CONMED CORP
Form 10-K
February 25, 2010

United States
Securities and Exchange Commission
Washington, D.C.
20549

Form 10-K
Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

For the fiscal year ended December 31, 2009 Commission file number 0-16093

CONMED CORPORATION
(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	16-0977505 (I.R.S. Employer Identification No.)
525 French Road, Utica, New York (Address of principal executive offices)	13502 (Zip Code)

(315) 797-8375
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 x 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 shorter period that the registrant was required to submit and post such files). x

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer o	Accelerated filer x
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 x

As of June 30, 2009, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the shares of voting common stock held by non-affiliates of the registrant was approximately $451,273,053 based upon the closing price of the Company’s common stock on the NASDAQ Stock Market.

The number of shares of the registrant's $0.01 par value common stock outstanding as of February 22, 2010 was 29,162,535

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Definitive Proxy Statement or other informational filing for the 2010 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

CONMED CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR YEAR ENDED DECEMBER 31, 2009
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CONMED CORPORATION

Item 1. Business

Forward Looking Statements

This Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2009 ("Form 10-K") contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to CONMED Corporation ("CONMED", the "Company", "we" or "us" — references to "CONMED" "Company", "we" or "us" shall be deemed to include our direct and indirect subsidiaries unless the context otherwise requires) which are based on the beliefs of our management, as well as assumptions made by and information currently available to our management.

When used in this Form 10-K, the words "estimate," "project," "believe," "anticipate," "intend," "expect" and similar expres are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those identified under the caption "Item 1A-Risk Factors" and elsewhere in this Form 10-K which 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, among others, the following:

- 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;
- changes in regulatory requirements; and
- various other factors referenced in this Form 10-K.

See "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations", "Item 1-Business" and "Item 1A-Risk Factors" 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 Form 10-K or to reflect the occurrence of unanticipated events.

General

CONMED Corporation was incorporated under the laws of the State of New York in 1970 by Eugene R. Corasanti, the Company's founder and Chairman of the Board. CONMED is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company's products serve the clinical areas of arthroscopy, powered surgical instruments, electrosurgery, cardiac monitoring disposables, endosurgery and endoscopic technologies. They are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, and gastroenterology. Headquartered in Utica, New York, the Company's 3,500 employees distribute its products worldwide from eight manufacturing locations. See Note 8 to the Consolidated Financial Statements for further discussion of our reporting segments and financial information about geographic areas.

We have historically used strategic business acquisitions and exclusive distribution relationships to diversify our product offerings, increase our market share in certain product lines, realize economies of scale and take advantage of growth opportunities in the healthcare field.

We are committed to offering products with the highest standards of quality, technological excellence and customer service. Substantially all of our facilities have attained certification under the ISO international quality standards and other domestic and international quality accreditations.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are accessible free of charge through the Investor Relations section of our website (http://www.conmed.com) as soon as practicable after such materials have been electronically filed with, or furnished to, the United States Securities and Exchange Commission.

Industry

Market growth for our products is primarily driven by:

- Favorable Demographics. The number of surgical procedures performed is increasing and we believe the long term demographic trend will be continued growth in surgical procedures as a result of the aging of the population, and technological advancements, which result in safer and less invasive (or non-invasive) surgical procedures. Additionally, as people are living longer, more active lives, they are engaging in contact sports and activities such as running, skiing, rollerblading, golf and tennis which result in injuries with greater frequency and at an earlier age than ever before. Sales of surgical products aggregated approximately 90% of our total net revenues in 2009. See "Products."

- Continued Pressure to Reduce Health Care Costs. In response to rising health care costs, managed care companies and other third-party payers have placed pressures on health care providers to reduce costs. As a result, health care providers have focused on the high cost areas such as surgery. To reduce costs, health care providers use minimally invasive techniques, which generally reduce patient trauma, recovery time and ultimately the length of hospitalization. Approximately 50% of our products are designed for use in minimally invasive surgical procedures. See "Products." Health care providers are also increasingly purchasing single-use, disposable products, which reduce the costs associated with sterilizing surgical instruments and products following surgery. The single-use nature of disposable products lowers the risk of incorrectly sterilized instruments spreading infection into the patient and increasing the cost of post-operative care. Approximately 75% of our sales are derived from single-use disposable products.

In the United States, the pressure on health care providers to contain costs has caused many health care providers to enter into comprehensive purchasing contracts with fewer suppliers, which offer a broader array of products at lower prices. In addition, many health care providers have aligned themselves with Group Purchasing Organizations ("GPOs") or Integrated Health Networks ("IHNs"), whose stated purpose is to aggregate the purchasing volume of their members in order to negotiate competitive pricing with suppliers, including manufacturers of surgical products. We believe that these trends will favor entities which offer a diverse product portfolio. See "—Business Strategy".

- Increased Global Medical Spending. We believe that foreign markets offer significant growth opportunities for our products. We currently distribute our products through our own sales subsidiaries or through local dealers in over 100 foreign countries.

Competitive Strengths

Management believes that we hold a significant market share position in each of our key product areas including, Arthroscopy, Powered Surgical Instruments, Electrosurgery, Patient Care, Endosurgery and Endoscopic Technologies. We have established a leadership position in the marketplace by capitalizing on the following competitive strengths:

- Brand Recognition. Our products are marketed under leading brand names, including CONMED®, CONMED Linvatec® and Hall Surgical®. These brand names are recognized by physicians and healthcare professionals for quality and service. It is our belief that brand recognition facilitates increased demand for our products in the marketplace, enables us to build upon the brand's associated reputation for quality and service, and realize increased market acceptance of new branded products.

- Breadth of Product Offering. The breadth of our product lines in our key product areas enables us to meet a wide range of customer requirements and preferences. This has enhanced our ability to market our products to surgeons, hospitals, surgery centers, GPOs, IHNs and other customers, particularly as institutions seek to reduce costs and minimize the number of suppliers.

- Successful Integration of Acquisitions. We seek to build growth platforms around our core markets through focused acquisitions of complementary businesses and product lines. These acquisitions have enabled us to diversify our product portfolio, expand our sales and marketing capabilities and strengthen our presence in key geographical markets.

- Strategic Marketing and Distribution Channels. We market our products domestically through five focused sales force groups consisting of approximately 250 employee sales representatives and 200 sales professionals employed by independent sales agent groups. Each of our dedicated sales professionals are highly knowledgeable in the applications and procedures for the products they sell. Our sales representatives foster close professional relationships with physicians, surgeons, hospitals, outpatient surgery centers and physicians' offices. Additionally, we maintain a global presence through sales subsidiaries and branches located in key international markets. We directly service hospital customers located in these markets through an employee-based international sales force of approximately 240 sales representatives. We also maintain distributor relationships domestically and in numerous countries worldwide. See "—Marketing."

- Operational Improvements and Manufacturing. We are focused on continuously improving our supply chain effectiveness, strengthening our manufacturing processes and optimizing our plant network to increase operational efficiencies within the organization. Substantially all of our products are manufactured and assembled from components we produce. Our strategy has historically been to vertically integrate our manufacturing facilities in order to develop a competitive advantage. This integration provides us with cost efficient and flexible manufacturing operations which permit us to allocate capital more efficiently. Additionally, we attempt to exploit commercial synergies between operations, such as the procurement of common raw materials and components used in production.

- Technological Leadership. Research and development efforts are closely aligned with our key business objectives, namely developing and improving products and processes, applying innovative technology to the manufacture of products for new global markets and reducing the cost of producing core products. These efforts are evidenced by recent product introductions, such as the CONMED Linvatec Shoulder Restoration System.

Business Strategy

Our principal objectives are to improve the quality of surgical outcomes and patient care through the development of innovative medical devices, the refinement of existing products and the development of new technologies which reduce risk, trauma, cost and procedure time. We believe that by meeting these objectives we will enhance our ability to anticipate and adapt to customer needs and market opportunities, and provide shareholders with superior investment returns. We intend to achieve future growth and earnings development through the following initiatives:

- Introduction of New Products and Product Enhancements. We continually pursue organic growth through the development of new products and enhancements to existing products. We seek to develop new technologies which improve the durability, performance and usability of existing products. In addition to our internal research and development efforts, we receive new ideas for products and technologies, particularly in procedure-specific areas, from surgeons, inventors and other healthcare professionals.

- Pursue Strategic Acquisitions. We pursue strategic acquisitions in existing and new growth markets to achieve increased operating efficiencies, geographic diversification and market penetration. Targeted companies have historically included those with proven technologies and established brand names which provide potential sales, marketing and manufacturing synergies.

- Realize Manufacturing and Operating Efficiencies. We continually review our production systems for opportunities to reduce operating costs, consolidate product lines or identical process flows, reduce inventory requirements and optimize existing processes. Our vertically integrated manufacturing facilities allow for further opportunities to reduce overhead, increase operating efficiencies and capacity utilization.

- Geographic Diversification. We believe that significant growth opportunities exist for our surgical products outside the United States. Principal foreign markets for our products include Europe, Latin America and Asia/Pacific Rim. Critical elements of our future sales growth in these markets include leveraging our existing relationships with foreign surgeons, hospitals, third-party payers and foreign distributors, maintaining an appropriate presence in emerging market countries and continually evaluating our routes-to-market.

- Active Participation In The Medical Community. We believe that excellent working relationships with physicians and others in the medical industry enable us to gain an understanding of new therapeutic and diagnostic alternatives, trends and emerging opportunities. Active participation allows us to quickly respond to the changing needs of physicians and patients.

Products –

The following table sets forth the percentage of net sales for each of our product lines during each of the three years ended December 31:

	Year Ended December 31,					
	2007		2008		2009	
Arthroscopy	38	%	38	%	39	%
Powered Surgical Instruments	21		21		21	
Electrosurgery	13		14		14	
Patient Care	11		11		10	
Endosurgery	9		9		9	
Endoscopic Technologies	8		7		7	
Total	100	%	100	%	100	%
Net Sales (in thousands)	$694,288		$742,183		$694,739	

Arthroscopy

We offer a comprehensive range of devices and products for use in arthroscopic surgery. Arthroscopy refers to diagnostic and therapeutic surgical procedures performed on joints with the use of minimally invasive arthroscopes and related instruments. Minimally invasive arthroscopic procedures enable surgical repairs to be completed with less trauma to the patient, resulting in shorter recovery times and cost savings. Arthroscopic procedures are performed on the knee and shoulder, and hip as well as smaller joints, such as the hand, wrist and ankle.

Our arthroscopy products include powered resection instruments, arthroscopes, reconstructive systems, tissue repair sets, metal and bioabsorbable implants and related disposable products and fluid management systems. We also offer a line of video Endoscopy products suitable for use in multi-specialty clinical environments beyond orthopedic arthroscopy, including laparoscopy, ENT, gynecology and urology as well as integrated operating room systems and equipment. It is our standard practice to transfer some of these products, such as shaver consoles and pumps, to certain customers at no charge. These capital "placements" allow for and accommodate the use of a variety of disposable products, such as shaver blades, burs and pump tubing. We have benefited from the introduction of new arthroscopic products and technologies, such as bioabsorbable screws, ablators, "push-in" and "screw-in" suture anchors, and resection shavers.

A significant portion of arthroscopic procedures are performed to repair injuries which have occurred in the articulating joint areas of the body. Many of these injuries are the result of sports related events or similar traumas. For this reason, arthroscopy is often referred to as "sports medicine."

Arthroscopy

Product	Description	Brand Name
Ablators and Shaver Ablators	Electrosurgical ablators and resection ablators to resect and remove soft tissue and bone; used in knee, shoulder and small joint surgery.	Lightwave™ Trident®
Knee Reconstructive Systems	Products used in cruciate reconstructive surgery; includes instrumentation, screws, pins and ligament harvesting and preparation devices.	Paramax® Pinn-ACL® Grafix® Matryx™ Bioscrew® EndoPearl® XtraLok®
Soft Tissue Repair Systems	Instrument systems designed to attach specific torn or damaged soft tissue to bone or other soft tissue in the knee, shoulder and wrist; includes instrumentation, guides, hooks and suture devices.	Spectrum® Inteq® Shuttle Relay™ Blitz® Hi-Fi™ Suture Saver™ Spectrum MVP Super Shuttle
Fluid Management Systems		Apex®

Disposable tubing sets, disposable and reusable inflow devices, pumps and suction/waste management systems for use in arthroscopic and general surgeries.	Quick-Flow® Quick-Connect® 87K™ 10K® 24K™

Arthroscopy

Product	Description	Brand Name
Video	Surgical video systems for endoscopic procedures; includes enhanced definition (ED) and high definition (HD), autoclavable three-chip camera heads as well as camera consoles, endoscopes, light sources, monitors, Image capture devices and printers.	SmartOR Quicklatch® scopes Shock Flex™ prism mount TrueHD™ IM4000 HD camera system
Implants	Products including bioabsorbable and metal screws, pins and suture anchors for attaching soft tissue to bone in the knee, shoulder and wrist as well as miniscal repair.	BioScrew™ Bio-Anchor® BioTwist® UltraFix® Revo® Super Revo® Bionx™ Meniscus Arrow™ Smart Nail® Smart Pin® Smart Screw® Smart Tack® The Wedge™ Biostinger® Hornet® ThRevo™ Duet™ Impact™ Bio-Mini Revo™ XO Button™ Paladin Presto SRS PopLok™ CrossFT™
Integrated operating room systems and equipment	Centralized operating room management and control systems, service arms and service managers.	CONMED® Nurse’s Assistant® SmartOR
Arthroscopic Shaver Systems	Electrically powered shaver handpieces that accommodate a large variety of shaver blade disposables specific to clinical specialty and technological precision.	Advantage® Turbo™ Gator® Great White® Mako™ Merlin® Sterling® Ultracut®

Zen™
ReAct™

Arthroscopy

Product	Description	Brand Name
Other Instruments and Accessories	Forceps, graspers, punches, probes, sterilization cases and other general instruments for arthroscopic procedures.	Shutt® Concept® TractionTower® Clearflex™ SE™ Dry Doc® Cannulae Hip Arthroscopy Kit

Powered Surgical Instruments

Electric, battery or pneumatic powered surgical instruments are used to perform orthopedic, arthroscopic and other surgical procedures where cutting, drilling or reaming of bone is required. Each instrument consists of one or more handpieces and related accessories as well as disposable and limited reusable items (e.g., burs, saw blades, drills and reamers). Powered instruments are categorized as either small bone, large bone or specialty powered instruments. Specialty powered instruments are utilized in procedures such as spinal surgery, neurosurgery, ENT, oral/maxillofacial surgery, and cardiothoracic surgery.

Our line of powered instruments is sold principally under the Hall® Surgical brand name, for use in large and small bone orthopedic, arthroscopic, oral/maxillofacial, podiatric, plastic, ENT, neurological, spinal and cardiothoracic surgeries. Large bone, neurosurgical, spinal and cardiothoracic powered instruments are sold primarily to hospitals while small bone arthroscopic, otolaryngological and oral/maxillofacial powered instruments are sold to hospitals, outpatient facilities and physicians' offices. Our CONMED Linvatec subsidiary has devoted significant resources in the development of new technologies for battery, electric and pneumatic powertool platforms which may be easily adapted and modified for new procedures.

Our powered instruments product line also includes the MPower™ Battery System. This full function orthopedic power system is specifically designed to meet the requirements of most orthopedic applications. The modularity and versatility of the MPower™ system allows a facility to purchase a single power system to perform total joint arthroplasty, trauma, arthroscopy, and small bone procedures. The system also provides a multitude of battery technologies to meet the varying needs of hospitals worldwide.

Powered Surgical Instruments

Product	Description	Brand Name
Large Bone	Powered saws, drills and related disposable accessories for use primarily in total knee and hip joint replacements and trauma surgical procedures.	Hall® Surgical PowerPro® PowerProMax™ Advantage® MPower™

Powered Surgical Instruments

Product	Description	Brand Name
Small Bone	Powered saws, drills and related disposable accessories for hand, foot, and other small bone related surgical procedures.	Hall® Surgical MicroPower™ Advantage® Micro 100™ MPower™
Otolaryngology Neurosurgery Spine Oral/maxillofacial	Specialty powered saws, drills and related disposable accessories for use in neurosurgery, spine, otolaryngologic and oral/maxillofacial procedures.	Hall® Surgical E9000® UltraPower® Hall Osteon® Hall Ototome® Coolflex® Surgairtome Two® Smart Guard®
Cardiothoracic	Powered sternum saws and related disposable accessories for use by cardiothoracic surgeons.	Hall® Surgical MicroPower® Micro 100™ Power Pro® PowerProMax™ MPower™

Electrosurgery

The use of electrosurgical units and associated surgical tools is commonplace in the hospital surgical suite, surgery centers, clinics and physician offices. Electrosurgery is routinely used to cut and coagulate tissue and small vessels in open and laparoscopic procedures using energy produced through radio frequency (RF) technology. An electrosurgical system consists of three main components: an electrosurgical generator or ESU, an active electrode in the form of an electrosurgical pencil or instrument that is used to apply concentrated energy to the target tissues, and a dispersive electrode that grounds the patient and provides feedback to the ESU. Electrosurgery can be used in almost all surgical procedures including specialties such as general, gynecology, orthopedics, cardiology, thoracics, urology, neurology, and dermatology.

Also included in our portfolio of energy-based products is the Argon Beam Coagulation (ABC®) technology. ABC® technology combines the use of argon gas and electrosurgical energy to allow the surgeon to produce a surface coagulation which results in less tissue damage. The electrical energy travels through an ionized column of gas so that the energy is applied to bleeding tissue in a non-contact mode. Clinicians have reported notable benefits of ABC® technology in certain procedures such as liver resection, cancer tissue resection, heart bypass and trauma. In addition, certain handpieces allow ABC® to be used to dissect tissue through direct contact.

Surgical smoke evacuation products are an emerging segment within the electrosurgical market. These systems consist of a smoke evacuation unit which suctions surgical smoke from the operative site and filters the smoke plume. It is connected to the ESU and uses specific electrosurgical smoke evacuation pencils. The use of electrosurgical pencils and lasers during a procedure may produce smoke and may affect the surgeon’s ability to see the operative site clearly

in both open and laparoscopic procedures.

