30, 2015. Reference is made to Item 7A. of our Annual Report on Form 10-K for the year-ended December 31, 2014 for a description of Qualitative and Quantitative Disclosures About Market Risk.

**Item 4. Controls and Procedures**

As of the end of the period covered by this report, an evaluation was carried out by CONMED Corporation's management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our 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, 2014 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 July 24, 2015, the Company adopted the CONMED Corporation Executive Severance Plan (the "Plan"), which provides severance benefits under certain circumstances to senior executives, including the Company's executive officers, who are selected as participants by the Compensation Committee of the Board of Directors. The Plan provides different levels of benefits depending on whether a termination of employment does or does not occur within two years following a "change in control" (as defined in the Plan) or in circumstances not involving a change in control.

The payments under the plan are contingent on the participant's execution and non-revocation of a release of claims in favor of the Company, as well as compliance with one-year restrictions against competition, employee solicitation and customer solicitation and perpetual restrictions against disparagement. If any payment to a participant (whether under the Plan or otherwise) would cause a participant to become subject to the excise tax imposed under section 4999 of the Internal Revenue Code, then payments and benefits will be reduced to the amount that would not cause the participant to be subject to the excise tax if such a reduction would put the participant in a better after tax position than if the participant were to pay the tax.

The foregoing description of the Plan is qualified in its entirety by reference to the full text of the Plan, which is attached hereto as Exhibit 10.1 and incorporated by reference herein.

**Item 6. Exhibits**

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	CONMED Corporation Executive Severance Plan
31.1	Certification of Curt R. Hartman 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 Luke A. Pomilio 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	Certifications of Curt R. Hartman and Luke A. Pomilio pursuant to 18 U.S. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from CONMED Corporation's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2015 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Comprehensive Income for the three and six months ended June 30, 2015 and 2014, (ii) the Consolidated Condensed Balance Sheets at June 30, 2015 and December 31, 2014, (iii) Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 2015 and 2014, and (iv) Notes to Consolidated Condensed Financial Statements for the three and six months ended June 30, 2015. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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 on the date indicated below.

CONMED CORPORATION

By: /s/ Luke A. Pomilio

Luke A. Pomilio

Executive Vice President, Finance and  
Chief Financial Officer

Date:

July 27, 2015

**Exhibit Index**

<b><u>Exhibit</u></b>		<b><u>Sequential Page Number</u></b>
10.1	CONMED Corporation Executive Severance Plan	E-1
31.1	Certification of Curt R. Hartman 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-10
31.2	Certification of Luke A. Pomilio 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-11
32.1	Certifications of Curt R. Hartman and Luke A. Pomilio pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	E-12
101	The following materials from CONMED Corporation's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2015 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Comprehensive Income for the three and six months ended June 30, 2015 and 2014, (ii) the Consolidated Condensed Balance Sheets at June 30, 2015 and December 31, 2014, (iii) Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 2015 and 2014, and (iv) Notes to Consolidated Condensed Financial Statements for the three and six months ended June 30, 2015. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.	

## CONMED CORPORATION EXECUTIVE SEVERANCE PLAN

1. *Purpose.* The purpose of this Conmed Corporation Executive Severance Plan (this “**Plan**”) is to retain certain senior executives of the Company by reason of providing appropriate severance benefits and to ensure their continued dedication to their duties in after the event of a Change in Control (as defined in Section 24 below).

2. *Eligible Participants.* Employees participating in the Plan (each, a “**Participant**”) will be those senior executives who are selected by the Compensation Committee of the Company’s Board of Directors (the “**Committee**”) in its sole discretion and designated as a Participant.

3. *Payments Upon a Qualifying Termination of Employment.*

(a) **Qualifying Termination - No Change in Control.** If, prior to or more than two (2) years following a Change in Control, the employment of the Participant is terminated under circumstances constituting a Qualifying Termination, then, subject to the Participant’s execution of a Release as set forth in Section 4 below, the Company shall provide to the Participant:

- (i) a lump sum cash payment equal to the result of multiplying the Participant’s Base Salary by the applicable Severance Multiple;
- (ii) a lump sum cash payment equal to the result of multiplying the average of the Participant’s Annual Incentive Award earned for the two completed fiscal years immediately preceding the year of the Participant’s Date of Termination by the applicable Severance Multiple; and
- (iii) if, under Section 4980B(f) of the Code, the Participant timely elects continuation coverage in the Company’s group health plans in which the Participant participates immediately prior to his or her Date of Termination, Participant, his or her spouse and his or her dependents will continue to be entitled to participate in such group health plans, to the extent permitted by the Patient Protection and Affordable Care Act of 2010, at the same rate as paid by similarly situated employees from time to time, for the maximum period permitted under Section 4980B(f) of the Code.