Electrosurgery

Product	Description	Brand Name
Pencils	Disposable and reusable surgical instruments designed to deliver high-frequency electrical energy to cut and/or coagulate tissue.	Hand-Trol® GoldLine™
Ground Pads	Disposable ground pads which disperse electrosurgical energy and safely return it to the generator; available in adult, pediatric and infant sizes.	MacroLyte® ThermoGard® SureFit™
Active Electrodes	Surgical accessory electrodes that are inserted into electrosurgical pencils. These electrodes are available with and without the proprietary UltraClean™ coating which provides an easy to clean electrode surface during surgery.	UltraClean™
Generators	Monopolar and bipolar clinical energy sources for surgical procedures performed in a hospital, physicians' office or clinical setting.	System 5000™ System 2450™ Hyfrecator® 2000
Argon Beam Coagulation Systems	Specialized electrosurgical generators, disposable hand pieces and ground pads for Argon Enhanced non-contact coagulation of tissues.	ABC® System 7550 ABC Flex® Bend-A-Beam® ABC® Dissecting Electrodes™
Smoke Evacuation System	Dedicated unit and integrated hand pieces designed for the removal of surgical smoke in both open and laparoscopic procedures where electrosurgery is utilized.	GoldVac™ ClearVac® AER DEFENSE™

Patient Care

Our patient care product line offering includes a line of vital signs and cardiac monitoring products including pulse oximetry equipment & sensors, ECG electrodes and cables, cardiac defibrillation & pacing pads and blood pressure cuffs. We also offer a complete line of suction instruments & tubing for use in the operating room, as well as a line of IV products for use in the critical care areas of the hospital.

Patient Care

Product	Description	Brand Name
ECG Monitoring	Line of disposable electrodes, monitoring cables, lead wire products and accessories designed to transmit ECG signals from the heart to an ECG monitor or recorder.	CONMED® Ultratrace® Cleartrace®
Surgical Suction Instruments and Tubing	Disposable surgical suction instruments and connecting tubing, including Yankauer, Poole, Frazier and Sigmoidoscopic instrumentation, for use by physicians in the majority of open surgical procedures.	CONMED®
Intravenous Therapy	Disposable IV drip rate gravity controller and disposable catheter stabilization dressing designed to hold and secure an IV needle or catheter for use in IV therapy.	VENI-GARD® MasterFlow® Stat 2®
Defibrillator Pads and Accessories	Stimulation electrodes for use in emergency cardiac response and conduction studies of the heart.	PadPro® R2®
Pulse Oximetry	Used in critical care to continuously monitor a patient's arterial blood oxygen saturation and pulse rate.	Dolphin® Pro2®
Non-invasive blood pressure cuff	Used in critical care to measure blood pressure.	SoftCheck® UltraCheck® (registered trademarks of CAS Medical Systems, Inc.)

Endosurgery

Endosurgery (also referred to as minimally invasive surgery or laparoscopic surgery) is surgery performed without a major incision. This surgical specialty results in less trauma for the patient and produces important cost savings as a result of shorter recovery times and reduced hospitalization. Endosurgery is performed on organs in the abdominal cavity such as the gallbladder, appendix and female reproductive organs. During such procedures, devices called "trocars" are used to puncture the abdominal wall and are then removed, leaving in place a trocar cannula. The trocar cannula provides access into the abdomen for camera systems and surgical instruments. Some of our endosurgical instruments are "reposable", meaning that the instrument has a disposable and a reusable component.

Our Endosurgical products include the Reflex® and PermaClip™ clip appliers for vessel and duct ligation, Universal S/ITM (suction/irrigation) and Universal Plus™ laparoscopic instruments, specialized suction/irrigation electrosurgical instrument systems for use in laparoscopic surgery and the OnePort® which incorporates a blunt-tipped version of a trocar. The OnePort® dilates access through the body wall rather than cutting with the sharp, pointed tips of conventional trocars thus resulting in smaller wounds, and less bleeding. We also offer cutting trocars, suction/irrigation accessories, laparoscopic scissors, dissectors and graspers, active electrodes, insufflation needles and linear cutters and staplers for use in laparoscopic surgery. Our disposable skin staplers are used to close large skin incisions with surgical staples, thus eliminating the time consuming suturing process. ConMed EndoSurgery also offers a unique and premium uterine manipulator called VCARE® for use in increasing the efficiency of laparoscopic hysterectomies.

Endosurgery

Product	Description	Brand Name
Trocars	Disposable and reposable devices used to puncture the abdominal wall providing access to the abdominal cavity for camera systems and instruments.	OnePort® TroGard Finesse® Reflex® Detach a Port® CORE Dynamics®
Multi-functional Electrosurgery and Suction/Irrigation instruments	Instruments for cutting and coagulating tissue by delivering high-frequency current. Instruments which deliver irrigating fluid to the tissue and remove blood and fluids from the internal operating field.	Universal™ Universal Plus™ FloVac®
Clip Appliers	Disposable and reposable devices for ligating blood vessels and ducts by placing a titanium clip on the vessel.	Reflex® PermaClip™
Laparoscopic Instruments	Scissors, graspers	DetachaTip®
Skin Staplers	Disposable devices which place surgical staples for closing a surgical incision.	Reflex®
Microlaparoscopy scopes and instruments	Small laparoscopes and instruments for performing surgery through very small incisions.	MicroLap®
Specialty Laparoscopic Devices	Specialized elevator, retractor for laparoscopic hysterectomy	VCARE®

Endoscopic Technologies

Gastrointestinal (GI) endoscopy is the examination of the digestive tract with a flexible, lighted instrument referred to as an "endoscope". This instrument enables the physician to directly visualize the esophagus, stomach, portions of the small intestine, and colon. This technology allows the physician to more accurately diagnose and treat diseases of the digestive system. Through these scopes a physician may take biopsies, dilate narrowed areas referred to as strictures, and remove polyps which are growths in the digestive tract. Some of the more common conditions which may be diagnosed and treated using this procedure include ulcers, Crohn's disease, ulcerative colitis and gallbladder disease.

We offer a comprehensive line of minimally invasive diagnostic and therapeutic products used in conjunction with procedures which require flexible endoscopy. Our principal customers include GI endoscopists, pulmonologists, and nurses who perform both diagnostic and therapeutic endoscopic procedures in hospitals and outpatient clinics.

Our primary focus is to identify, develop, acquire, manufacture and market differentiated medical devices, which improve outcomes in the diagnosis and treatment of gastrointestinal and pulmonary disorders. Our diagnostic and therapeutic product offerings for GI and pulmonology include forceps, accessories, bronchoscopy devices, dilatation, hemostasis, biliary devices, and polypectomy.

Endoscopic Technologies

Product	Description	Brand Name
Pulmonary	Transbronchial Cytology and Histology Aspiration Needles, Disposable Biopsy Forceps, Cytology Brushes and Bronchoscope Cleaning Brushes	Wang® Blue Bullet® Precisor® Precisor BRONCHO® Precisor® EXL™ GARG™
Biopsy	Disposable biopsy forceps, Percutaneous Liver Biopsy instrument, Disposable Cytology Brushes	Precisor® OptiBite® Monopty®
Polypectomy	Disposable Polypectomy Snares, Retrieval Nets, Polyp Traps	Singular® Optimizer® Polyptrap™ Nakao Spidernet™ Orbit-Snare®

Endoscopic Technologies

Product	Description	Brand Name
Biliary	Triple Lumen Stone Removal Balloons, Advanced Cannulation Triple Lumen Papillotomes, High Performance Biliary Guidewires, Cannulas, Biliary Balloon Dilators, Plastic and Metal Endoscopic Biliary Stents	Apollo® Apollo3® Apollo3AC® FXWire® XWire® Director™ Duraglide™ Duraglide 3™ Flexxus® ProForma® HYDRODUCT® Viabil®
Dilation	Multi-Stage Balloon Dilators, American Dilation System	Eliminator®
Hemostasis	Endoscopic Injection Needles, Endoscope Ligator, Multiple Band Ligator, Sclerotherapy Needle, Bipolar Hemostasis Probes	SureShot® Auto Band™ Stiegmann-Goff™ Bandito™ RapidFire® Flexitip™ BICAP® BICAP SUPERCONDUCTOR™ Click-Tip™ Beamer® Beamer Mate® Beamer Plus™
Endoscopic Ultrasound	Fine Needle Aspiration	VizeonTM
Enteral Feeding	Initial Percutaneous Endoscopic Gastrostomy (PEG) systems, Replacement Tri-Funnel G-Tube	Entake®
Accessories	Disposable Bite Blocks, Cleaning Brushes	Scope Saver™ Channel Master™ Blue Bullet® Whistle®

Marketing

A significant portion of our products are distributed domestically directly to more than 6,000 hospitals and other healthcare institutions as well as through medical specialty distributors and surgeons. We are not dependent on any single customer and no single customer accounted for more than 10% of our net sales in 2007, 2008 and 2009.

A significant portion of our U.S. sales are to customers affiliated with GPOs, IHNs and other large national or regional accounts, as well as to the Veterans Administration and other hospitals operated by the Federal government. For hospital inventory management purposes, some of our customers prefer to purchase our products through independent third-party medical product distributors.

In order to provide a high level of expertise to the medical specialties we serve, our domestic sales force consists of the following:

- 60 employee sales representatives and 200 sales representatives working for independent sales agent groups selling arthroscopy and powered surgical instrument products;
- 60 employee sales representatives selling electrosurgery products;
- 40 employee sales representatives selling endosurgery products;
- 50 employee sales representatives selling patient care products;
- 40 employee sales representatives selling endoscopic technologies products.

Each employee sales representative is assigned a defined geographic area and compensated on a commission basis or through a combination of salary and commission. The sales force is supervised and supported by either area directors or district managers. Sales agent groups are used in the United States to sell our arthroscopy, multi-specialty medical video systems and powered surgical instrument products. These sales agent groups are paid a commission for sales made to customers while home office sales and marketing management provide the overall direction for sales of our products.

Our Corporate sales organization is responsible for interacting with large regional and national accounts (eg. GPOs, IHNs, etc.). We have contracts with many such organizations and believe that, with certain exceptions, the loss of any individual group purchasing contract will not adversely impact our business. In addition, all of our sales professionals are required to work closely with distributors where applicable and maintain close relationships with end-users.

Each of our dedicated sales professionals is highly knowledgeable in the applications and procedures for the products they sell. Our sales professionals provide surgeons and medical personnel with information relating to the technical features and benefits of our products.

Maintaining and expanding our international presence is an important component of our long-term growth plan. Our products are sold in over 100 foreign countries. International sales efforts are coordinated through local country dealers or through direct in country sales. We distribute our products through sales subsidiaries and branches with offices located in Australia, Austria, Belgium, Canada, France, Germany, Korea, the Netherlands, Spain, Italy, Poland and the United Kingdom. In these countries, our sales are denominated in the local currency and amount to approximately 30% of our total net sales. In the remaining countries where our products are sold through independent distributors, sales are denominated in United States dollars.

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

Manufacturing

We manufacture substantially all of our products and assemble them from components, many of which we produce. Our strategy has historically been to vertically integrate our manufacturing facilities in order to develop a competitive advantage. This integration provides us with cost efficient and flexible manufacturing operations which permit us to allocate capital more efficiently. Additionally, we attempt to exploit commercial synergies between operations, such as the procurement of common raw materials and components used in production.

Raw material costs constitute a substantial portion of our cost of production. We use numerous raw materials and components in the design, development and manufacturing of our products. Substantially all of our raw materials and select components used in the manufacturing process are procured from external suppliers. We work closely with multiple suppliers to ensure continuity of supply while maintaining high quality and reliability. None of our critical raw materials and components are procured from single sources for reasons of quality assurance, sole source availability, cost effectiveness or constraints resulting from regulatory requirements. The loss of any existing supplier or supplier contract would not have a material adverse effect on our financial and operational performance. To date, we have not experienced any protracted interruption in the availability of raw materials and components necessary to fulfill production schedules.

All of our products are classified as medical devices subject to regulation by numerous agencies and legislative bodies, including the United States Food and Drug Administration ("FDA") and comparable foreign counter parts. The FDA's Quality System Regulations set forth standards for our product design and manufacturing processes, require the maintenance of certain records and provide for on-site inspections of our facilities by the FDA. In many of the foreign countries in which we manufacture and distribute our products we are subject to regulatory requirements affecting, among other things, product performance standards, packaging requirements, labeling requirements and import laws. Regulatory requirements affecting the Company vary from country to country. The timeframes and costs for regulatory submission and approval from foreign agencies or legislative bodies may vary from those required by the FDA. Certain requirements for approval from foreign agencies or legislative bodies may also differ from those of the FDA.

We believe that our production and inventory management practices are characteristic of those in the medical device industry. Substantially all of our products are stocked in inventory and are not manufactured to order or to individual customer specifications. We schedule production and maintain adequate levels of safety stock based on a number of factors including, experience, knowledge of customer ordering patterns, demand, manufacturing lead times and optimal quantities required to maintain the highest possible service levels. Customer orders are generally processed for immediate shipment and backlog of firm orders is therefore not considered material to an understanding of our business.

Research and Development

New and improved products play a critical role in our continued sales growth. Internal research and development efforts focus on the development of new products and product technological and design improvements aimed at complementing and expanding existing product lines. We continually seek to leverage new technologies which improve the durability, performance and usability of existing products. In addition, we maintain close working relationships with surgeons, inventors and operating room personnel who often make new product and technology disclosures, principally in procedure-specific areas. For clinical and commercially promising disclosures, we seek to obtain rights to these ideas through negotiated agreements. Such agreements typically compensate the originator through, payments based upon a percentage of licensed product net sales. Annual royalty expense approximated $4.4

million, $4.4 million and $3.5 million in 2007, 2008 and 2009, respectively.

Amounts expended for Company sponsored research and development was approximately $30.4 million, $33.1 million and $31.8 million during 2007, 2008, and 2009, respectively.

We have rights to intellectual property, including United States patents and foreign equivalent patents which cover a wide range of our products. We own a majority of these patents and have exclusive and non-exclusive licensing rights to the remainder. In addition, certain of these patents have currently been licensed to third parties on a non-exclusive basis. We believe that the development of new products and technological and design improvements to existing products will continue to be of primary importance in maintaining our competitive position.

Competition

The market for our products is highly competitive and our customers generally have numerous alternatives of supply. Many of our competitors offer a range of products in areas other than those in which we compete, which may make such competitors more attractive to surgeons, hospitals, group purchasing organizations and others. In addition, several of our competitors are large, technically-competent firms with substantial assets.

The following chart identifies our principal competitors in each of our key business areas:

Business Area	Competitor
Arthroscopy	Smith & Nephew, plc Arthrex, Inc. Stryker Corporation ArthroCare Corporation Johnson & Johnson: Mitek Worldwide
Powered Surgical Instruments	Stryker Corporation Medtronic, Inc. Midas Rex and Xomed divisions The Anspach Effort, Inc. MicroAire Surgical Instruments, LLC
Electrosurgery	Covidien Ltd.; Valleylab 3M Company ERBE Elektromedizin GmbH
Patient Care	Covidien Ltd.: Kendall 3M Company
Endosurgery	Johnson & Johnson: Ethicon Endo-Surgery, Inc. Covidien Ltd.; U.S.Surgical

Endoscopic Technologies	Boston Scientific Corporation – Endoscopy Wilson-Cook Medical, Inc. Olympus America, Inc. U.S. Endoscopy

Factors which affect our competitive posture include product design, customer acceptance, service and delivery capabilities, pricing and product development/improvement. In the future, other alternatives such as new medical procedures or pharmaceuticals may become interchangeable alternatives to our products.

Government Regulation and Quality Systems

Substantially all of our products are classified as class II medical devices subject to regulation by numerous agencies and legislative bodies, including the FDA and comparable foreign counterparts. Authorization to commercially distribute our products in the U.S. is granted by the FDA under a procedure referred to as 510(k) premarket notification. This process requires us to demonstrate that our new products or substantially modified products are substantially equivalent to a legally marketed device which was on the market prior to May 28, 1976 or is currently on the U.S. market and does not require premarket approval. We must continually meet certain FDA standards to market our products in the United States. (Our products are classified as Class I, IIa, IIb and III in the European Union (EU) and subject to regulation by our European Notified Body). Our FDA clearance is subject to continual review and future discovery of previously unknown events could result in restrictions being placed on a product's marketing or notification from the FDA to halt the distribution of certain medical devices.

Medical device regulations continue to evolve world-wide. Products marketed in the EU and other countries require preparation of technical files and design dossiers which demonstrate compliance with applicable international regulations. Products marketed in Australia are subject to a new classification system and have been re-registered under the updated Therapuetics Goods Act in 2007. Products marketed in Japan must be re-registered under the Ministry of Health's recently updated Pharmacuetical Affairs Law (PAL). As government regulations continue to change, there is a risk that the distribution of some of our products may be interrupted or discontinued if they do not meet the new requirements.

Our operations are supported by quality assurance/regulatory compliance personnel tasked with monitoring compliance to design controls, process controls and the other relevant government regulations for all of our design, manufacturing, distribution and servicing activities. We and substantially all of our products are subject to the provisions of the Federal Food, Drug and Cosmetic Act of 1938, as amended by the Medical Device Amendments of 1976, Safe Medical Device Act of 1990, Medical Device Modernization Act of 1997, Medical User Fee and Modernization Act of 2002 and similar international regulations, such as the European Union Medical Device Directives.

As a manufacturer of medical devices, the FDA's Quality System Regulations as specified in Title 21, Code of Federal Regulation (CFR) part 820, set forth standards for our product design and manufacturing processes, require the maintenance of certain records, provide for on-site inspection of our facilities and continuing review by the FDA. Many of our products are also subject to industry-defined standards. Such industry-defined product standards are generally formulated by committees of the Association for the Advancement of Medical Instrumentation (AAMI), International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO). We believe that our products and processes presently meet applicable standards in all material respects.

As noted above, our facilities are subject to periodic inspection by the FDA for, among other things, conformance to Quality System Regulation and Current Good Manufacturing Practice ("CGMP") requirements. Following an inspection, the FDA typically provides its observations, if any, in the form of a Form 483 (Notice of Inspectional Observations) with specific observations concerning potential violation of regulations. Although we respond to all Form 483 observations and correct deficiencies expeditiously, there can be no assurance that the FDA will not take further action including issuing a warning letter, seizing product and imposing fines. We market our products in several foreign countries and therefore are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements and import laws. Many of the regulations applicable to our devices and products in these countries are similar to those of the FDA. The member countries of the European Union have adopted the European Medical Device Directives, which create a single set of medical device regulations for all member countries. These regulations require companies that wish to manufacture and distribute medical devices in the European Union maintain quality system certification through European Union recognized Notified Bodies. These Notified Bodies authorize the use of the CE Mark allowing free movement of our products throughout the member countries. Requirements pertaining to our products vary widely from country to country, ranging from simple product registrations to detailed submissions such as those required by the FDA. We believe that our products currently meet applicable standards for the countries in which they are marketed.

Our products may become subject to recall or market withdrawal regulations and we have made product recalls in the past. No product recall has had a material effect on our financial condition, however there can be no assurance that regulatory issues will not have a material adverse effect in the future.

Any change in existing federal, state, foreign laws or regulations, or in the interpretation or enforcement thereof, or the promulgation or any additional laws or regulations may result in a material adverse effect on our financial condition or results of operations.

Employees

As of December 31, 2009, we had approximately 3,500 full-time employees, including approximately 2,000 in operations, 135 in research and development, and the remaining in sales, marketing and related administrative support. We believe that we have good relations with our employees and have never experienced a strike or similar work stoppage. None of our employees are represented by a labor union.

Item 1A. Risk Factors

An investment in our securities, including our common stock, involves a high degree of risk. Investors should carefully consider the specific factors set forth below as well as the other information included or incorporated by reference in this Form 10-K. See "Forward Looking Statements".

Our financial performance is dependent on conditions in the health care industry and the broader economy.

The results of our business are directly tied to the economic conditions in the health care industry and the broader economy as a whole. Given the difficult economic environment we experienced in 2008 and much of 2009 including extreme volatility in the financial markets and foreign currency exchange rates and depressed economic conditions in both domestic and international markets, we continue to face significant business challenges. Approximately 25% of our revenues are derived from the sale of capital products. The sales of such products are negatively impacted if hospitals and other healthcare providers are unable to secure the financing necessary to purchase these products or otherwise defer purchases. Our revenue declined in 2009 as compared to 2008 primarily as a result of the difficult economic environment. While we are cautiously optimistic that the overall global economic environment is improving and are therefore forecasting a return to revenue growth in 2010, there can be no assurance that the improvement in the economic environment will be sustained or that revenue growth will be achieved.

Our significant international operations subject us to foreign currency fluctuations and other risks associated with operating in foreign countries.

A significant portion of our revenues are derived from foreign sales. Approximately 45% of our total 2009 consolidated net sales were to customers outside the United States. We have sales subsidiaries in a significant number of countries in Europe as well as Australia, Canada and Korea. In those countries in which we have a direct presence, our sales are denominated in the local currency and those sales denominated in local currency amounted to approximately 30% of our total net sales in 2009. The remaining 15% of sales to customers outside the United States was on an export basis and transacted in United States dollars.

Because a significant portion of our operations consist of sales activities in foreign jurisdictions, our financial results may be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the markets in which we distribute products. While we have implemented a hedging strategy, our revenues may be unfavorably impacted from foreign currency translation if the United States dollar strengthens as compared with currencies such as the Euro. Our international presence exposes us to certain other inherent risks, including:

- imposition of limitations on conversions of foreign currencies into dollars or remittance of dividends and other payments by international subsidiaries;
- imposition or increase of withholding and other taxes on remittances and other payments by international subsidiaries;
- trade barriers;
- political risks, including political instability;
- reliance on third parties to distribute our products;
- hyperinflation in certain foreign countries; and
- imposition or increase of investment and other restrictions by foreign governments.

We cannot assure you that such risks will not have a material adverse effect on our business and results of operations.

Our financial performance is subject to the risks inherent in our acquisition strategy, including the effects of increased borrowing and integration of newly acquired businesses or product lines.

A key element of our business strategy has been to expand through acquisitions and we may seek to pursue additional acquisitions in the future. Our success is dependent in part upon our ability to integrate acquired companies or product lines into our existing operations. We may not have sufficient management and other resources to accomplish the integration of our past and future acquisitions and implementing our acquisition strategy may strain our relationship with customers, suppliers, distributors, manufacturing personnel or others. There can be no assurance that we will be able to identify and make acquisitions on acceptable terms or that we will be able to obtain financing for such acquisitions on acceptable terms. In addition, while we are generally entitled to customary indemnification from sellers of businesses for any difficulties that may have arisen prior to our acquisition of each business, acquisitions may involve exposure to unknown liabilities and the amount and time for claiming under these indemnification provisions is often limited. As a result, our financial performance is now and will continue to be subject to various risks associated with the acquisition of businesses, including the financial effects associated with any increased borrowing required to fund such acquisitions or with the integration of such businesses.

Failure to comply with regulatory requirements may result in recalls, fines or materially adverse implications.

Substantially all of our products are classified as class II medical devices subject to regulation by numerous agencies and legislative bodies, including the FDA and comparable foreign counterparts. As a manufacturer of medical devices, our manufacturing processes and facilities are subject to on-site inspection and continuing review by the FDA for compliance with the Quality System Regulations. Manufacturing and sales of our products outside the United States are also subject to foreign regulatory requirements which vary from country to country. Moreover, we are generally required to obtain regulatory clearance or approval prior to marketing a new product. The time required to obtain approvals from foreign countries may be longer or shorter than that required for FDA approval, and requirements for foreign approvals may differ from FDA requirements. Failure to comply with applicable domestic and/or foreign regulatory requirements may result in:

- fines or other enforcement actions;
- recall or seizure of products;
- total or partial suspension of production;
- withdrawal of existing product approvals or clearances;
- refusal to approve or clear new applications or notices;
- increased quality control costs; or
- criminal prosecution.

Failure to comply with Quality System Regulations and applicable foreign regulations could result in a material adverse effect on our business, financial condition or results of operations.

If we are not able to manufacture products in compliance with regulatory standards, we may decide to cease manufacturing of those products and may be subject to product recall.

In addition to the Quality System Regulations, many of our products are also subject to industry-defined standards. We may not be able to comply with these regulations and standards due to deficiencies in component parts or our manufacturing processes. If we are not able to comply with the Quality System Regulations or industry-defined standards, we may not be able to fill customer orders and we may decide to cease production of non-compliant products. Failure to produce products could affect our profit margins and could lead to loss of customers.

Our products are subject to product recall and we have made product recalls in the past, including $6.0 million in 2009 related to certain of our powered surgical instrument handpieces. Although no recall has had a material adverse effect on our business or financial condition, we cannot assure you that regulatory issues will not have a material adverse effect on our business, financial condition or results of operation in the future or that product recalls will not harm our reputation and our customer relationships.

The highly competitive market for our products may create adverse pricing pressures.

The market for our products is highly competitive and our customers have numerous alternatives of supply. Many of our competitors offer a range of products in areas other than those in which we compete, which may make such competitors more attractive to surgeons, hospitals, group purchasing organizations and others. In addition, several of our competitors are large, technically-competent firms with substantial assets. Competitive pricing pressures or the introduction of new products by our competitors could have an adverse effect on our revenues. See “Competition” for a further discussion of these competitive forces.

Factors which may influence our customers’ choice of competitor products include:

- changes in surgeon preferences;
- increases or decreases in health care spending related to medical devices;
- our inability to supply products to them, as a result of product recall, market withdrawal or back-order;
- the introduction by competitors of new products or new features to existing products;
- the introduction by competitors of alternative surgical technology; and
- advances in surgical procedures, discoveries or developments in the health care industry.

We use a variety of raw materials in our businesses, and significant shortages or price increases could increase our operating costs and adversely impact the competitive positions of our products.

Our reliance on certain suppliers and commodity markets to secure raw materials used in our products exposes us to volatility in the prices and availability of raw materials. In some instances, we participate in commodity markets that may be subject to allocations by suppliers. A disruption in deliveries from our suppliers, price increases, or decreased availability of raw materials or commodities, could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that our supply management practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Nonetheless, price increases or the unavailability of some raw materials may have an adverse effect on our results of operations or financial condition.

Cost reduction efforts in the health care industry could put pressures on our prices and margins.

In recent years, the health care industry has undergone significant change driven by various efforts to reduce costs. Such efforts include national health care reform, trends towards managed care, cuts in Medicare, consolidation of health care distribution companies and collective purchasing arrangements by GPOs and IHNs. Demand and prices for our products may be adversely affected by such trends.

We may not be able to keep pace with technological change or to successfully develop new products with wide market acceptance, which could cause us to lose business to competitors.

The market for our products is characterized by rapidly changing technology. Our future financial performance will depend in part on our ability to develop and manufacture new products on a cost-effective basis, to introduce them to the market on a timely basis, and to have them accepted by surgeons.

We may not be able to keep pace with technology or to develop viable new products. Factors which may result in delays of new product introductions or cancellation of our plans to manufacture and market new products include:

- capital constraints;
- research and development delays;
- delays in securing regulatory approvals; or
- changes in the competitive landscape, including the emergence of alternative products or solutions which reduce or eliminate the markets for pending products.

Our new products may fail to achieve expected levels of market acceptance.

New product introductions may fail to achieve market acceptance. The degree of market acceptance for any of our products will depend upon a number of factors, including:

- our ability to develop and introduce new products and product enhancements in the time frames we currently estimate;
- our ability to successfully implement new technologies;
- the market's readiness to accept new products;
- having adequate financial and technological resources for future product development and promotion;
- the efficacy of our products; and
- the prices of our products compared to the prices of our competitors' products.

If our new products do not achieve market acceptance, we may be unable to recover our investments and may lose business to competitors.

In addition, some of the companies with which we now compete or may compete in the future have or may have more extensive research, marketing and manufacturing capabilities and significantly greater technical and personnel resources than we do, and may be better positioned to continue to improve their technology in order to compete in an evolving industry. See "Competition" for a further discussion of these competitive forces.

Our senior credit agreement contains covenants which may limit our flexibility or prevent us from taking actions.

Our senior credit agreement contains, and future credit facilities are expected to contain, certain restrictive covenants which will affect, and in many respects significantly limit or prohibit, among other things, our ability to:

- incur indebtedness;
- make investments;
- engage in transactions with affiliates;
- pay dividends or make other distributions on, or redeem or repurchase, capital stock;
- sell assets; and
- pursue acquisitions.

These covenants, unless waived, may prevent us from pursuing acquisitions, significantly limit our operating and financial flexibility and limit our ability to respond to changes in our business or competitive activities. Our ability to comply with such provisions may be affected by events beyond our control. In the event of any default under our credit agreement, the credit agreement lenders may elect to declare all amounts borrowed under our credit agreement, together with accrued interest, to be due and payable. If we were unable to repay such borrowings, the credit agreement lenders could proceed against collateral securing the credit agreement, which consists of substantially all of our property and assets, except for our accounts receivable and related rights which are sold in connection with the accounts receivable sales agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for a discussion of the accounts receivable sales agreement. Our credit agreement also contains a material adverse effect clause which may limit our ability to access additional funding under our credit agreement should a material adverse change in our business occur.

Our leverage and debt service requirements may require us to adopt alternative business strategies.

As of December 31, 2009, we had $184.4 million of debt outstanding, net of a debt discount on our 2.50% convertible senior subordinated notes of $8.3 million, representing 24% of total capitalization and which does not include the $29.0 million of accounts receivable sold under the accounts receivable sales agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

The degree to which we are leveraged could have important consequences to investors, including but not limited to the following:

- a portion of our cash flow from operations must be dedicated to debt service and will not be available for operations, capital expenditures, acquisitions, dividends and other purposes;
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes may be limited or impaired, or may be at higher interest rates;
- we may be at a competitive disadvantage when compared to competitors that are less leveraged;
- we may be hindered in our ability to adjust rapidly to market conditions;
- our degree of leverage could make us more vulnerable in the event of a downturn in general economic conditions or other adverse circumstances applicable to us; and
- our interest expense could increase if interest rates in general increase because a portion of our borrowings, including our borrowings under our credit agreement, are and will continue to be at variable rates of interest.

We may not be able to generate sufficient cash to service our indebtedness, which could require us to reduce our expenditures, sell assets, restructure our indebtedness or seek additional equity capital.

Our ability to satisfy our obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We may not have sufficient cash flow available to enable us to meet our obligations. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as foregoing acquisitions, reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking additional equity capital. We cannot assure you that any of these strategies could be implemented on terms acceptable to us, if at all. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” for a discussion of our indebtedness and its implications.

We may be unable to continue to sell our accounts receivable, which could require us to seek alternative sources of financing.

Under our accounts receivable sales agreement, there are certain statistical ratios which must be maintained relating to the pool of receivables in order for us to continue selling to the purchaser. These ratios relate to sales dilution and losses on accounts receivable. If new accounts receivable arising in the normal course of business do not qualify for sale or the purchaser otherwise ceases to purchase our receivables, we may require access to alternate sources of working capital, which may be more expensive or difficult to obtain. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the “purchaser commitment”) from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment was amended effective October 30, 2009 whereby the purchase commitment was decreased from $50.0 million to $40.0 million and extended through October 29, 2010 under otherwise substantially the same terms and conditions. In the event we are unable to renew our purchaser commitment in the future, we would need to access alternate sources of working capital which may be more expensive or difficult to obtain.

If we infringe third parties' patents, or if we lose our patents or they are held to be invalid, we could become subject to liability and our competitive position could be harmed.

Much of the technology used in the markets in which we compete is covered by patents. We have numerous U.S. patents and corresponding foreign patents on products expiring at various dates from 2010 through 2028 and have additional patent applications pending. See "Research and Development" for a further description of our patents. The loss of our patents could reduce the value of the related products and any related competitive advantage. Competitors may also be able to design around our patents and to compete effectively with our products. In addition, the cost of enforcing our patents against third parties and defending our products against patent infringement actions by others could be substantial. We cannot assure you that:

- pending patent applications will result in issued patents;
- patents issued to or licensed by us will not be challenged by competitors;
- our patents will be found to be valid or sufficiently broad to protect our technology or provide us with a competitive advantage; or
- we will be successful in defending against pending or future patent infringement claims asserted against our products.

Ordering patterns of our customers may change resulting in reductions in sales.

Our hospital and surgery center customers purchase our products in quantities sufficient to meet their anticipated demand. Likewise, our health care distributor customers purchase our products for ultimate resale to health care providers in quantities sufficient to meet the anticipated requirements of the distributors' customers. Should inventories of our products owned by our hospital, surgery center and distributor customers grow to levels higher than their requirements, our customers may reduce the ordering of products from us. This could result in reduced sales during a financial accounting period.

We can be sued for producing defective products and our insurance coverage may be insufficient to cover the nature and amount of any product liability claims.

The nature of our products as medical devices and today's litigious environment should be regarded as potential risks which could significantly and adversely affect our financial condition and results of operations. The insurance we maintain to protect against claims associated with the use of our products have deductibles and may not adequately cover the amount or nature of any claim asserted against us. We are also exposed to the risk that our insurers may become insolvent or that premiums may increase substantially. See "Legal Proceedings" for a further discussion of the risk of product liability actions and our insurance coverage.

Damage to our physical properties as a result of windstorm, earthquake, fire or other natural or man-made disaster may cause a financial loss and a loss of customers.

Although we maintain insurance coverage for physical damage to our property and the resultant losses that could occur during a business interruption, we are required to pay deductibles and our insurance coverage is limited to certain caps. For example, our deductible for windstorm damage to our Florida property amounts to 2% of any loss and coverage for earthquake damage to our California properties is limited to $10 million. Further, while insurance reimburses us for our lost gross earnings during a business interruption, if we are unable to supply our customers with our products for an extended period of time, there can be no assurance that we will regain the customers' business once the product supply is returned to normal.

Item 2. Properties

Facilities

The following table sets forth certain information with respect to our principal operating facilities. We believe that our facilities are generally well maintained, are suitable to support our business and adequate for present and anticipated needs.

Location	Square Feet	Own or Lease	Lease Expiration
Utica, NY (two facilities)	650,000	Own	-
Largo, FL	278,000	Own	-
Rome, NY	120,000	Own	-
Centennial, CO	87,500	Own	-
Tampere, Finland	5,662	Own	-
Chihuahua, Mexico	207,720	Lease	September 2019
Lithia Springs, GA	188,400	Lease	December 2019
Brussels, Belgium	45,531	Lease	June 2015
Santa Barbara, CA	33,900	Lease	September 2013
Chelmsford, MA	27,911	Lease	September 2015
Mississauga, Canada	22,378	Lease	December 2013
Frenchs Forest, Australia	16,909	Lease	July 2011
Tampere, Finland	15,457	Lease	Open Ended
Portland, OR	14,627	Lease	January 2011
Anaheim, CA	14,037	Lease	October 2012
Milan, Italy	13,024	Lease	March 2013
Swindon, Wiltshire, UK	10,000	Lease	December 2015
Seoul, Korea	7,513	Lease	December 2010
Montreal, Canada	7,232	Lease	March 2011
Frankfurt, Germany	6,900	Lease	December 2012
Barcelona, Spain	5,382	Lease	December 2013
Shepshed, Leicestershire,UK	5,000	Lease	October 2015
Beijing, China	3,456	Lease	June 2012
Lodz, Poland	3,222	Lease	February 2018
Barcelona, Spain	2,691	Lease	December 2013
Rungis Cedex, France	2,637	Lease	November 2011
Graz, Austria	2,174	Lease	November 2013
Montreal, Canada	2,144	Lease	May 2012
Oxfordshire, UK	2,115	Lease	December 2015
San Juan Capistrano, CA	2,000	Lease	January 2011

Item 3. Legal Proceedings

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

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

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

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

The Company's motions to dismiss and for summary judgment, which were heard at a hearing held on January 5, 2007, were denied by a Memorandum Decision and Order dated May 22, 2007. The District Court also granted the plaintiffs' motion to certify a class of former CONMED Linvatec sales representatives whose employment with CONMED Linvatec was involuntarily terminated in 2003 and who did not receive severance benefits. With discovery essentially completed, on July 21, 2008, the Company filed motions seeking summary judgment and to decertify the class. In addition, on July 21, 2008, Plaintiffs filed a motion seeking summary judgment. These motions were submitted for decision on August 26, 2008. There is no fixed time frame within which the Court is required to rule on the motions. The Company believes there is no merit to the claims asserted in the Complaint, and plans to vigorously defend the case. There can be no assurance, however, that the Company will prevail in the litigation.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable.