The cash payments specified in paragraphs (i) and (ii) of this Section 3(b) shall be paid no later than the sixtieth (60<sup>th</sup>) day (or the next following business day if the sixtieth (60<sup>th</sup>) day is not a business day) following the Date of Termination.

(b) **Qualifying Termination After a Change in Control.** If, during the two (2)-year period following a Change in Control, the employment of the Participant is terminated under circumstances constituting a Qualifying Termination, then, subject to the Participant’s execution of a Release as set forth in Section 4 below, the Company shall provide to the Participant:

- (i) a lump sum cash payment equal to the result of multiplying the Participant’s Base Salary by the applicable Severance Multiple;
- (ii) a lump sum cash payment equal to the result of multiplying the average of the Participant’s Annual Incentive Award earned for the three completed fiscal years immediately preceding the year of the Participant’s Date of Termination by the applicable Severance Multiple; and
- (iii) if, under Section 4980B(f) of the Code, the Participant timely elects continuation coverage in the Company’s group health plans in which the Participant participates immediately prior to his or her Date of Termination, Participant, his or her spouse and his or her dependents will continue to be entitled to participate in such group health plans, to the extent permitted by the Patient Protection and Affordable Care Act of 2010, at the same rate as paid by similarly situated employees from time to time, for the maximum period permitted under Section 4980B(f) of the Code.

The cash payments specified in paragraphs (i) and (ii) of this Section 3(b) shall be paid no later than the sixtieth (60<sup>th</sup>) day (or the next following business day if the sixtieth (60<sup>th</sup>) day is not a business day) following the Date of Termination.

(c) Except as otherwise expressly provided pursuant to this Plan, this Plan shall be construed and administered in a manner which avoids duplication of compensation and benefits which may be provided under any other plan, program, policy, or other arrangement or individual contract or under any statute, rule or regulation. In the event a Participant is covered by any other plan, program, policy, individually negotiated agreement or other arrangement, in effect as of his or her Date of Termination, that may duplicate the payments and benefits provided for in this Section 3, the Committee is specifically empowered to reduce or eliminate the duplicative benefits provided for under the Plan.

4. Release. A Participant's receipt of payments and benefits under Section 3 above will be conditioned on the Participant's execution of a Release of claims in a form acceptable to the Company (a "**Release**"), which shall be provided to the Participant no later than five (5) days after the Date of Termination and must be executed by the Participant, become effective and not be revoked by the Participant by the sixtieth (60<sup>th</sup>) day following the Date of Termination.

5. Withholding Taxes. The Company shall withhold from all payments due to the Participant (or his beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

6. Expenses. If any contest or dispute shall arise under this Plan involving termination of a Participant's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, each party shall be responsible for its own legal fees and related expenses, if any, incurred in connection with such contest or dispute; provided, however, that, with respect to any contest or dispute arising after a Change in Control, in the event the Participant substantially prevails with respect to such contest or dispute, the Company shall reimburse the Participant on a current basis for all reasonable legal fees and related expenses incurred by the Participant in connection with such contest or dispute, which reimbursement shall be made within thirty (30) days after the date the Company receives the Participant's statement for such fees and expenses.

7. No Guarantee of Continued Employment. Nothing in this Plan will be deemed to entitle the Participant to continued employment with the Company or its Subsidiaries.

8. Restrictive Covenants.

(a) **Noncompetition**. If a Participant's employment is terminated in accordance with Section 3 of this Plan, then during the one-year period immediately following such Participant's Date of Termination (the "**Restricted Period**"), such Participant shall not, directly or indirectly own, manage, control, participate in, consult with, render services for, or in any manner engage in a Competitive Enterprise. Notwithstanding the foregoing, a Participant's holding of up to a 1% equity, voting or profit participation interest in a Competitive Enterprise shall not be deemed to be a violation of this Section 8(a). For purposes of this Agreement, a "**Competitive Enterprise**" is (i) any business competing with the businesses of the Company or any of its Subsidiaries, or (ii) any business in which the Company or any of its Subsidiaries has entertained discussions or has requested and received information relating to the acquisition of such business by the Company or any of its Subsidiaries during the six-month period immediately preceding the Participant's termination of employment.

(b) **Nonsolicitation**. During the Restricted Period, a Participant shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Company or any of its Subsidiaries to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company and any of its Subsidiaries and any employee thereof, (ii) hire any person who was an employee of the Company or any of its Subsidiaries within 180 days prior to the date of hire, or (iii) solicit or attempt to solicit or induce or attempt to induce any customer, supplier, licensee or other business relation of the Company or any of its Subsidiaries to transact business with a Competitive Enterprise or to cease doing business with the Company or such Subsidiary or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company and any Subsidiary.

(c) **Non-Disparagement**. In the event a Participant's employment is terminated in accordance with Section 3 of this Plan, the Participant shall not make any statement that would libel, slander or disparage the Company, any of its Subsidiaries or their respective past or present officers, directors, employees or agents. Nothing herein shall prevent such Participant from responding accurately and fully to any question, inquiry or request for information when required by legal process; provided, however, that the Participant shall provide the Company with reasonable prior written notice before responding to such a question, inquiry or request, unless such notice to the Company is prohibited under applicable law.

(d) **Enforcement**. If, at the time of enforcement of this Section 8, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be

allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Because each Participant's services are unique, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Section 8. Therefore, in the event a breach or threatened breach of this Section 8, the Company and its Subsidiaries and any of their respective successors and assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

9. Section 280G of the Code.

(a) In the event that any payments or benefits (whether under this Plan or otherwise) payable to a Participant (1) constitute "parachute payments" within the meaning of Section 280G of the Code, and (2) but for this Section 9, would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and benefits will be either (x) delivered in full, or (y) delivered as to such lesser extent that would result in no portion of such payments and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999 of the Code (and any equivalent state or local excise taxes), results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such payments and benefits may be taxable under Section 4999 of the Code. Any reduction in payments and/or benefits required by this provision will occur in the following order: (1) reduction of cash payments; (2) reduction of vesting acceleration of equity awards; and (3) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant for equity awards. If two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis.

(b) All determinations required to be made under this Section 9, including the reduction payments hereunder and the assumptions to be utilized in arriving at such determinations, will be made by a public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "**Accounting Firm**") which will provide detailed supporting calculations both to the Company and the Participant within fifteen (15) business days of the receipt of notice from the Company or the Participant that there has been a payment that may be subject to Section 4999 of the Code, or such earlier time as is requested by the Company, and whose determination will be conclusive and binding upon the Participant and the Company for all purposes. For purposes of making the calculations required by this Section 9, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive agree to furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this provision. The Company will bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this provision. Any determinations by the Accounting Firm with respect to whether any payments or benefits are subject to reduction under this Section 9 will be binding upon the Company and the Participant.

10. Successors; Binding Agreement. This Plan will survive any Change in Control, and the provisions of this Plan will be binding upon the surviving corporation, which will be treated as the Company hereunder. The benefits provided under this Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Participant dies while any amounts would be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such person or persons appointed in writing by the Participant to receive such amounts or, if no person is so appointed, to the Participant's estate.

11. Notice. (a) For purposes of this Plan, all notices and other communications required or permitted hereunder must be in writing and will be deemed to have been duly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid and addressed as follows:

If to the Participant: the address listed as the Participant's address in the Company's personnel files.

If to the Company:

Conmed Corporation  
Attention: General Counsel  
525 French Road  
Utica, New York 13502

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

(b) A written notice of the Participant's Date of Termination by the Company or the Participant, as the case may be, to the other, will (i) indicate the specific termination provision in this Plan relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated and (iii) specify the termination date (which date shall be not less than thirty (30) nor more than forty (40) days after the giving of such notice). The failure by the Participant or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause does not waive any right of the Participant or the Company hereunder or preclude the Participant or the Company from asserting such fact or circumstance in enforcing the Participant's or the Company's rights hereunder.

12. Full Settlement; Resolution of Disputes and Costs.

(a) In no event will the Participant be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan and such amounts shall not be reduced whether or not the Participant obtains other employment.