PART II

ItemMarket for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity 5. Securities

Our common stock, par value $.01 per share, is traded on the Nasdaq Stock Market under the symbol "CNMD". At February 1, 2010, there were 939 registered holders of our common stock and approximately 6,548 accounts held in "street name".

The following table sets forth quarterly high and low sales prices for the years ended December 31, 2008 and 2009, as reported by the Nasdaq Stock Market.

	2008	
Period	High	Low
First Quarter	$ 28.22	$ 21.59
Second Quarter	27.22	23.90
Third Quarter	32.99	25.02
Fourth Quarter	31.74	21.13

	2009	
Period	High	Low
First Quarter	$ 23.99	$ 11.68
Second Quarter	16.49	12.31
Third Quarter	20.58	15.00
Fourth Quarter	23.69	18.35

We did not pay cash dividends on our common stock during 2008 or 2009 and do not currently intend to pay dividends for the foreseeable future. Future decisions as to the payment of dividends will be at the discretion of the Board of Directors, subject to conditions then existing, including our financial requirements and condition and the limitation and payment of cash dividends contained in debt agreements.

Our Board of Directors has authorized a share repurchase program; see Note 7 to the Consolidated Financial Statements.

Information relating to compensation plans under which equity securities of CONMED Corporation are authorized for issuance is set forth below:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,875,709	$ 23.70	1,110,643
Equity compensation plans not approved by security holders	-	-	-
Total	2,875,709	$ 23.70	1,110,643

Performance Graph

The performance graph below compares the yearly percentage change in the Company's Common Stock with the cumulative total return of the NASDAQ Composite Index and the cumulative total return of the Standard & Poor's Health Care Equipment Index. In each case, the cumulative total return assumes reinvestment of dividends into the same class of equity securities at the frequency with which dividends are paid on such securities during the applicable fiscal year.

Item 6. Selected Financial Data

The following table sets forth selected historical financial data for the years ended December 31, 2005, 2006, 2007, 2008 and 2009. The financial data set forth below should be read in conjunction with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Form 10-K and the Financial Statements of the Company and the notes thereto.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA (AS ADJUSTED) (1)

	Years Ended December 31,				
	2005	2006	2007	2008	2009
	(in thousands, except per share data)				
Statements of Operations Data (2):					
Net sales	$617,305	$646,812	$694,288	$742,183	$694,739
Cost of sales (3)	304,284	333,966	345,163	359,802	357,407
Gross profit	313,021	312,846	349,125	382,381	337,332
Selling and administrative	216,685	234,832	240,541	272,437	266,310
Research and development	25,469	30,715	30,400	33,108	31,837
Impairment of goodwill (4)	-	46,689	-	-	-
Other expense (income)(5)	7,119	5,213	(2,807)	1,577	10,916
Income (loss) from operations	63,748	(4,603)	80,991	75,259	28,269
Gain (loss) on early extinguishment of debt (6)	-	(678)	-	1,947	1,083
Amortization of debt discount	4,077	4,324	4,618	4,823	4,111
Interest expense	15,578	19,120	16,234	10,372	7,086
Income (loss) before income taxes	44,093	(28,725)	60,139	62,011	18,155
Provision (benefit) for income taxes	14,670	(13,492)	21,595	22,022	6,018
Net income (loss)	$29,423	$(15,233)	$38,544	$39,989	$12,137
Earnings (loss) Per Share					
Basic	$1.00	$(.54)	$1.36	$1.39	$0.42
Diluted	$.99	$(.54)	$1.33	$1.37	$0.42
Weighted Average Number of Common Shares In Calculating:					
Basic earnings (loss) per share	29,300	27,966	28,416	28,796	29,074
Diluted earnings (loss) per share	29,736	27,966	28,965	29,227	29,142
Other Financial Data:					
Depreciation and amortization	$34,863	$34,175	$36,152	$37,159	$41,283
Capital expenditures	16,242	21,895	20,910	35,879	21,444
Balance Sheet Data (at period end):					
Cash and cash equivalents	$3,454	$3,831	$11,695	$11,811	$10,098
Total assets	903,783	861,571	893,951	931,661	958,413
Long-term obligations	369,725	329,818	298,383	316,532	302,791
Total shareholders' equity	471,926	456,548	518,284	540,215	576,515

(1) In May 2008, the FASB issued guidance which specifies that issuers of convertible debt instruments that permit or require the issuer to pay cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company is required to apply the guidance retrospectively to all past periods presented. We adopted this guidance on January 1, 2009 related to our 2.50% convertible senior subordinated notes due 2024 ("the Notes"). See additional discussion in Note 16 of the Consolidated Financial Statements.

(2) Results of operations of acquired businesses have been recorded in the financial statements since the date of acquisition.

(3) Includes acquisition and acquisition-transition related charges of $7.8 million in 2005, $10.0 million in 2006 and $1.0 million in 2008. Also includes in 2006 charges of $1.3 million related to the closing of our manufacturing facility in Montreal, Canada; in 2008 and 2009, charges related to the restructuring of certain of our operations of $2.5 million and $11.8 million, respectively, and in 2009 charges of $0.8 million related to the write-down of inventory. See additional discussion in Note 11 and Note 17 to the Consolidated Financial Statements.

(4) During 2006, we recorded a $46.7 million charge for the impairment of goodwill related to the CONMED Endoscopic Technologies business unit.

(5) Other expense (income) includes the following:

	2005	2006	2007	2008	2009
Acquisition-transition related costs	$ 4,108	$ 2,592	$ -	$ -	$ -
Termination of product offering	1,519	1,448	148	-	-
Environmental settlement	698	-	-	-	-
Loss on equity investment	794	-	-	-	-
Loss on settlement of patent dispute	-	595	-	-	-
Gain on litigation settlement	-	-	(6,072)	-	-
Loss on litigation settlement	-	-	1,295	-	-
New plant/facility consolidation	-	578	1,822	1,577	2,726
Net pension gain	-	-	-	-	(1,882)
Product recall	-	-	-	-	5,992
CONMED Endscopic Technologies division consolidation	-	-	-	-	4,080
Other expense (income)	$ 7,119	$ 5,213	$ (2,807)	$ 1,577	$ 10,916

See additional discussion in Note 11 to the Consolidated Financial Statements.

(6) Includes in 2006, charges of $0.7 million related to losses on early extinguishment of debt. Includes in 2008 and 2009, gains of $1.9 million and $1.1 million, respectively, on early extinguishment of debt. See additional discussion in Note 5 to the Consolidated Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Selected Financial Data (Item 6), and our Consolidated Financial Statements and related notes contained elsewhere in this report.

Overview of CONMED Corporation

CONMED Corporation ("CONMED", the "Company", "we" or "us") is a medical technology company with an emphasis on surgical devices and equipment for minimally invasive procedures and monitoring. The Company's products serve the clinical areas of arthroscopy, powered surgical instruments, electrosurgery, cardiac monitoring disposables, endosurgery and endoscopic technologies. They are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery, and gastroenterology. These product lines and the percentage of consolidated revenues associated with each, are as follows:

	2007		2008		2009	
Arthroscopy	38	%	38	%	39	%
Powered Surgical Instruments	21		21		21	
Electrosurgery	13		14		14	
Patient Care	11		11		10	
Endosurgery	9		9		9	
Endoscopic Technologies	8		7		7	
Consolidated Net Sales	100	%	100	%	100	%

A significant amount of our products are used in surgical procedures with approximately 75% of our revenues derived from the sale of disposable products. Our capital equipment offerings also facilitate the ongoing sale of related disposable 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, Mexico and Finland. We market our products both domestically and internationally directly to customers and through distributors. International sales approximated 42%, 44% and 45% in 2007, 2008 and 2009, respectively.

Business Environment and Opportunities

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

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

We have a variety of research and development initiatives focused in each of our principal product lines as continued innovation and commercialization of new proprietary products and processes are essential elements of our long-term growth strategy. Our reputation as an innovator is exemplified by recent new product introductions such as the CONMED Linvatec Shoulder Restoration System, a comprehensive system for rotator cuff repair.

Business Challenges

Given significant volatility in the financial markets and foreign currency exchange rates and depressed economic conditions in both domestic and international markets, 2009 presented significant business challenges. Our revenue declined in 2009 as compared to 2008 primarily as a result of the difficult economic environment. While we are cautiously optimistic that the overall global economic environment is improving and are therefore forecasting a return to revenue growth in 2010, there can be no assurance that the improvement in the economic environment will be sustained or that revenue growth will be achieved. We will continue to monitor and manage the impact of the overall economic environment on the Company.

During 2009 we successfully completed the first phase of our operational restructuring plan which we had previously announced in the second quarter of 2008. During 2010, we will begin the second phase of our operational restructuring plan which involves further expanding our lower cost Mexican operations by transferring additional production lines to our Chihuahua, Mexico facility which we believe will yield additional cost savings. We expect the second phase of our restructuring plan to be largely completed by the fourth quarter of 2010. However, we cannot be certain such activities will be completed in the estimated time period or that planned cost savings will be achieved.

Our CONMED Endoscopic Technologies operating segment has suffered from sales declines and operating losses since its acquisition from C.R. Bard in September 2004. We have corrected the operational issues associated with product shortages that resulted following the acquisition of the Endoscopic Technologies business and have consolidated the administrative functions of the Endoscopic Technologies business from Chelmsford, Massachusetts to our Corporate Headquarters in Utica, New York. We believe by reducing costs while continuing to invest in new product development, we can achieve increased sales and ensure a return to profitability.

Our facilities are subject to periodic inspection by the United States Food and Drug Administration (“FDA”) and foreign regulatory agencies for, among other things, conformance to Quality System Regulation and Current Good Manufacturing Practice (“CGMP”) requirements. Our products are also subject to product recall and we have made product recalls in the past, including $6.0 million in 2009 related to certain of our powered instrument handpieces. We are committed to the principles and strategies of systems-based quality management for improved CGMP compliance, operational performance and efficiencies through our Company-wide quality systems initiative. However, there can be no assurance that our actions will ensure that we will not receive a warning letter or other regulatory action which may include consent decrees or fines, or that we will not make product recalls in the future.

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 describes the significant accounting policies used in preparation of the Consolidated Financial Statements. The most significant areas involving management judgments and estimates are described below and are considered by management to be critical to understanding the financial condition and results of operations of CONMED Corporation.

Revenue Recognition

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

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

- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the term of individual commitment agreements.

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

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

- Amounts billed to customers related to shipping and handling have been included in net sales. Shipping and handling costs included in selling and administrative expense were $14.1 million, $13.4 million and $11.3 million for 2007, 2008 and 2009, respectively.

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

- We assess the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. Historically, losses on accounts receivable have not been material. Management believes that the allowance for doubtful accounts of $1.2 million at December 31, 2009 is adequate to provide for probable losses resulting from accounts receivable.

Inventory Reserves

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

Goodwill and Intangible Assets

We have a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. We have accumulated goodwill of $290.5 million and other intangible assets of $190.8 million as of December 31, 2009.

In accordance with Financial Accounting Standards Board ("FASB") guidance, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at least annual impairment testing. It is our policy to perform our annual impairment testing in the fourth quarter. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and other valuation techniques. Future cash flows may be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. We completed our goodwill impairment testing as of October 1, 2009 and determined that no impairment existed at that date. For our CONMED Electrosurgery, CONMED Endosurgery and CONMED Linvatec operating units, our impairment testing utilized CONMED Corporation's EBIT multiple adjusted for a market-based control premium with the resultant fair values exceeding carrying values by 55% to 140%. Our CONMED Patient Care operating unit has the least excess of fair value over carrying value of our reporting units; we therefore utilized both a market-based approach and an income approach when performing impairment testing with the resultant fair value exceeding carrying value by 16%. The income approach contained certain key assumptions including that revenue would resume historical growth patterns in 2010 while including certain cost savings associated with the operational restructuring plan completed during 2009. We continue to monitor events and circumstances for triggering events which would more likely than not reduce the fair value of any of our reporting units and require us to perform impairment testing.

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

Customer relationship assets arose principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 17 years. The weighted average life for customer relationship assets in aggregate is 34 years.

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

We test our customer relationship assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors specific to our customer relationship assets which might lead to an impairment charge include a significant increase in the annual customer attrition rate or otherwise significant loss of customers, significant decreases in sales or current-period operating or cash flow losses or a projection or forecast of losses. We do not believe that there have been events or changes in circumstances which would indicate the carrying amount of our customer relationship assets might not be recoverable.

See Note 4 to the Consolidated Financial Statements for further discussion of goodwill and other intangible assets.

Pension Plan

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

On March 26, 2009, the Board of Directors approved a plan to freeze benefit accruals under our pension plan effective May 14, 2009. As a result, we recorded a curtailment gain of $4.4 million and a reduction in accrued pension of $11.4 million which is included in other long term liabilities. See Note 9 to the Consolidated Financial Statements.

The weighted-average discount rate used to measure pension liabilities and costs is set by reference to the Citigroup Pension Liability Index. However, this index gives only an indication of the appropriate discount rate because the cash flows of the bonds comprising the index do not match the projected benefit payment stream of the plan precisely. For this reason, we also consider the individual characteristics of the plan, such as projected cash flow patterns and payment durations, when setting the discount rate. This discount rate, which is used in determining pension expense, was 6.48% in 2008 compared to 5.97% for the first quarter of 2009. The discount rate used for purposes of remeasuring plan liabilities as of the date the plan freeze was approved and for purposes of measuring pension expense for the remainder of 2009 was 7.30%. The rate used in determining 2010 pension expense is 5.86%.

We have used an expected rate of return on pension plan assets of 8.0% for purposes of determining the net periodic pension benefit cost. In determining the expected return on pension plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, we consult with financial and investment management professionals in developing appropriate targeted rates of return.

We have estimated our rate of increase in employee compensation levels at 3.5% consistent with our internal budgeting.

Pension expense in 2010 is expected to be $1.5 million compared to a net pension gain of $0.8 million (including a $4.4 million curtailment gain and pension expense of $3.6 million) in 2009. In addition, we will be required to contribute approximately $3.0 million to the pension plan for the 2010 plan year.

We have recorded additional expense of approximately $4.0 million in the year ended December 31, 2009 related to an additional employer 401(k) contribution which is intended to offset some of the impact on employees of the freeze in pension benefit accruals.

See Note 9 to the Consolidated Financial Statements for further discussion.

Stock Based Compensation

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

Income Taxes

The recorded future tax benefit arising from net deductible temporary differences and tax carryforwards is approximately $34.6 million at December 31, 2009. Management believes that our earnings during the periods when the temporary differences become deductible will be sufficient to realize the related future income tax benefits.

We operate in multiple taxing jurisdictions, both within and outside the United States. We face audits from these various tax authorities regarding the amount of taxes due. Such audits can involve complex issues and may require an extended period of time to resolve. Our Federal income tax returns have been examined by the Internal Revenue Service ("IRS") for calendar years ending through 2007. Tax years subsequent to 2007 are subject to future examination.

We have established a valuation allowance to reflect the uncertainty of realizing the benefits of certain net operating loss carryforwards recognized in connection with an acquisition. Effective January 1, 2009, changes in deferred tax valuation allowances and income tax uncertainties after the acquisition date, including those associated with acquisitions that closed prior to this effective date, generally will affect income tax expense. In assessing the need for a valuation allowance, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. Valuation allowances related to deferred tax assets may be impacted by changes to tax laws, changes to statutory tax rates and ongoing and future taxable income levels.

Consolidated Results of Operations

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

	Year Ended December 31,		
	2007	2008	2009
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	49.7	48.5	51.4
Gross margin	50.3	51.5	48.6
Selling and administrative expense	34.6	36.7	38.3
Research and development expense	4.4	4.5	4.6
Other expense (income), net	(0.4)	0.2	1.6
Income from operations	11.7	10.1	4.1
Gain on early extinguishment of debt	0.0	0.3	0.1
Amortization of debt discount	0.7	0.6	0.6
Interest expense	2.3	1.4	1.0
Income before income taxes	8.7	8.4	2.6
Provision for income taxes	3.1	3.0	0.9
Net income	5.6 %	5.4 %	1.7 %

2009 Compared to 2008

Sales for 2009 were $694.7 million, a decrease of $47.5 million (-6.4%) compared to sales of $742.2 million in 2008 with the decreases occurring in all product lines except Endosurgery. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $20.4 million of the decrease. In local currency, sales decreased 3.7%. Sales of capital equipment decreased $31.9 million (-16.1%) from $197.8 million in 2008 to $165.9 million in 2009; sales of single-use and reposable products decreased $15.6 million (-2.9%) from $544.4 million in 2008 to $528.8 million in 2009. On a local currency basis, sales of capital equipment decreased 13.3% while single-use and reposable products decreased 0.1%. We believe the overall decline in sales is driven by capital purchasing constraints in hospitals due to the depressed economic conditions.

Cost of sales decreased to $357.4 million in 2009 as compared to $359.8 million in 2008 on overall decreases in sales volumes as described above. Gross profit margins decreased 2.9 percentage points to 48.6% in 2009 as compared to 51.5% in the same period a year ago. The decrease in gross profit margins of 2.9 percentage points is primarily a result of the effects of unfavorable foreign currency exchange rates on sales (1.5 percentage points) and restructuring of the Company's operations as more fully described in Note 17 (1.8 percentage points) offset by improved product mix (0.4 percentage points).

Selling and administrative expense decreased from $272.4 million in 2008 to $266.3 million in 2009. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $6.8 million of the decrease. Selling and administrative expense as a percentage of net sales increased to 38.3% in 2009 from 36.7% in 2008. This increase of 1.6 percentage points is primarily attributable to higher benefit related costs (0.4 percentage points) and higher sales force and other administrative expenses (1.2 percentage points) as a percent of sales.