(b) Any dispute or controversy arising under or in connection with this Plan shall be settled exclusively by arbitration in New York by three arbitrators in accordance with the commercial arbitration rules of the American Arbitration Association ("**AAA**") then in effect. One arbitrator shall be selected by the Company, the other by the Participant and the third jointly by these arbitrators (or if they are unable to agree within thirty (30) days of the commencement of arbitration, the third arbitrator will be appointed by the AAA). Judgment may be entered on the arbitrators' award in any court having jurisdiction. Notwithstanding anything in this Plan to the contrary, any arbitration panel that adjudicates any dispute, controversy or claim arising between a Participant and the Company, or any of their delegates or successors, in respect of a Participant's Qualifying Termination that occurs after a Change in Control, will apply a de novo standard of review to any determinations made by such person. Such de novo standard shall apply notwithstanding the grant of full discretion hereunder to any such person or characterization of any such decision by such person as final, binding or conclusive on any party.

13. Employment with Subsidiaries. Employment with the Company for purposes of this Plan shall include employment with any Subsidiary.

14. Survival. The respective obligations and benefits afforded to the Company and the Participant as provided in Section 3 (to the extent that payments or benefits are owed as a result of a termination of employment that occurs during the term of this Plan), 4, 5, 6 and 8 shall survive the termination of this Plan.

15. GOVERNING LAW: VALIDITY. EXCEPT TO THE EXTENT THIS PLAN IS SUBJECT TO ERISA, THE INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS PLAN SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLE OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAWS. THE INVALIDITY OR UNENFORCEABILITY OF ANY PROVISION OF THIS PLAN SHALL NOT AFFECT THE VALIDITY OR ENFORCEABILITY OF ANY OTHER PROVISION OF THIS PLAN, WHICH OTHER PROVISIONS SHALL REMAIN IN FULL FORCE AND EFFECT.

16. Amendment and Termination. The Committee may amend or terminate the Plan at any time without the consent of the Participants; provided, however, that Participants must be given at least six (6) months' notice of amendments that are adverse to the interests of the Participants (except that termination of a Participant's participation in the Plan may be made with three (3) months' notice) or planned termination of the Plan, and provided, further, that any termination or amendments to the Plan that are adverse to the interests of any Participant and made in anticipation of a Change of Control will give a Participant the right to enforce his or her rights pursuant to Section 16. Notwithstanding the foregoing, during the period commencing on a Change in Control and ending on the second anniversary of the Change in Control, no Participant's participation hereunder may be terminated and the Plan may not be terminated or amended in any manner which is materially adverse to the interests of any Participant without the prior written consent of such Participant.

17. Interpretation and Administration. The Plan shall be administered by the Committee (or any successor committee). The Committee (or any successor committee) will have the authority (i) to exercise all of the powers granted to it under the Plan, (ii) to construe, interpret and implement the Plan, (iii) to prescribe, amend and rescind rules and regulations relating to the Plan, (iv) to make all determinations necessary or advisable in administration of the Plan, (v) to correct any defect, supply any omission and reconcile any inconsistency in the Plan, and (vi) to delegate its responsibilities and authority

hereunder to a subcommittee of the Committee. Actions of the Board or the Committee (or any successor committee) shall be taken by a majority vote of its members.

18. *Claims and Appeals.* Participants may submit claims for benefits by giving notice to the Company pursuant to Section 11 of this Plan. If a Participant believes that he or she has not received coverage or benefits to which he or she is entitled under the Plan, the Participant may notify the Committee in writing of a claim for coverage or benefits. If the claim for coverage or benefits is denied in whole or in part, the Committee shall notify the applicant in writing of such denial within thirty (30) days (which may be extended to sixty (60) days under special circumstances), with such notice setting forth: (i) the specific reasons for the denial; (ii) the Plan provisions upon which the denial is based; (iii) any additional material or information necessary for the applicant to perfect his or her claim; and (iv) the procedures for requesting a review of the denial. Upon a denial of a claim by the Committee, the Participant may: (i) request a review of the denial by the Committee or, where review authority has been so delegated, by such other person or entity as may be designated by the Committee for this purpose; (ii) review any Plan documents relevant to his or her claim; and (iii) submit issues and comments to the Committee or its delegate that are relevant to the review. Any request for review must be made in writing and received by the Committee or its delegate within sixty (60) days of the date the applicant received notice of the initial denial, unless special circumstances require an extension of time for processing. The Committee or its delegate will make a written ruling on the applicant's request for review setting forth the reasons for the decision and the Plan provisions upon which the denial, if appropriate, is based. This written ruling shall be made within thirty (30) days of the date the Committee or its delegate receives the applicant's request for review unless special circumstances require an extension of time for processing, in which case a decision will be rendered as soon as possible, but not later than sixty (60) days after receipt of the request for review. All extensions of time permitted by this Section 16 will be permitted at the sole discretion of the Committee or its delegate. If the Committee does not provide the Participant with written notice of the denial of his or her appeal, the Participant's claim shall be deemed denied.

19. *Type of Plan.* This Plan is intended to be, and shall be interpreted as an unfunded employee welfare plan under Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 2520.104-24 of the Department of Labor Regulations, maintained primarily for the purpose of providing employee welfare benefits, to the extent that it provides welfare benefits, and under Sections 201, 301 and 401 of ERISA, as a plan that is unfunded and maintained primarily for the purpose of providing deferred compensation, to the extent that it provides such compensation, in each case for a select group of management or highly compensated employees (i.e., a "top hat" plan).

20. *Nonassignability.* Benefits under the Plan may not be assigned by the Participant. The terms and conditions of the Plan shall be binding on the successors and assigns of the Company.

21. *Section 409A.*

(a) To the extent a Participant would otherwise be entitled to any payment or benefit that under this Plan, or any plan or arrangement of the Company or its affiliates, constitutes "deferred compensation" subject to Section 409A and that if paid or provided during the six (6) months beginning on the Date of Termination of a Participant's employment would be subject to the Section 409A additional tax because the Participant is a "specified employee" (within the meaning of Section 409A and as determined by the Company) the payment or benefit will be paid or provided (or will commence being paid or provided, as applicable) to the Participant on the earlier of the first day of the seventh (7th) month following the Participant's Date of Termination or the Participant's death. In addition, any payment or benefit due upon a termination of the Participant's employment that represents a "deferral of compensation" within the meaning of Section 409A shall be paid or provided to the Participant only upon a "separation from service" as defined in Treasury Regulation Section 1.409A-1(h). Each severance payment made under this Plan shall be deemed to be a separate payment, and amounts payable under Section 2 of this Plan shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Sections 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 through A-6.

(b) Notwithstanding anything to the contrary in this Plan or elsewhere, any payment or benefit under this Plan or otherwise that is exempt from Section 409A pursuant to final Treasury Regulation Section 1.409A-1(b)(9)(v)(A) or (C) shall be paid or provided to the Participant only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the Participant's second taxable year following the Participant's taxable year in which the "separation from service" occurs; and provided further that such expenses are reimbursed no later than the last day of the Participant's third taxable year following the taxable year in which the Participant's "separation from service" occurs. Except as otherwise expressly provided herein, to the extent any expense reimbursement or the provision of any in-kind benefit under this Plan is determined to be subject to Section 409A, the amount of any such expenses eligible for reimbursement, or the provision of any in-kind benefit, in one (1) calendar year shall not affect the expenses eligible for reimbursement in any other taxable year

(except for any lifetime or other aggregate limitation applicable to medical expenses), in no event shall any expenses be reimbursed after the last day of the calendar year following the calendar year in which the Participant incurred such expenses, and in no event shall any right to reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. Notwithstanding anything to the contrary in this Plan or elsewhere, in the event that a Participant waives the provisions of another severance or change in control agreement or arrangement to participate in this Plan and such participation in this Plan is later determined to be a “substitution” (within the meaning of Section 409A) for the benefits under such agreement or arrangement, then any payment or benefit under this Plan that such Participant becomes entitled to receive during the remainder of the waived term of such agreement or arrangement shall be payable in accordance with the time and form of payment provisions of such agreement or arrangement.

22. Certain Reductions; Recoupment. Notwithstanding anything herein to the contrary, any payments or benefits payable to a Participant under this Plan are subject to reduction to the extent that such payment or benefit would exceed the amount permitted to be paid under any applicable Company policy as may be in effect from time to time. Notwithstanding anything in this Plan to the contrary, in no event shall any payment or benefit under this Plan be paid, provided or accrued, if any such payment, provision or accrual would be in violation of applicable law, rule or regulation (“**Applicable Law**”). In addition, to the extent that any provision of Applicable Law or any recoupment policy or practice of the Company as in effect from time to time requires any payments or benefits paid (or provided or to be paid or provided) to a Participant to be forfeited or recouped from the Participant, each such payment or benefit shall be subject to forfeiture or recoupment, as applicable, and such Participant’s right to receive or retain each such payment or benefit shall terminate.