Research and development expense was $31.8 million in 2009 compared to $33.1 million in 2008. As a percentage of net sales, research and development expense increased to 4.6% in 2009 compared to 4.5% in 2008. The increase in research and development expense of 0.1 percentage point is due to increased spending on our CONMED Linvatec orthopedic products (0.5 percentage points) offset by decreases in other research and development spending (0.4 percentage points).

As discussed in Note 11 to the Consolidated Financial Statements, other expense in 2009 consisted of the following: a $2.7 million charge related to the restructuring of certain of the Company's operations; a $4.1 million charge related to the consolidation of the administrative functions of the CONMED Endoscopic Technologies division; a $6.0 million charge related to a voluntary recall of certain of our powered instrument products; and a $1.9 million net pension gain resulting from the freezing of future benefit accruals effective May 14, 2009. Other expense in 2008 consisted of a $1.6 million charge related to the restructuring and relocation of certain of the Company's facilities.

During the first quarter of 2009, we repurchased and retired $9.9 million of our 2.50% convertible senior subordinated notes (the "Notes") for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized Notes discount. During the fourth quarter of 2008, we repurchased and retired $25.0 million of our 2.50% convertible senior subordinated notes (the "Notes") for $20.2 million and recorded a gain on the early extinguishment of debt of $1.9 million net of the write-off of $0.4 million in unamortized deferred financing costs and $2.4 million in unamortized Notes discount. See additional discussion under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and Note 5 to the Consolidated Financial Statements.

Amortization of debt discount in 2009 was $4.1 million compared to $4.8 million in 2008. This amortization is associated with the implementation of FASB guidance as of January 1, 2009 as further described in Note 16 to the Consolidated Financial Statements.

Interest expense in 2009 was $7.1 million compared to $10.4 million in 2008. The decrease in interest expense is due to lower weighted average interest rates combined with lower weighted average borrowings outstanding in 2009 as compared to 2008. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) decreased to 2.90% in 2009 as compared to 3.78% in 2008.

A provision for income taxes was recorded at an effective rate of 33.1% in 2009 and 35.5% in 2008 as compared to the Federal statutory rate of 35.0%. The effective tax rate for 2009 is lower than that recorded in the same period a year ago as a result of the settlement of our 2007 IRS examination in the first quarter of 2009, and the resulting adjustment to our reserves and reduction of income tax expense. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in Note 6 to the Consolidated Financial Statements.

2008 Compared to 2007

Sales for 2008 were $742.2 million, an increase of $47.9 million (6.9%) compared to sales of $694.3 million in 2007 with the increase occurring in all product lines except Endoscopic Technologies. Favorable foreign currency exchange rates in 2008 compared to 2007 accounted for $2.0 million of the increase while the purchase of our Italian distributor accounted for an increase in sales of approximately $18.3 million (see Note 15 to the Consolidated Financial Statements). In local currency, sales increased 6.6%. Sales of capital equipment increased $8.5 million (4.5%) from $189.3 million in 2007 to $197.8 million in 2008; sales of single-use and reposable products increased $39.4 million (7.8%) from $505.0 million in 2007 to $544.4 million in 2008. On a local currency basis, sales of capital equipment increased 4.1% while single-use and reposable products increased 7.6%.

Cost of sales increased to $359.8 million in 2008 compared to $345.2 million in 2007, primarily as a result of the increased sales volumes discussed above. Gross profit margins increased 1.2 percentage points from 50.3% in 2007 to 51.5% in 2008. The increase of 1.2 percentage points is comprised of improved gross margins from the newly acquired direct sales operation in Italy (1.2 percentage points) and increases in Patient Care and Linvatec gross margins (0.3 and 0.7 percentage points, respectively) as a result of higher selling prices and improved manufacturing efficiencies. These increases were offset by lower gross margins in our Endoscopic Technologies business (0.4 percentage points) due to pricing pressures and lower production volumes, additional costs incurred associated with our restructuring and relocation of certain of the Company's facilities (0.3 percentage points) and product mix (0.3 percentage points).

Selling and administrative expense increased to $272.4 million in 2008 compared to $240.5 million in 2007. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $1.5 million of the increase. Selling and administrative expense as a percentage of net sales increased to 36.7% in 2008 from 34.6% in 2007. This increase of 2.1 percentage points is primarily attributable to higher selling and administrative expense associated with our newly acquired direct sales operation in Italy (1.5 percentage points), higher benefit costs (0.3 percentage points), and other selling and administrative costs (0.3 percentage points).

Research and development expense was $33.1 million in 2008 compared to $30.4 million in 2007. As a percentage of net sales, research and development expense remained flat at 4.5% in 2008 from 4.4% in 2007.

As discussed in Note 11 to the Consolidated Financial Statements, other expense in 2008 consisted of a $1.6 million charge related to the restructuring and relocation of certain of the Company's facilities. Other expense in 2007 consisted of the following: $1.8 million charge related to the closing of our manufacturing facility in Montreal, Canada and a sales office in France, a $0.1 million charge related to the termination of our surgical lights product offering, $6.1 million in income related to the settlement of the antitrust case with Johnson & Johnson, and a $1.3 million charge related to the settlement of a product liability claim and defense related costs.

During the fourth quarter of 2008, we repurchased and retired $25.0 million of our 2.50% convertible senior subordinated notes (the "Notes") for $20.2 million and recorded a gain on the early extinguishment of debt of $1.9 million net of the write-off of $0.4 million in unamortized deferred financing costs and $2.4 million in unamortized Notes discount. See additional discussion under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and Note 5 to the Consolidated Financial Statements.

Amortization of debt discount in 2008 was $4.8 million compared to $4.6 million in 2007. This amortization is associated with the implementation of FASB guidance as of January 1, 2009 as further described in Note 16 to the Consolidated Financial Statements.

Interest expense in 2008 was $10.4 million compared to $16.2 million in 2007. The decrease in interest expense is due to lower weighted average interest rates combined with lower weighted average borrowings outstanding in 2008 as compared to 2007. The weighted average interest rates on our borrowings (inclusive of the finance charge on our accounts receivable sale facility) decreased to 3.78% in 2008 as compared to 5.51% in 2007.

A provision for income taxes was recorded at an effective rate of 35.5% in 2008 and 35.9% in 2007 as compared to the Federal statutory rate of 35.0%. The effective tax rate was lower in 2008 than in 2007 largely as a result of decreased apportionment factors to state taxing jurisdictions and a decreased level of stock-based compensation that is not expected to create a future tax deduction. A reconciliation of the United States statutory income tax rate to our effective tax rate is included in Note 6 to the Consolidated Financial Statements.

Operating Segment Results:

Segment information is prepared on the same basis that we review financial information for operational decision-making purposes. We conduct our business through five principal operating segments: CONMED Endoscopic Technologies, CONMED Endosurgery, CONMED Electrosurgery, CONMED Linvatec and CONMED Patient Care. Based upon the aggregation criteria for segment reporting, we have grouped our CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec operating segments into a single reporting segment. The economic characteristics of CONMED Patient Care and CONMED Endoscopic Technologies do not meet the criteria for aggregation due to the lower overall operating income (loss) of these segments.

The following tables summarize the Company's results of operations by segment for 2007, 2008 and 2009:

CONMED Endosurgery, CONMED Electrosurgery and CONMED Linvatec

	2007	2008	2009
Net sales	$564,834	$612,521	$574,820
Income from operations	87,569	98,101	62,715
Operating margin	15.5 %	16.0 %	10.9 %

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

- Arthroscopy sales decreased $22.1 million (-7.6%) in 2009 to $269.8 million from $291.9 million in 2008. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $9.2 million of the decrease. Sales of capital equipment decreased $19.6 million (-21.1%) from $92.9 million in 2008 to $73.3 million in 2009; sales of single-use products decreased $2.5 million (-1.3%) from $199.0 million in 2008 to $196.5 million in 2009. On a local currency basis, sales of capital equipment decreased 18.6% while single-use products increased 2.2%. We believe the overall decline in sales is driven by capital purchasing constraints in hospitals due to the depressed economic conditions. Arthroscopy sales increased $27.3 million (10.3%) in 2008 to $291.9 million from $264.6 million in 2007. These increases are principally a result of increased sales of our procedure specific, resection and video imaging products for arthroscopy and general surgery. Favorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $1.4 million of the increase. Sales of capital equipment increased $4.8 million (5.4%) from $88.1 million in 2007 to $92.9 million in 2008; sales of single-use products increased $22.5 million (12.7%) from $176.5 million in 2007 to $199.0 million in 2008. On a local currency basis, sales of capital equipment increased 5.1% while single-use products increased 12.1%.

- Powered surgical instrument sales decreased $11.7 million (-7.5%) in 2009 to $144.0 million from $155.7 million in 2008. Unfavorable foreign currency exchange rates (when compared to the same period a year ago) accounted for approximately $6.1 million of the decrease. Sales of capital equipment decreased $8.7 million (-11.4%) from $76.4 million in 2008 to $67.7 million in 2009; sales of single-use products decreased $3.0 million (-3.8%) in 2009 to $76.3 million compared to $79.3 million in 2008. On a local currency basis, sales of capital equipment decreased 8.1% while single-use products increased 0.8%. We believe the overall decline in sales is driven by capital purchasing constraints in hospitals due to the depressed economic conditions. Powered surgical instrument sales increased $6.4 million (4.3%) in 2008 to $155.7 million from $149.3 million in 2007 on increased sales of large bone handpieces and large bone, small bone and specialty burs and blades. Favorable foreign currency exchange rates (when compared to the same period a year ago) accounted for approximately $1.0 million of the increase. Sales of capital equipment increased $0.8 million (1.1%) from $75.6 million in 2007 to $76.4 million in the 2008; sales of single-use products increased $5.6 million (7.6%) from $73.7 million in 2007 to $79.3 million in 2008. On a local currency basis, sales of capital equipment increased 0.4% while single-use products increased 6.9%.

- Electrosurgery sales decreased $5.5 million (-5.5%) in 2009 to $95.0 million from $100.5 million in 2008. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $1.5 million of the decrease. Sales of capital equipment decreased $3.6 million (-12.6%) from $28.5 million in 2008 to $24.9 million in 2009; sales of single-use products decreased $1.9 million (-2.6%) from $72.0 million 2008 to $70.1 million in 2009. On a local currency basis, sales of capital equipment decreased 10.2% while single-use products decreased 1.5%. We believe the overall decline in sales is driven by capital purchasing constraints in hospitals due to the depressed economic conditions. Electrosurgery sales increased $8.4 million (9.1%) in 2008 to $100.5 million from $92.1 million in 2007 on increased sales of our System 5000™ electrosurgical generators, ABC® handpieces, pencils and electrodes. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) did not have a significant impact on sales. Sales of capital equipment increased $2.9 million (11.3%) to $28.5 million in 2008 from $25.6 million in 2007; sales of single-use products increased $5.5 million (8.3%) to $72.0 million 2008 from $66.5 million in 2007. On a local currency basis, sales of capital equipment increased 11.3% while single-use products increased 8.1%.

- Endosurgery sales increased $1.6 million (2.5%) in 2009 to $66.0 million from $64.4 million in 2008. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) decreased sales approximately $1.6 million. On local currency basis, sales increased 5.0%. Endosurgery sales increased $5.5 million (9.3%) in 2008 to $64.4 million from $58.9 million in 2007. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) decreased sales approximately $0.2 million. On local currency basis, sales increased 9.7%. The overall increase in sales is mainly driven by our VCARE product which we believe is an innovative product for laparoscopic hysterectomies.

- Operating margins as a percentage of net sales decreased 5.1 percentage points to 10.9% in 2009 compared to 16.0% in 2008. The decrease in operating margins is due to lower gross margins (1.7 percentage points) due to unfavorable foreign currency exchange rates, higher research and development spending (0.6 percentage points) due to increased emphasis on our CONMED Linvatec orthopedic products, and costs associated with the voluntary recall of certain powered instrument products (1.0 percentage points); see Note 11 to the Consolidated Financial Statements for further discussion. In addition, sales force and other relatively fixed administrative expenses increased 1.8 points as a percentage of lower overall sales.

- Operating margins as a percentage of net sales increased 0.5 percentage points to 16.0% in 2008 compared to 15.5% in 2007. The increase in operating margins are due to higher gross margins (2.0 percentage points) in 2008 compared to 2007 as result of the newly acquired direct operations in Italy and improved manufacturing efficiencies and other decreases in selling and administrative expense (0.2 percentage points) offset by higher selling and administrative expenses associated with the newly acquired direct sales operation in Italy (1.7 percentage points).

CONMED Patient Care

	2007	2008	2009
Net sales	$76,711	$78,384	$70,978
Income (loss) from operations	2,003	2,259	(1,263)
Operating margin	2.6%	2.9%	(1.8%)

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

- Patient Care sales decreased $7.4 million (-9.4%) in 2009 to $71.0 million compared to $78.4 million in 2008 principally due to decreased sales of suction instruments and ECG electrodes to distributors. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $0.5 million of the decrease. On a local currency basis, sales decreased 8.8%. We believe the decrease in sales is due to a general slowdown in hospital spending as a result of the weak economic environment. Patient Care sales increased $1.7 million (2.2%) in 2008 to $78.4 million compared to $76.7 million in 2007 on increased sales of defibrillator pads and ECG electrodes. Foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) did not have a significant impact on sales.

- Operating margins as a percentage of net sales decreased 4.7% percentage points to -1.8% in 2009 compared to 2.9% in 2008. The decreases in operating margins are primarily due to decreases in gross margins of 1.7 percentage points on lower sales volumes in 2009 compared to 2008. Higher selling and relatively fixed administrative costs (4.3 percentage points) accounted for the remaining increase and were offset by decreased research and development spending (1.3 percentage points) on our Endotracheal Cardiac Output Monitor (“ECOM”) project.

- Operating margins as a percentage of net sales increased 0.3% percentage points to 2.9% in 2008 compared to 2.6% in 2007. The increases in operating margins are primarily due to increases in gross margins of 3.1 percentage points in 2008 compared to 2007 as a result of higher selling prices and lower production variances offset by increased research and development costs (2.1 percentage points) associated with our Endotracheal Cardiac Output Monitor (“ECOM”) project and higher selling and administrative costs (0.7 percentage points).

CONMED Endoscopic Technologies

	2007	2008	2009
Net sales	$52,743	$51,278	$48,941
Income (loss) from operations	(6,250)	(7,411)	(7,904)
Operating margin	(11.8%)	(14.5%)	(16.2%)

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

- Endoscopic Technologies net sales declined $2.4 million (-4.7%) in 2009 to $48.9 million from $51.3 million in 2008 principally due to decreased sales of disposable biopsy forceps. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) accounted for approximately $1.4 million of the decrease. On a local currency basis, sales decreased 1.9%. We believe the decrease in sales is due to a general slowdown in hospital spending as a result of the weak economic environment. Endoscopic Technologies net sales declined $1.4 million (-2.7%) in 2008 to $51.3 million from $52.7 million in 2007, principally due to decreased sales of forceps and pulmonary products as a result of production and operational issues which resulted in product shortages and backorders during the first half of 2008. Unfavorable foreign currency exchange rates (when compared to the foreign currency exchange rates in the same period a year ago) decreased sales approximately $0.2 million. On a local currency basis, sales decreased 2.3%

- Operating margins as a percentage of net sales decreased 1.7 percentage points to (-16.2%) in 2009 from (-14.5%) in 2008. The decrease in operating margins of 1.7 percentage points in 2009 is primarily due to charges associated with the consolidation of divisional administrative offices from Chelmsford, Massachusetts to our Corporate Headquarters in Utica, New York (8.3 percentage points); see Note 11 to the Consolidated Financial Statements. This increase in cost was partially offset by higher gross margins (2.3 percentage points), lower research and development spending of (2.5 percentage points) and overall lower spending in selling and administrative expenses (1.8 percentage points) as a result of our continued efforts to improve the profitability of the business.

- Operating margins as a percentage of net sales decreased 2.7 percentage points to (-14.5%) in 2008 from (-11.8%) in 2007. The decrease in operating margins of 2.7 percentage points in 2008 is primarily due to decreases in gross margins of 5.4 percentage points as a result of increased production costs and pricing pressures as well as higher selling and administrative expenses as a percentage of sales (0.9 percentage points) offset by decreased research and development spending as a percentage of sales (0.7 percentage points) and the charge in 2007 associated with the closure of a sales office in France (2.9 percentage points).

Liquidity and Capital Resources

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

Operating cash flows

Our net working capital position was $246.5 million at December 31, 2009. Net cash provided by operating activities was $65.9 million in 2007, $61.1 million in 2008 and $25.0 million in 2009, generated on net income of $38.5 million in 2007, $40.0 million in 2008 and $12.1 million in 2009. The decline in operating cash flows for 2009 is due in part to a $27.9 million decline in net income compared to 2008. In addition, during 2009 we reduced sales of accounts receivable under our accounts receivable sales agreement by $13.0 million, thus reducing operating cash flows by $13.0 million, or $10.0 million more than in the previous year.

Investing cash flows

Capital expenditures were $20.9 million, $35.9 million and $21.4 million in 2007, 2008 and 2009, respectively. Capital expenditures are expected to approximate $22.0 million in 2010.

The decrease in capital expenditures in 2009 compared to 2008 is due to the completion during the second quarter of 2009 of the implementation of an enterprise business software application as well as certain other infrastructure improvements related to our restructuring efforts as more fully described in Note 17 and in “Restructuring” below.

During 2008, we purchased our Italian distributor (the “Italy acquisition”) for $21.8 million. See Note 15 to the Consolidated Financial Statements for further discussion of the Italy acquisition. The purchase of a business and a purchase price adjustment resulted in payments totaling $5.9 million in 2007.