23. Effective Date. The Plan shall be effective as of January 1, 2015.

24. Definitions. As used in this Plan, the following terms shall have the respective meanings set forth below:

(a) “**Annual Incentive Award**” means the annual cash incentive bonus earned by the Participant from the Company (or its affiliates) during a fiscal year of the Company (annualized in the event Participant was not employed by the Company (or its affiliates) for the whole of any such fiscal year).

(b) “**Base Salary**” means the Participant’s annual rate of base salary as in effect on the Participant’s Date of Termination (or, if greater, the highest annual rate of base salary during the twelve-month period immediately prior to the Participant’s Date of Termination).

(c) “**Board**” means the Board of Directors of the Company and, after a Change in Control, the “board of directors” of the surviving corporation.

(d) “**Cause**” means any of the following with respect to a Participant:

(i) The Participant’s willful and continued failure to perform substantially his or her duties with the Company (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Participant by the Board which specifically identifies the manner in which the Board believes that the Participant has not substantially performed his or her duties, or

(ii) The Participant’s willful engaging in illegal conduct or gross misconduct which is demonstrably and materially injurious to the Company or its affiliates.

For purposes of this definition, no act or failure to act shall be considered “willful” unless done or omitted to be done in bad faith and without reasonable belief that the Participant’s action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board, based upon the advice of counsel for the Company or upon the instructions of the Company’s chief executive officer or another senior officer of the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant’s in good faith and in the best interests of the Company. Cause shall not exist unless and until the Company has delivered to the Participant’s a copy of a resolution duly adopted by three-quarters (3/4) of the entire Board (excluding the Participant if the Participant is a Board member) at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board an event set forth in clauses (i) or (ii) has occurred and specifying the particulars thereof in detail.

(e) “**Change in Control**” means the occurrence of any one of the following events:



(i) any “person” (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board of Directors (the “Company Voting Securities”); provided, however, that the event described in this paragraph (i) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (A) by the Company or any of its subsidiaries, (B) by any employee benefit plan sponsored or maintained by the Company or any of its subsidiaries, (C) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (D) pursuant to a Non-Control Transaction (as defined in clause (ii) below);

(ii) the consummation of a merger, consolidation, share exchange or similar form of corporate reorganization of the Company (or any such type of transaction involving the Company or any of its subsidiaries that requires the approval of the Company’s stockholders, whether for the transaction or the issuance of securities in the transaction or otherwise) (a “**Business Combination**”), unless immediately following such Business Combination: (a) more than 60% of the total voting power of the corporation resulting from such Business Combination (including, without limitation, any corporation which directly or indirectly has beneficial ownership of 100% of the Company Voting Securities) eligible to elect directors of such corporation is represented by shares that were Company Voting Securities immediately prior to such Business Combination (either by remaining outstanding or being converted), and such voting power is in substantially the same proportion as the voting power of such Company Voting Securities immediately prior to the Business Combination, (b) no person (other than any holding company resulting from such Business Combination, any employee benefit plan sponsored or maintained by the Company (or the corporation resulting from such Business Combination)) immediately following the consummation of the Business Combination becomes the beneficial owner, directly or indirectly, of 25% or more of the total voting power of the outstanding voting securities eligible to elect directors of the corporation resulting from such Business Combination, and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Board at the time of the approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies the conditions in clauses (a), (b) and (c) is referred to hereunder as a “**Non-Control Transaction**”); or

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or the sale of all or substantially all of its assets.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 25% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

(f) “**Code**” means the Internal Revenue Code of 1986, as amended.

(g) “**Company**” means CONMED Corporation.

(h) “**Date of Termination**” means (i) the effective date on which the Participant’s employment by the Company terminates as specified in a prior written notice by the Company or the Participant, as the case may be, to the other, delivered pursuant to Section 11 or (ii) if the Participant’s employment by the Company terminates by reason of death, the date of death of the Participant.

(i) “**Disability**” means termination of the Participant’s employment by the Company due to the Participant’s absence from his or her duties with the Company on a full-time basis for at least one hundred eighty (180) consecutive days as a result of his or her incapacity due to physical or mental illness.