Financing cash flows

Net cash used in financing activities during 2009 consisted of the following: $1.2 million in proceeds from the issuance of common stock under our equity compensation plans and employee stock purchase plan (See Note 7 to the Consolidated Financial Statements), $6.0 million in borrowings on our revolver under our senior credit agreement, $1.4 million in repayments of term borrowings under our senior credit agreement, $1.4 million in repayments on our mortgage notes, a $1.2 million net change in cash overdrafts, and a $7.8 million repurchase of our 2.50% convertible senior subordinated notes. See Note 5 to the Consolidated Financial Statements for further discussion of the repurchase of the Notes.

Our $235.0 million senior credit agreement (the "senior credit agreement”) consists of a $100.0 million revolving credit facility and a $135.0 million term loan. There were $10.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2009. Our available borrowings on the revolving credit facility at December 31, 2009 were $81.6 million with approximately $8.4 million of the facility set aside for outstanding letters of credit. There were $56.3 million in borrowings outstanding on the term loan at December 31, 2009.

Borrowings outstanding on the revolving credit facility are due and payable on April 12, 2011. The scheduled principal payments on the term loan portion of the senior credit agreement are $1.4 million annually through December 2011, increasing to $53.6 million in 2012 with the remaining balance outstanding due and payable on April 12, 2013. We may also be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the senior credit agreement. Interest rates on the term loan portion of the senior credit agreement are at LIBOR plus 1.50% (1.75% at December 31, 2009) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.50% or an alternative base rate (3.625% at December 31, 2009). For those borrowings where the Company elects to use the alternative base rate, the base rate will be the greater of the Prime Rate or the Federal Funds Rate in effect on such date plus 0.50%, plus a

margin of 0.50% for term loan borrowings or 0.25% for borrowings under the revolving credit facility.

The senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which are pledged in connection with our accounts receivable sales agreement. 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 December 31, 2009. 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 property and facilities utilized by our CONMED Linvatec subsidiary bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated $11.3 million at December 31, 2009. The mortgage note is collateralized by the CONMED Linvatec property and facilities.

We have outstanding $115.1 million in 2.50% convertible senior subordinated notes due 2024 (“the Notes”). During the year ended December 31, 2008, we repurchased and retired $25.0 million of the Notes for $20.2 million and recorded a gain on the early extinguishment of debt of $1.9 million net of the write-off of $0.4 million in unamortized deferred financing costs and $2.4 million in unamortized debt discount. During the year ended December 31, 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized debt discount. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the bond indenture, into a combination of cash and CONMED common stock. Upon conversion, the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note’s conversion value in excess of such principal amount. Amounts in excess of the principal amount are at an initial conversion rate, subject to adjustment, of 26.1849 shares per $1,000 principal amount of the Note (which represents an initial conversion price of $38.19 per share). As of December 31, 2009, there was no value assigned to the conversion feature because the Company’s share price was below the conversion price. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2011. Holders of the Notes have the right to put to us some or all of the Notes for repurchase on November 15, 2011, 2014 and 2019 and, provided the terms of the indenture are satisfied, we will be required to repurchase those Notes.

The Notes contain two embedded derivatives. The embedded derivatives are recorded at fair value in other long-term liabilities and changes in their value are recorded through the consolidated statements of operations. The embedded derivatives have a nominal value, and it is our belief that any change in their fair value would not have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Our Board of Directors has authorized a share repurchase program under which we may repurchase up to $100.0 million of our common stock, although no more than $50.0 million may be purchased in any calendar year. We did not repurchase any shares during 2009. In the past, we have financed the repurchases and may finance additional repurchases through the proceeds from the issuance of common stock under our stock option plans, from operating cash flow and from available borrowings under our revolving credit facility.

Management believes that cash flow from operations, including accounts receivable sales, cash and cash equivalents on hand and available borrowing capacity under our senior credit agreement will be adequate to meet our anticipated operating working capital requirements, debt service, funding of capital expenditures and common stock repurchases in the foreseeable future. See “Item 1. Business – Forward Looking Statements.”

Off-Balance Sheet Arrangements

We have an accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain accounts receivable to CONMED Receivables Corporation (“CRC”), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate $40.0 million undivided percentage ownership interest in such receivables (the “asset interest”) to a bank (the “purchaser”). The purchaser’s share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended. Effectively, collections on the pool of receivables flow first to the purchaser and then to CRC, but to the extent that the purchaser’s share of collections may be less than the amount of the purchaser’s asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables which have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of December 31, 2008 and 2009, the undivided percentage ownership interest in receivables sold by CRC to the purchaser aggregated $42.0 million and $29.0 million, respectively, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser’s financing costs to purchase the accounts receivable, were $2.9 million, $1.7 million and $0.5 million, in 2007, 2008 and 2009, respectively, and are included in interest expense.

There are certain statistical ratios, primarily related to sales dilution and losses on accounts receivable, which must be calculated and maintained on the pool of receivables in order to continue selling to the purchaser. The pool of receivables is in compliance with these ratios. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to meet the requirements for sale under the accounts receivables sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the “purchaser commitment”) from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment was amended effective October 30, 2009 whereby the purchase commitment was decreased from $50.0 million to $40.0 million and extended through October 29, 2010 under otherwise substantially the same terms and conditions.

In June 2009, the FASB issued guidance which requires additional disclosures about the transfer and derecognition of financial assets, eliminates the concept of qualifying special-purpose entities, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor’s interest in transferred financial assets. This guidance is effective for fiscal years beginning after November 15, 2009. As a result of this new guidance, our accounts receivable sales agreement will no longer be permitted to be accounted for as a sale and reduction in accounts receivable beginning in 2010. As a result, accounts receivable sold under the agreement will be recorded as additional borrowings rather than as a reduction in accounts receivable.

Restructuring

During 2009, we completed the first phase of our operational restructuring plan which we had previously announced in the second quarter of 2008. The restructuring included the closure of two manufacturing facilities located in the Utica, New York area totaling approximately 200,000 square feet with manufacturing transferred into either our Corporate headquarters location in Utica, New York or into a newly constructed leased manufacturing facility in Chihuahua, Mexico. In addition, manufacturing previously done by a contract manufacturing facility in Juarez, Mexico was transferred in-house to the Chihuahua facility. Finally, certain domestic distribution activities were centralized in a new leased consolidated distribution center in Atlanta, Georgia. We believe our restructuring will reduce our cost base by consolidating our Utica, New York operations into a single facility and expanding our lower cost Mexican operations, as well as improve service to our customers by shipping orders from more centralized distribution centers. The closure of the two manufacturing facilities, consolidation of distribution activities and the first phase of transitioning manufacturing operations was substantially complete as of December 31, 2009. We expect the completion of the first phase of our operational restructuring plan to yield annual cost savings of approximately $3.0 - $5.0 million beginning in 2010.

During 2010, we plan to enter into the second phase of our restructuring plan which contemplates transferring additional production lines from Utica, New York to our manufacturing facility in Chihuahua, Mexico. We expect to incur $2.5 million in costs associated with the second phase of our restructuring plan which we expect to yield annual cost savings of approximately $1.5 million beginning in 2011.

In conjunction with our restructuring plan, we considered FASB guidance which requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. As a result of our restructuring, two manufacturing facilities located in the Utica, New York area were closed prior to the end of their previously estimated useful lives. We determined one facility did not have any value and therefore recorded a $0.5 million charge for the remaining net book value of the facility in the fourth quarter of 2009. We plan to sell or lease the second facility and have tested it for impairment under the guidance for long-lived assets to be held and used. We performed our impairment testing on the second facility by comparing future cash flows expected to be generated by this facility (undiscounted and without interest charges) against the carrying amount ($2.1 million as of December 31, 2009). Since future cash flows expected to be generated by the second facility exceed its carrying amount, we do not believe any impairment exists at this time. However, we cannot be certain an impairment charge will not be required in the future.

As of December 31, 2009, we have incurred $18.6 million (including $4.1 million and $14.5 million, in the years ended December 31, 2008 and 2009, respectively) in costs associated with our restructuring.

Approximately $14.3 million (including $2.5 million and $11.8 million in the years ended December 31, 2008 and 2009, respectively) of the total $18.6 million in restructuring costs have been charged to cost of goods sold. The $14.3 million charged to cost of goods sold includes $6.1 million in under utilization of production facilities (including $1.2 million and $4.9 million, in the years ended December 31, 2008 and 2009, respectively), $2.4 million in accelerated depreciation (including $0.3 million and $2.1 million, in the years ended December 31, 2008 and 2009, respectively), $2.1 million in severance related charges (including $0.1 million and $2.0 million, in the years ended December 31, 2008 and 2009, respectively), and $3.7 million in other charges (including $0.9 million and $2.8 million, in the years ended December 31, 2008 and 2009, respectively).

The remaining $4.3 million (including $1.6 million and $2.7 million, in the years ended December 31, 2008 and 2009, respectively) in restructuring costs have been recorded in other expense and primarily include severance, lease and other charges related to the consolidation of our distribution centers.

As the second phase of our restructuring plan progresses, we will incur additional charges, including employee termination and other exit costs. Based on the criteria contained within FASB guidance, no accrual for such costs has been made at this time.

We estimate the total costs of the second phase of our restructuring plan will approximate $2.5 million during 2010, including $1.3 million related to employee termination costs and $1.2 million in other restructuring related activities. We expect these restructuring costs will be charged to cost of goods sold. The second phase of the restructuring plan impacts Corporate manufacturing facilities which support multiple reporting segments. As a result, costs associated with the second phase of our restructuring plan will be reflected in the Corporate line within our business segment reporting.

Contractual Obligations

The following table summarizes our contractual obligations for the next five years and thereafter (amounts in thousands). Purchase obligations represent purchase orders for goods and services placed in the ordinary course of business. There were no capital lease obligations as of December 31, 2009.

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt	$192,692	$2,174	$66,800	$2,190	$ 121,528
Purchase obligations	51,702	51,173	529	-	-
Operating lease obligations	37,538	6,456	10,516	8,030	12,536
Total contractual obligations	$281,932	$59,803	$77,845	$10,220	$ 134,064

In addition to the above contractual obligations, we are required to make periodic interest payments on our long-term debt obligations; (see additional discussion under Item 7A. “Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk” and Note 5 to the Consolidated Financial Statements). The above table does not include required contributions to our pension plan in 2010, which are expected to be approximately $3.0 million. (See Note 9 to the Consolidated Financial Statements). The above table also does not include unrecognized tax benefits of approximately $1.0 million, the timing and certainty of recognition for which is not known. (See Note 6 to the Consolidated Financial Statements).

Stock-based Compensation

We have reserved shares of common stock for issuance to employees and directors under three shareholder-approved share-based compensation plans (the "Plans"). The Plans provide for grants of options, stock appreciation rights (“SARs”), dividend equivalent rights, restricted stock, restricted stock units (“RSUs”), and other equity-based and equity-related awards. The exercise price on all outstanding options and SARs is equal to the quoted fair market value of the stock at the date of grant. RSUs are valued at the market value of the underlying stock on the date of grant. Stock options, SARs and RSUs are non-transferable other than on death and generally become exercisable over a five year period from date of grant. Stock options and SARs expire ten years from date of grant. SARs are only settled in shares of the Company’s stock. (See Note 7 to the Consolidated Financial Statements).

New Accounting Pronouncements

See Note 14 to the Consolidated Financial Statements for a discussion of new accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices such as commodity prices, foreign currency exchange rates and interest rates. In the normal course of business, we are exposed to various market risks, including changes in foreign currency exchange rates and interest rates. We manage our exposure to these and other market risks through regular operating and financing activities and as necessary through the use of derivative financial instruments.

Foreign currency risk

Approximately 45% of our total 2009 consolidated net sales were to customers outside the United States. We have sales subsidiaries in a significant number of countries in Europe as well as Australia, Canada and Korea. In those countries in which we have a direct presence, our sales are denominated in the local currency amounting to approximately 30% of our total net sales in 2009. The remaining 15% of sales to customers outside the United States was on an export basis and transacted in United States dollars.

Because a significant portion of our operations consist of sales activities in foreign jurisdictions, our financial results may be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the markets in which we distribute products. During 2009, changes in foreign currency exchange rates decreased sales by approximately $20.4 million and income before income taxes by approximately $13.6 million.

We manage our foreign currency transaction risks through the use of forward contracts to hedge forecasted cash flows associated with foreign currency transaction exposures. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in accumulated other comprehensive income (loss). These changes in fair value will be reclassified into earnings as a component of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at December 31, 2009 which have been accounted for as cash flow hedges totaled $80.2 million. Net realized losses recognized for forward contracts accounted for as cash flow hedges approximated $0.4 million for the year ended December 31, 2009. Net unrealized gains on forward contracts outstanding which have been accounted for as cash flow hedges and which have been included in accumulated other comprehensive income (loss) totaled $0.1 million at December 31, 2009. These unrealized gains will be recognized in income in 2010.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. The notional contract amounts for forward contracts outstanding at December 31, 2009 which have not been designated as hedges totaled $28.6 million. Net realized losses recognized in connection with those forward contracts not accounted for as hedges approximated $3.9 million for the year ended December 31, 2009, offsetting gains on our intercompany receivables of $4.6 million for the year ended December 31, 2009. These gains and losses have been recorded in selling and administrative expense in the Consolidated Statements of Operations.

We record these forward foreign exchange contracts at fair value; the fair value for forward foreign exchange contracts outstanding at December 31, 2009 was $0.1 million and is included in Prepaid Expenses and Other Current Assets in the Consolidated Balance Sheets.

Refer to Note 13 in the Consolidated Financial Statements for further discussion.

Interest rate risk

At December 31, 2009, we had approximately $66.3 million of variable rate long-term debt outstanding under our senior credit agreement and an additional $29.0 million in accounts receivable sold under our accounts receivable sales agreement; we are not a party to any interest rate swap agreements as of December 31, 2009. Assuming no repayments other than our 2009 scheduled term loan payments, if market interest rates for similar borrowings and accounts receivable sales averaged 1.0% more in 2010 than they did in 2009, interest expense would increase, and income before income taxes would decrease by $0.9 million. Comparatively, if market interest rates for similar borrowings average 1.0% less in 2010 than they did in 2009, our interest expense would decrease, and income before income taxes would increase by $1.1 million.

Item 8. Financial Statements and Supplementary Data

Our 2009 Financial Statements are included elsewhere herein.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

There were no changes in or disagreement with accountants on accounting and financial disclosure.

Item 9A. 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 fourth quarter of the year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm thereon are set forth in Part IV, Item 15 of the Annual Report on Form 10-K.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the sections captioned “Proposal One: Election of Directors” and “Directors, Executive Officers, Senior Officers, and Nominees for the Board of Directors” in CONMED Corporation’s definitive Proxy Statement or other informational filing to be filed with the Securities and Exchange Commission on or about April 9, 2010.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the sections captioned “Compensation Discussion and Analysis”, “Summary Compensation Table”, “Grants of Plan-Based Awards”, “Outstanding Equity Awards at Fiscal Year-End”, “Option Exercises and Stock Vested”, “Pension Benefits”, “Non-Qualified Deferred Compensation”, “Potential Payments upon Termination or Change-in-Control”, “Director Compensation” and “Board of Directors Interlocks and Insider Participation; Certain Relationships and Related Transactions” in CONMED Corporation’s definitive Proxy Statement or other informational filing to be filed with the Securities and Exchange Commission on or about April 9, 2010.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the section captioned “Security Ownership of Certain Beneficial Owners and Management” in CONMED Corporation’s definitive Proxy Statement or other informational filing to be filed with the Securities and Exchange Commission on or about April 9, 2010.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the section captioned “Board of Directors Interlocks and Insider Participation; Certain Relationships and Related Transactions” in CONMED Corporation’s definitive Proxy Statement or other informational filing to be filed with the Securities and Exchange Commission on or about April 9, 2010.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the section captioned “Principal Accounting Fees and Services” in CONMED Corporation’s definitive Proxy Statement or other informational filing to be filed with the Securities and Exchange Commission on or about April 9, 2010.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Index to Financial Statements

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/ Joseph J. Corasanti
Joseph J. Corasanti
(President and Chief
Executive Officer)

Date: February 25, 2010

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ EUGENE R. CORASANTI Eugene R. Corasanti	Chairman of the Board of Directors	February 25,2010
/s/ JOSEPH J. CORASANTI Joseph J. Corasanti	President, Chief Executive Officer and Director	February 25,2010
/s/ ROBERT D. SHALLISH, JR. Robert D. Shallish, Jr.	Vice President-Finance and Chief Financial Officer (Principal Financial Officer)	February 25,2010
/s/ LUKE A. POMILIO Luke A. Pomilio	Vice President – Corporate Controller (Principal Accounting Officer)	February 25,2010
/s/ BRUCE F. DANIELS Bruce F. Daniels	Director	February 25,2010
/s/ Jo ANN GOLDEN Jo Ann Golden	Director	February 25,2010
/s/ STEPHEN M. MANDIA Stephen M. Mandia	Director	February 25,2010

/s/ STUART J. SCHWARTZ Stuart J. Schwartz	Director	February 25,2010
/s/ MARK E. TRYNISKI Mark E. Tryniski	Director	February 25,2010

Exhibit Index

Exhibit No.		Description
3.1	-	Amended and Restated By-Laws, as adopted by the Board of Directors on November 5, 2007 (Incorporated by reference to the Company's Current Report on Form 10-Q filed with the Securities and Exchange Commission on November 5, 2007).
3.2	-	1999 Amendment to Certificate of Incorporation and Restated Certificate of Incorporation of CONMED Corporation (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999).
4.1	-	See Exhibit 3.1.
4.2	-	See Exhibit 3.2.
4.3	-	Guarantee and Collateral Agreement, dated August 28, 2002, made by CONMED Corporation and certain of its subsidiaries in favor of JP Morgan Chase Bank (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
4.4	-	First Amendment to Guarantee and Collateral Agreement, dated June 30, 2003, made by CONMED Corporation and certain of its subsidiaries in favor of JP Morgan Chase Bank and the several banks and other financial institutions or entities from time to time parties thereto (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).
4.5	-	Second Amendment to Guarantee and Collateral Agreement, dated April 13, 2006, made by CONMED Corporation and certain of its subsidiaries in favor of JP Morgan Chase Bank and the several banks and other financial institutions or entities from time to time parties thereto (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 19, 2006).
4.6	-	Indenture dated November 10, 2004 between CONMED Corporation and The Bank of New York, as Trustee (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2004).
10.1+	-	Employment Agreement between the Company and Eugene R. Corasanti, dated October 31, 2006 (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2006).

Exhibit No.		Description
10.2+	-	Amended and restated Employment Agreement, dated October 30, 2009, by and between CONMED Corporation and Joseph J. Corasanti, Esq. (Incorporated by reference to the Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).
10.3	-	1992 Stock Option Plan (including form of Stock Option Agreement) (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 25, 1992).
10.4	-	Amended and Restated Employee Stock Option Plan (including form of Stock Option Agreement) (Incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996).
10.5	-	Stock Option Plan for Non-Employee Directors of CONMED Corporation (Incorporated by reference to Exhibit 10.5 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996).
10.6	-	Amendment to Stock Option Plan for Non-employee Directors of CONMED Corporation (Incorporated by reference to the Company's Definitive Proxy Statement for the 2002 Annual Meeting filed with the Securities and Exchange Commission on April 17, 2002).
10.7	-	1999 Long-term Incentive Plan (Incorporated by reference to the Company's Definitive Proxy Statement for the 1999 Annual Meeting filed with the Securities and Exchange Commission on April 16, 1999).
10.8	-	Amendment to 1999 Long-term Incentive Plan (Incorporated by reference to the Company's Definitive Proxy Statement for the 2002 Annual Meeting filed with the Securities and Exchange Commission on April 17, 2002).
10.9	-	2002 Employee Stock Purchase Plan (Incorporated by reference to the Company's Definitive Proxy Statement for the 2002 Annual Meeting filed with the Securities and Exchange Commission on April 17, 2002).
10.10	-	Amendment to CONMED Corporation 2002 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the year ended December 31, 2005).
10.11	-	2006 Stock Incentive Plan (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on August 8, 2006)
10.12	-	2007 Non-Employee Director Equity Compensation Plan (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on August 8, 2007)

Exhibit No.		Description
10.13	-	Amended and Restated 1999 Long Term Incentive Plan (Incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 on November 3, 2009)
10.14	-	Amended and Restated Credit Agreement, dated April 13, 2006, among CONMED Corporation, JP Morgan Chase Bank and the several banks and other financial institutions or entities from time to time parties thereto (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 19, 2006).
10.15	-	Registration Rights Agreement, dated November 10, 2004, among CONMED Corporation and UBS Securities LLC on behalf of Several Initial Purchasers (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2004).
10.16	-	Purchase and Sale Agreement dated November 1, 2001 among CONMED Corporation, et al and CONMED Receivables Corporation (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
10.17	-	Amendment No. 1 dated October 23, 2003 to the Purchase and Sale Agreement dated November 1, 2001 among CONMED Corporation, et al and CONMED Receivables Corporation (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
10.18	-	Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation, and Fleet National Bank (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).
10.19	-	Amendment No. 1, dated October 20, 2004 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.20	-	Amendment No. 2, dated October 21, 2005 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).

Exhibit No.	Description
10.21	Amendment No. 3, dated October 24, 2006 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 30, 2006).
10.22	Amendment No. 4, dated January 31, 2008 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 31, 2008).
10.23	Amendment No. 5, dated October 30, 2009 to the Amended and Restated Receivables Purchase Agreement, dated October 23, 2003, among CONMED Receivables Corporation, CONMED Corporation and Fleet Bank (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 30, 2009)
10.24	Change in Control Severance Agreement for Joseph J. Corasanti (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008)
10.25	Change in Control Severance Agreement for Robert D. Shallish, Jr. (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008)
10.26	Change in Control Severance Agreement for David A. Johnson (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008)
10.27	Change in Control Severance Agreement for Daniel S. Jonas (Incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008)
10.28	Change in Control Severance Agreement for Luke A. Pomilio (Incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008)
10.29	Executive Severance Agreement for Joseph G. Darling (Incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008)
14	Code of Ethics. The CONMED code of ethics may be accessed via the Company's website at http://www.CONMED.com/ investor-ethics.htm

Exhibit No.	Description
21*	Subsidiaries of the Registrant.
23*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification of Joseph J. Corasanti pursuant to Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Robert D. Shallish, Jr. pursuant to Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Joseph J. Corasanti and Robert D. Shallish, Jr. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

\+ Management contract or compensatory plan or arrangement.

MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

The management of CONMED Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management assessed the effectiveness of CONMED's internal control over financial reporting as of December 31, 2009. In making its assessment, management utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework". Management has concluded that based on its assessment, CONMED's internal control over financial reporting was effective as of December 31, 2009. The effectiveness of the Company's internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CONMED Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of CONMED Corporation and its subsidiaries at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report On Internal Control Over Financial Reporting". Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 16 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible debt instruments effective January 1, 2009.

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

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

PricewaterhouseCoopers LLP
Albany, New York
February 25, 2010

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2009
(In thousands except share and per share amounts)

	As Adjusted (Note 16) 2008	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,811	$10,098
Accounts receivable, less allowance for doubtful accounts of $1,370 in 2008 and $1,175 in 2009	96,515	126,162
Inventories	159,976	164,275
Deferred income taxes	13,514	14,782
Prepaid expenses and other current assets	11,218	10,293
Total current assets	293,034	325,610
Property, plant and equipment, net	143,737	143,502
Deferred income taxes	1,228	1,953
Goodwill	290,245	290,505
Other intangible assets, net	195,939	190,849
Other assets	7,478	5,994
Total assets	$ 931,661	$958,413
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,185	$2,174
Accounts payable	35,887	26,210
Accrued compensation and benefits	20,129	25,955
Income taxes payable	1,279	677
Other current liabilities	14,434	24,091
Total current liabilities	74,914	79,107
Long-term debt	182,739	182,195
Deferred income taxes	88,468	97,916
Other long-term liabilities	45,325	22,680
Total liabilities	391,446	381,898
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized 500,000 shares, none issued or outstanding	-	-
Common stock, par value $.01 per share; 100,000,000 authorized; 31,299,203 issued in 2008 and 2009, respectively	313	313
Paid-in capital	313,830	317,366
Retained earnings	314,373	325,370
Accumulated other comprehensive income (loss)	(31,032)	(12,405)

Less: Treasury stock, at cost; 2,274,822 and 2,149,832 shares in 2008 and 2009, respectively	(57,269)	(54,129)
Total shareholders' equity	540,215	576,515
Total liabilities and shareholders' equity	$ 931,661	$958,413

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2007, 2008 and 2009
(In thousands except per share amounts)

	As Adjusted (Note 16) 2007	2008	2009
Net sales	$694,288	$742,183	$694,739
Cost of sales	345,163	359,802	357,407
Gross profit	349,125	382,381	337,332
Selling and administrative expense	240,541	272,437	266,310
Research and development expense	30,400	33,108	31,837
Other expense (income)	(2,807)	1,577	10,916
	268,134	307,122	309,063
Income from operations	80,991	75,259	28,269
Gain on early extinguishment of debt	-	1,947	1,083
Amortization of debt discount	4,618	4,823	4,111
Interest expense	16,234	10,372	7,086
Income before income taxes	60,139	62,011	18,155
Provision for income taxes	21,595	22,022	6,018
Net income	$38,544	$39,989	$12,137
Earnings per share:			
Basic	$1.36	$1.39	$0.42
Diluted	1.33	1.37	0.42

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2007, 2008 and 2009
(In thousands)
As Adjusted (Note 16)

	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive Income	Treasury	Shareholders'
	Shares	Amount	Capital	Earnings	(Loss)	Stock	Equity
Balance at December 31, 2006	31,304	$313	$284,858	$247,425	$ (8,612)	$(83,630)	$ 440,354
Adjustment for adoption of FASB guidance related to convertible debt	-	-	21,808	(5,614)	-	-	16,194
Adjusted balance at December 31, 2006	31,304	$313	$306,666	$241,811	$ (8,612)	$(83,630)	$ 456,548
Common stock issued under employee plans	(5)		(662)	(4,031)		16,048	11,355
Tax benefit arising from common stock issued under employee plans			(41)				(41)
Stock based compensation			3,771				3,771
Comprehensive income (loss):							
Foreign currency translation adjustments					5,284		
Pension liability (net of income tax expense of $1,654)					2,823		
Net income				38,544			
Total comprehensive Income							46,651

Balance at December 31, 2007	31,299	$313	$309,734	$276,324	$ (505)	$(67,582)	$ 518,284
Common stock issued under employee plans			(1,483)	(1,940)		10,313	6,890
Tax benefit arising from common stock issued under employee plans			1,630				1,630
Stock-based compensation			4,178				4,178
Retirement of 2.50% convertible notes			(229)				(229)

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2007, 2008 and 2009
(In thousands)

	Common Shares	Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Shareholders' Equity
Comprehensive income (loss):							
Foreign currency translation adjustments					(12,498)		
Pension liability (net of income tax benefit of $10,566)					(18,029)		
Net income				39,989			
Total comprehensive Income							9,462
Balance at December 31, 2008	31,299	$313	$313,830	$314,373	$ (31,032)	$(57,269)	$ 540,215
Common stock issued under employee plans			(1,245)	(1,140)		3,140	755
Tax benefit arising from common stock issued under employee plans			561				561
Retirement of 2.50% convertible notes			(88)				(88)
Stock based compensation			4,308				4,308
Comprehensive income:							
Foreign currency translation adjustments					7,241		

Pension liability (net of income tax expense of $6,629)					11,310		
Cash flow hedging gain (net of income tax expense of $45)					76		
Net income				12,137			
Total comprehensive income							30,764
Balance at December 31, 2009	31,299	$313	$317,366	$325,370	$ (12,405)	$(54,129)	$ 576,515

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007, 2008 and 2009
(In thousands)

	As Adjusted (Note 16) 2007	2008	2009
Cash flows from operating activities:			
Net income	$38,544	$39,989	$12,137
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	13,101	14,641	18,651
Amortization of debt discount	4,618	4,823	4,111
Amortization, all other	18,433	17,695	18,521
Stock-based compensation	3,771	4,178	4,308
Deferred income taxes	15,008	16,304	4,241
Sale of accounts receivable to (collections on behalf of) purchaser	1,000	(3,000)	(13,000)
Income tax benefit of stock option exercises	-	1,630	561
Excess tax benefit from stock option exercises	-	(1,738)	(886)
Gain on extinguishment of debt	-	(1,947)	(1,083)
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(6,301)	(3,735)	(12,879)
Inventories	(22,621)	(8,110)	(9,454)
Accounts payable	(2,414)	(7,043)	(7,400)
Income taxes	3,118	2,627	(2,287)
Accrued compensation and benefits	2,012	(238)	5,630
Other assets	(83)	(4,469)	(197)
Other liabilities	(2,292)	(10,458)	4,054
	27,350	21,160	12,891
Net cash provided by operating activities	65,894	61,149	25,028
Cash flows from investing activities:			
Payments related to business acquisitions, net of cash acquired	(5,933)	(22,023)	(330)
Purchases of property, plant and equipment	(20,910)	(35,879)	(21,444)
Net cash used in investing activities	(26,843)	(57,902)	(21,774)
Cash flows from financing activities:			
Net proceeds from common stock issued under employee plans	11,355	7,347	1,198
Excess tax benefit from stock option exercises	-	1,738	886

See notes to consolidated financial statements.
(continued)

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007, 2008 and 2009
(In thousands)

	2007	2008	2009
Payments on senior credit agreement	(44,000)	(1,350)	(1,350)
Proceeds of senior credit agreement	-	4,000	6,000
Payments on mortgage notes	(990)	(1,109)	(1,425)
Payments on senior subordinated notes	-	(20,248)	(7,808)
Net change in cash overdrafts	(1,770)	4,270	(1,188)
Net cash used in financing activities	(35,405)	(5,352)	(3,687)
Effect of exchange rate changes on cash and cash equivalents	4,218	2,221	(1,280)
Net increase (decrease) in cash and cash equivalents	7,864	116	(1,713)
Cash and cash equivalents at beginning of year	3,831	11,695	11,811
Cash and cash equivalents at end of year	$11,695	$11,811	$10,098
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$14,386	$9,381	$6,303
Income taxes	4,172	7,397	3,650

See notes to consolidated financial statements.

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

Note 1 — Operations and Significant Accounting Policies

Organization and operations

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

Principles of consolidation

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

Use of estimates

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

Cash and cash equivalents

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

Accounts receivable sale

We have an accounts receivable sales agreement pursuant to which we and certain of our subsidiaries sell on an ongoing basis certain accounts receivable to CONMED Receivables Corporation ("CRC"), a wholly-owned, bankruptcy-remote, special-purpose subsidiary of CONMED Corporation. CRC may in turn sell up to an aggregate $40.0 million undivided percentage ownership interest in such receivables (the "asset interest") to a bank (the "purchaser"). The purchaser's share of collections on accounts receivable are calculated as defined in the accounts receivable sales agreement, as amended. Effectively, collections on the pool of receivables flow first to the purchaser and then to CRC, but to the extent that the purchaser's share of collections may be less than the amount of the purchaser's asset interest, there is no recourse to CONMED or CRC for such shortfall. For receivables which have been sold, CONMED Corporation and its subsidiaries retain collection and administrative responsibilities as agent for the purchaser. As of December 31, 2008 and 2009, the undivided percentage ownership interest in receivables sold by

CRC to the purchaser aggregated $42.0 million and $29.0 million, respectively, which has been accounted for as a sale and reflected in the balance sheet as a reduction in accounts receivable. Expenses associated with the sale of accounts receivable, including the purchaser's financing costs to purchase the accounts receivable, were $2.9 million, $1.7 million and $0.5 million, in 2007, 2008 and 2009, respectively, and are included in interest expense.

There are certain statistical ratios, primarily related to sales dilution and losses on accounts receivable, which must be calculated and maintained on the pool of receivables in order to continue selling to the purchaser. The pool of receivables is in compliance with these ratios. Management believes that additional accounts receivable arising in the normal course of business will be of sufficient quality and quantity to meet the requirements for sale under the accounts receivables sales agreement. In the event that new accounts receivable arising in the normal course of business do not qualify for sale, then collections on sold receivables will flow to the purchaser rather than being used to fund new receivable purchases. To the extent that such collections would not be available to CONMED in the form of new receivables purchases, we would need to access an alternate source of working capital, such as our $100 million revolving credit facility. Our accounts receivable sales agreement, as amended, also requires us to obtain a commitment (the "purchaser commitment") from the purchaser to fund the purchase of our accounts receivable. The purchaser commitment was amended effective October 30, 2009 whereby the purchase commitment was decreased from $50.0 million to $40.0 million and extended through October 29, 2010 under otherwise substantially the same terms and conditions.

In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance which requires additional disclosures about the transfer and derecognition of financial assets, eliminates the concept of qualifying special-purpose entities, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. This guidance is effective for fiscal years beginning after November 15, 2009. As a result of this new guidance, our accounts receivable sales agreement will no longer be permitted to be accounted for as a sale and reduction in accounts receivable beginning in 2010. As a result, accounts receivable sold under the agreement will be recorded as additional borrowings rather than as a reduction in accounts receivable.

Inventories

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

Property, plant and equipment

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

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

Goodwill and other intangible assets

We have a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. We have accumulated goodwill of $290.5 million and other intangible assets of $190.8 million as of December 31, 2009.

In accordance with FASB guidance, goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to at least annual impairment testing. It is our policy to perform our annual impairment testing in the fourth quarter. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporate management assumptions about expected future cash flows and other valuation techniques. Future cash flows may be affected by changes in industry or market conditions or the rate and extent to which anticipated synergies or cost savings are realized with newly acquired entities. We completed our goodwill impairment testing as of October 1, 2009 and determined that no impairment existed at that date. For our CONMED Electrosurgery, CONMED Endosurgery and CONMED Linvatec operating units, our impairment testing utilized CONMED Corporation's EBIT multiple adjusted for a market-based control premium with the resultant fair values exceeding carrying values by 55% to 140%. Our CONMED Patient Care operating unit has the least excess of fair value over carrying value of our reporting units; we therefore utilized both a market-based approach and an income approach when performing impairment testing with the resultant fair value exceeding carrying value by 16%. The income approach contained certain key assumptions including that revenue would resume historical growth patterns in 2010 while including certain cost savings associated with the operational restructuring plan completed during 2009. We continue to monitor events and circumstances for triggering events which would more likely than not reduce the fair value of any of our reporting units and require us to perform impairment testing.

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

Customer relationship assets arose principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 17 years. The weighted average life for customer relationship assets in aggregate is 34 years.

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

We test our customer relationship assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors specific to our customer relationship assets which might lead to an impairment charge include a significant increase in the annual customer attrition rate or otherwise significant loss of customers, significant decreases in sales or current-period operating or cash flow losses or a projection or forecast of losses. We do not believe that there have been events or changes in circumstances which would indicate the carrying amount of our customer relationship assets might not be recoverable.

Other long-lived assets

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

Fair value of financial instruments

The carrying amounts reported in our balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt excluding the 2.50% convertible senior subordinated notes (the “Notes”) approximate fair value. The fair value of the Notes approximated $97.2 million and $108.3 million at December 31, 2008 and 2009, respectively, based on their quoted market price.

Translation of foreign currency financial statements

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

Foreign Exchange and Hedging Activity

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

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

Income taxes

Deferred income tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities and operating loss and tax credit carryforwards as measured by the enacted tax rates that are anticipated to be in effect in the respective jurisdictions when these differences reverse. The deferred income tax provision generally represents the net change in the assets and liabilities for deferred income taxes. A valuation allowance is established when it is necessary to reduce deferred income tax assets to amounts for which realization is likely.

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

On January 1, 2007 we adopted the provisions for accounting for uncertainty in income taxes. Such guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of this pronouncement was not material to the Company’s consolidated financial statements. See Note 6 to the Consolidated Financial Statements for further discussion.

Revenue Recognition

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

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

- We place certain of our capital equipment with customers in return for commitments to purchase disposable products over time periods generally ranging from one to three years. In these circumstances, no revenue is recognized upon capital equipment shipment and we recognize revenue upon the disposable product shipment. The cost of the equipment is amortized over the term of individual commitment agreements.