(j) “**Good Reason**” means, with respect to any Participant, the occurrence of any of the following events without the Participant’s express written consent:

(i) (A) any change in the Participant’s duties or responsibilities that is inconsistent in any material and adverse respect with the Participant’s position(s), duties, responsibilities or status with the Company as of the

Effective Date (including any material and adverse diminution of such duties or responsibilities); provided, however, that Good Reason will not be deemed to occur upon a change in duties or responsibilities that is solely and directly a result of the Company no longer being a publicly traded entity and does not involve any other event set forth in this paragraph or (B) a material and adverse change in the Participant's titles or offices with the Company as in effect on the Effective Date;

(ii) a reduction by the Company in the Participant's rate of annual base salary or material reduction in annual target bonus opportunity, as in effect on the Effective Date or as the same may be increased from time to time thereafter (other than a reduction of less than 10% that is applicable to all employees generally);

(iii) any requirement of the Company that the Participant (A) be based anywhere more than fifty (50) miles from the office where the Participant is located as of the Effective Date or (B) travel on Company business to an extent substantially greater than the Participant's travel obligations as of the Effective Date; or

(iv) the failure of the Company to obtain the assumption of this Plan from any successor.

An isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company within ten (10) days after receipt of notice thereof given by the Participant will not constitute Good Reason. The Participant's right to terminate employment for Good Reason will not be affected by the Participant's incapacities due to mental or physical illness and the Participant's continued employment will not constitute consent to, or a waiver of rights with respect to, any event or condition constituting Good Reason; provided, however, that such event will not constitute Good Reason under this Plan unless (1) the Participant provides notice to the Company within the thirty (30) days following the initial existence of an event constituting Good Reason, (2) the Company does not remedy such event (if remediation is possible) within thirty (30) days following the Company's receipt of notice of such event, and (3) the Participant separates from service with the Company within ninety (90) days following the initial existence of such an event constituting Good Reason.

(k) "**Investigation**" means an investigation authorized by the Board, a self-regulatory organization empowered with self-regulatory responsibilities under federal or state laws or a governmental department or agency.

(l) "**Qualifying Termination**" means a termination of the Participant's employment with the Company (i) by the Company other than for Cause or (ii) after a Change in Control, by the Participant for Good Reason. Termination of the Participant's employment on account of death, Disability, by the Company for Cause or by the Participant other than for Good Reason shall not be treated as a Qualifying Termination. Notwithstanding the preceding sentence, the death of the Participant after notice of termination for Good Reason or without Cause has been validly provided shall be deemed to be a Qualifying Termination.

(m) "**Subsidiary**" means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors (or members of any similar governing body) or in which the Company has the right to receive 50% or more of the distribution of profits or 50% of the assets or liquidation or dissolution.

(n) "**Section 409A**" means Section 409A of the Internal Revenue Code of 1986, as amended, and the final Treasury Regulations issued thereunder.

(o) "**Severance Multiple**" means, for each Participant, the applicable multiple set forth on Exhibit A hereto.

EXHIBIT A  
SEVERANCE MULTIPLES

**Post-Change in Control Qualifying Termination**

Participation Level	Severance Multiple	
	Base Salary	Annual Incentive
Chief Executive Officer Level	3	3
Senior Executive Level	2.5	2.5
Executive Level	2	2

**Non-Change in Control Qualifying Termination**

Participation Level	Severance Multiple	
	Base Salary	Annual Incentive
Chief Executive Officer Level	2	2
Senior Executive Level	1.5	1.5
Executive Level	1	1

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

I, Curt R. Hartman, 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.

July 27, 2015

/s/ Curt R. Hartman

Curt R. Hartman

President & Chief Executive Officer

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

I, Luke A. Pomilio, 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.

July 27, 2015

/s/ Luke A. Pomilio

Luke A. Pomilio

Executive Vice President, Finance and

Chief Financial Officer

**CERTIFICATIONS**  
**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)**

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 June 30, 2015 (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: July 27, 2015                      /s/ Curt R. Hartman  
Curt R. Hartman  
President & Chief Executive Officer

Date: July 27, 2015                      /s/ Luke A. Pomilio  
Luke A. Pomilio  
Executive Vice President, Finance and  
Chief Financial Officer