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

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

- Amounts billed to customers related to shipping and handling have been included in net sales. Shipping and handling costs included in selling and administrative expense were $14.1 million, $13.4 million and $11.3 million for 2007, 2008 and 2009, respectively.

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

- We assess the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. Historically, losses on accounts receivable have not been material. Management believes that the allowance for doubtful accounts of $1.2 million at December 31, 2009 is adequate to provide for probable losses resulting from accounts receivable.

Earnings per share

Basic earnings per share ("basic EPS") is computed by dividing net income by the weighted average number of shares outstanding for the reporting period. Diluted earnings per share ("diluted EPS") gives effect during the reporting period to all dilutive potential shares outstanding resulting from employee share-based awards. The following table sets forth the calculation of basic and diluted earnings per share at December 31, 2007, 2008 and 2009, respectively:

	2007	2008	2009
Net income	$38,544	$39,989	$12,137
Basic-weighted average shares outstanding	28,416	28,796	29,074
Effect of dilutive potential securities	549	431	68
Diluted-weighted average shares outstanding	28,965	29,227	29,142
Basic EPS	$1.36	$1.39	$0.42
Diluted EPS	$1.33	$1.37	$0.42

The shares used in the calculation of diluted EPS exclude options to purchase shares where the exercise price was greater than the average market price of common shares for the year. Such shares aggregated approximately 0.9 and 2.2 million at December 31, 2008 and 2009, respectively. Upon conversion of our 2.50% convertible senior subordinated notes (the "Notes"), the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. As of December 31, 2009, our share price has not exceeded the conversion price of the Notes, therefore the conversion value was less than the principal amount of the Notes. Under the net share settlement method, there were no potential shares issuable under the Notes to be used in the calculation of diluted EPS. The maximum number of shares we may issue with respect to the Notes is 5,750,000.

Stock Based Compensation

We adopted FASB guidance related to stock based compensation effective January 1, 2006. Such guidance requires that all share-based payments to employees, including grants of employee stock options, restricted stock units, and stock appreciation rights be recognized in the financial statements based on their fair values. Prior to January 1, 2006, no compensation expense was recognized for stock options under the provisions of previous guidance since all options granted had an exercise price equal to the market value of the underlying stock on the grant date.

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

We elected to adopt the alternative transition method to calculate the tax effects of stock-based compensation for those employee awards that were outstanding upon adoption. The alternative transition method allows the use of a simplified method to calculate the beginning pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption. The Company’s policy for intra-period tax allocation is the with and without approach for utilization of tax attributes.

During 2007, we began issuing shares under our stock based compensation plans out of treasury stock whereby treasury stock is reduced by the weighted average cost of such treasury stock. To the extent there is a difference between the cost of the treasury stock and the exercise price of shares issued under stock based compensation plans, we record gains to paid in capital; losses are recorded to paid in capital to the extent any gain was previously

recorded, otherwise the loss is recorded to retained earnings.

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) consists of the following:

	Cash Flow Hedging Gain	Pension Liability	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (loss)
Balance, December 31, 2008	$ -	$(27,592)	$ (3,440)	$ (31,032)
Pension liability, net of income tax	-	11,310	-	11,310
Cash flow hedging gain, net of income tax	76	-	-	76
Foreign currency translation adjustments	-	-	7,241	7,241
Balance, December 31, 2009	$ 76	$(16,282)	$ 3,801	$ (12,405)

Note 2 — Inventories

Inventories consist of the following at December 31,:

	2008	2009
Raw materials	$ 55,022	$ 48,959
Work in process	22,177	17,203
Finished goods	82,777	98,113
	$ 159,976	$ 164,275

Note 3 — Property, Plant and Equipment

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

	2008	2009
Land	$ 4,273	$ 4,486
Building and improvements	91,047	93,855

Machinery and equipment	117,339	148,641
Construction in progress	29,962	8,902
	242,621	255,884
Less: Accumulated depreciation	(98,884)	(112,382)
	$ 143,737	$ 143,502

Included in machinery and equipment in 2009 is approximately $22.1 million of capitalized software costs related to the implementation of an enterprise business software application in 2009.

We lease various manufacturing facilities, office facilities and equipment under operating leases. Rental expense on these operating leases was approximately $3,724, $3,443 and $5,988 for the years ended December 31, 2007, 2008 and 2009, respectively. The aggregate future minimum lease commitments for operating leases at December 31, 2009 are as follows:

2010	$6,456
2011	5,479
2012	5,037
2013	4,398
2014	3,632
Thereafter	12,536

Note 4 – Goodwill and Other Intangible Assets

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

	2008	2009
Balance as of January 1,	$289,508	$290,245
Adjustments to goodwill resulting from business acquisitions finalized	632	300
Foreign currency translation	105	(40)
Balance as of December 31,	$290,245	$290,505

Total accumulated impairment losses (associated with our CONMED Endoscopic Technologies operating unit) aggregated $46,689 at December 31, 2008 and 2009.

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

	2008	2009
CONMED Electrosurgery	$16,645	$16,645
CONMED Endosurgery	42,439	42,439
CONMED Linvatec	171,437	171,397
CONMED Patient Care	59,724	60,024
Balance as of December 31,	$290,245	$290,505

Other intangible assets consist of the following:

	December 31, 2008		December 31, 2009	
Amortized intangible assets:	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$127,594	$ (32,187)	$127,594	$ (36,490)
Patents and other intangible assets	40,714	(28,526)	41,809	(30,408)
Unamortized intangible assets:				
Trademarks and tradenames	88,344	-	88,344	-
	$256,652	$ (60,713)	$257,747	$ (66,898)

Other intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses. The weighted average amortization period for intangible assets which are amortized is 25 years. Customer relationships are being amortized over a weighted average life of 34 years. Patents and other intangible assets are being amortized over a weighted average life of 15 years.

Customer relationship assets were recognized principally as a result of the 1997 acquisition of Linvatec Corporation. These assets represent the acquisition date fair value of existing customer relationships based on the after-tax income expected to be derived during their estimated remaining useful life. The useful lives of these customer relationships were not and are not limited by contract or any economic, regulatory or other known factors. The estimated useful life of the Linvatec customer relationship assets was determined as of the date of acquisition as a result of a study of the observed pattern of historical revenue attrition during the 5 years immediately preceding the acquisition of Linvatec Corporation. This observed attrition pattern was then applied to the existing customer relationships to derive the future expected retirement of the customer relationships. This analysis indicated an annual attrition rate of 2.6%. Assuming an exponential attrition pattern, this equated to an average remaining useful life of approximately 38 years for the Linvatec customer relationship assets. Customer relationship intangible assets arising as a result of other business acquisitions are being amortized over a weighted average life of 17 years. The weighted average life for customer relationship assets in aggregate is 34 years.

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

Amortization expense related to intangible assets for the year ending December 31, 2009 and estimated amortization expense for each of the five succeeding years is as follows:

2009	6,185
2010	6,110
2011	6,110
2012	5,904
2013	5,854
2014	5,624

Note 5 — Long Term Debt

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

	2008	2009
Revolving line of credit	$4,000	$10,000
Term loan borrowings on senior credit facility	57,638	56,287
2.50% convertible senior subordinated notes	111,549	106,770
Mortgage notes	12,737	11,312
Total long-term debt	185,924	184,369
Less: Current portion	3,185	2,174
	$182,739	$182,195

Our $235.0 million senior credit agreement (the "senior credit agreement") consists of a $100.0 million revolving credit facility and a $135.0 million term loan. There were $10.0 million in borrowings outstanding on the revolving credit facility as of December 31, 2009. Our available borrowings on the revolving credit facility at December 31, 2009 were $81.6 million with approximately $8.4 million of the facility set aside for outstanding letters of credit. There were $56.3 million in borrowings outstanding on the term loan at December 31, 2009.

Borrowings outstanding on the revolving credit facility are due and payable on April 12, 2011. The scheduled principal payments on the term loan portion of the senior credit agreement are $1.4 million annually through December 2011, increasing to $53.6 million in 2012 with the remaining balance outstanding due and payable on April 12, 2013. We may also be required, under certain circumstances, to make additional principal payments based on excess cash flow as defined in the senior credit agreement. Interest rates on the term loan portion of the senior credit agreement are at LIBOR plus 1.50% (1.75% at December 31, 2009) or an alternative base rate; interest rates on the revolving credit facility portion of the senior credit agreement are at LIBOR plus 1.50% or an alternative base rate (3.625% at December 31, 2009). For those borrowings where the Company elects to use the alternative base rate, the base rate will be the greater of the Prime Rate or the Federal Funds Rate in effect on such date plus 0.50%, plus a margin of 0.50% for term loan borrowings or 0.25% for borrowings under the revolving credit facility.

The senior credit agreement is collateralized by substantially all of our personal property and assets, except for our accounts receivable and related rights which are pledged in connection with our accounts receivable sales agreement. The senior credit agreement contains covenants and restrictions which, among other things, require the maintenance of certain financial ratios, and restrict dividend payments and the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We are also required, under certain circumstances, to make

mandatory prepayments from net cash proceeds from any issuance of equity and asset sales.

We have a mortgage note outstanding in connection with the property and facilities utilized by our CONMED Linvatec subsidiary bearing interest at 8.25% per annum with semiannual payments of principal and interest through June 2019. The principal balance outstanding on the mortgage note aggregated $11.3 million at December 31, 2009. The mortgage note is collateralized by the CONMED Linvatec property and facilities.

We have outstanding $115.1 million in 2.50% convertible senior subordinated notes due 2024. During the year ended December 31, 2008, we repurchased and retired $25.0 million of the Notes for $20.2 million and recorded a gain on the early extinguishment of debt of $1.9 million net of the write-off of $0.4 million in unamortized deferred financing costs and $2.4 million in unamortized debt discount. During the year ended December 31, 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized debt discount. The Notes represent subordinated unsecured obligations and are convertible under certain circumstances, as defined in the bond indenture, into a combination of cash and CONMED common stock. Upon conversion, the holder of each Note will receive the conversion value of the Note payable in cash up to the principal amount of the Note and CONMED common stock for the Note's conversion value in excess of such principal amount. Amounts in excess of the principal amount are at an initial conversion rate, subject to adjustment, of 26.1849 shares per $1,000 principal amount of the Note (which represents an initial conversion price of $38.19 per share). As of December 31, 2009, there was no value assigned to the conversion feature because the Company's share price was below the conversion price. The Notes mature on November 15, 2024 and are not redeemable by us prior to November 15, 2011. Holders of the Notes have the right to put to us some or all of the Notes for repurchase on November 15, 2011, 2014 and 2019 and, provided the terms of the indenture are satisfied, we will be required to repurchase those Notes.

The Notes contain two embedded derivatives. The embedded derivatives are recorded at fair value in other long-term liabilities and changes in their value are recorded through the consolidated statements of income. The embedded derivatives have a nominal value, and it is our belief that any change in their fair value would not have a material adverse effect on our business, financial condition, results of operations, or cash flows.

In May 2008, the FASB issued guidance which specifies that issuers of convertible debt instruments that permit or require the issuer to pay cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company was required to apply the guidance retrospectively to all past periods presented. We adopted this guidance on January 1, 2009 related to our 2.50% convertible senior subordinated notes due 2024.

Our effective borrowing rate for nonconvertible debt at the time of issuance of the Notes was estimated to be 6.67%, which resulted in $34.6 million of the $150.0 million aggregate principal amount of Notes issued, or $21.8 million after taxes, being attributable to equity. For the year ended December 31, 2007, 2008 and 2009, we have recorded interest expense related to the amortization of debt discount on the Notes of $4.6 million, $4.8 million and $4.1 million, respectively, at the effective interest rate of 6.67%. The debt discount on the Notes is being amortized through November 2011. For the years ended December 31, 2007, 2008 and 2009, we have recorded interest expense on the Notes of $3.8 million, $3.7 million and $2.9 million, respectively, at the contractual coupon rate of 2.50%.

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

	2008	2009
Principal value of the Notes	$125,000	$115,093
Unamortized discount	(13,451)	(8,323)
Carrying value of the Notes	$111,549	$106,770
Equity component	$21,579	$21,491

The scheduled maturities of long-term debt outstanding at December 31, 2009 are as follows:

2010	$ 2,174
2011	12,244
2012	54,556
2013	1,050
2014	1,140
Thereafter	121,528

Note 6 — Income Taxes

The provision for income taxes for the years ended December 31, 2007, 2008 and 2009 consists of the following:

	2007	2008	2009
Current tax expense:			
Federal	$ 2,634	$ 2,094	$ (1,281)
State	1,102	498	791
Foreign	2,851	3,126	2,267
	6,587	5,718	1,777
Deferred income tax expense	15,008	16,304	4,241
Provision for income taxes	$ 21,595	$ 22,022	$ 6,018

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes for the years ended December 31, 2007, 2008 and 2009 follows:

	2007	2008	2009
Tax provision at statutory rate based on income before income taxes	35.00 %	35.00 %	35.00 %
State income taxes	1.77	1.47	5.59
Stock-based compensation	0.60	0.43	1.59
Foreign income taxes	0.20	(0.58)	(2.90)
Research & development credit	(1.29)	(1.45)	(4.46)
Settlement of taxing authority examinations	(1.05)	-	(5.60)
Other nondeductible permanent differences	0.68	0.91	2.86
Other, net	-	(0.27)	1.07
	35.91 %	35.51 %	33.15 %

The tax effects of the significant temporary differences which comprise the deferred income tax assets and liabilities at December 31, 2008 and 2009 are as follows:

	2008	2009
Assets:		
Inventory	$4,376	$3,912
Net operating losses	2,493	780
Capitalized research and development	-	4,757
Deferred compensation	2,302	2,331
Accounts receivable	2,534	2,524
Employee benefits	1,582	2,157
Accrued pension	11,783	3,436
Research and development credit	3,004	3,814
Foreign tax credit	1,140	1,513
Other	4,250	10,390
Valuation allowance	(2,069)	(1,058)
	31,395	34,556
Liabilities:		
Goodwill and intangible assets	83,524	95,049
Depreciation	6,054	4,548
State taxes	1,250	2,090
Contingent interest	14,293	14,050

	105,121	115,737
Net liability	$(73,726)	$(81,181)

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

	2007	2008	2009
U.S. income	$ 53,046	$ 51,616	$ 10,108
Foreign income	7,093	10,395	8,047
Total income	$ 60,139	$ 62,011	$ 18,155

The net operating loss carryforward of an acquired subsidiary begins to expire in 2023. The net operating loss carryforward is subject to a pre-existing ownership change limitation under IRC section 382 as a result of the purchase of stock of the acquired subsidiary. The annual existing ownership change limitation on the acquired net operating loss is $2.1 million. We have established a valuation allowance to reflect the uncertainty of realizing the benefit of the net operating loss carryforward recognized in connection with an acquisition. Changes in deferred tax valuation allowances and income tax uncertainties after the acquisition date, including those associated with acquisitions generally will affect income tax expense.

The gross amount of Federal net operating loss carryforwards available is $3.8 million. This includes $2.1 million of net operating loss carryforward from an acquired subsidiary as discussed above. The remaining $1.7 million begins to expire in 2026. Approximately $1.7 million of the gross Federal net operating loss is attributable to stock-based compensation windfall tax deductions. In accordance with FASB guidance, the $0.6 million windfall tax benefit on the $1.7 million net operating loss carryforward has not been recorded as a deferred tax asset. The $0.6 million tax benefit will be recorded in additional paid-in capital when realized.

The amount of Federal Research and Development credit carryforward available is $3.8 million. These credits begin to expire in 2024. The total amount of Federal Foreign Tax Credit carryforward available is $1.5 million. These credits begin to expire in 2017.

Deferred tax amounts include approximately $3.5 million of future tax benefits associated with state tax credits which have an indefinite carryforward period.

We operate in multiple taxing jurisdictions, both within and outside the United States. We face audits from these various tax authorities regarding the amount of taxes due. Such audits can involve complex issues and may require an extended period of time to resolve. Our Federal income tax returns have been examined by the Internal Revenue Service (“IRS”) for calendar years ending through 2007.

We have not provided for federal income taxes on undistributed earnings of our foreign subsidiaries as it remains our intention to permanently reinvest such earnings (approximately $41.0 million at December 31, 2009.) It is not practicable given the complexities of the foreign tax credit calculation to estimate the tax due upon any possible repatriation.

On January 1, 2007 we adopted the provisions of accounting for uncertainty in income taxes that prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The impact of this pronouncement was not material to the Company’s consolidated financial statements.

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

	2007	2008	2009
Balance as of January 1,	$1,359	$1,866	$2,869
Increases (decreases) for positions taken in prior periods	(164)	212	139
Increases for positions taken in current periods	1,410	1,117	183
Decreases in unrecorded tax positions related to settlement with the taxing authorities	(739)	(154)	(1,322)
Decreases in unrecorded tax positions related to lapse of statute of limitations	-	(172)	-
Balance as of December 31,	$1,866	$2,869	$1,869

If the total unrecognized tax benefits of $1.9 million at December 31, 2009 were recognized, it would reduce our annual effective tax rate. The amount of interest accrued in 2009 related to these unrecognized tax benefits was not material and is included in the provision for income taxes in the consolidated statements of operations. It is reasonably possible that the amount of unrecognized tax benefits could change in the next 12 months as a result of the anticipated completion of taxing authority examinations for the tax years 2006 through 2008. The range of change in unrecognized tax benefits is estimated between $0.8 million and $1.5 million.

Note 7 – Shareholders' Equity

Our shareholders have authorized 500,000 shares of preferred stock, par value $.01 per share, which may be issued in one or more series by the Board of Directors without further action by the shareholders. As of December 31, 2008 and 2009, no preferred stock had been issued.

On February 15, 2005, our Board of Directors authorized a share repurchase program under which we may repurchase up to $50.0 million of our common stock, although no more than $25.0 million could be purchased in any calendar year. The Board subsequently amended this program on December 2, 2005 to authorize repurchases up to $100.0 million of our common stock, although no more than $50.0 million may be purchased in any calendar year. 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. Through December 31, 2006, we have repurchased a total of 2.2 million shares of common stock aggregating $53.2 million under this authorization. No stock repurchases were made in 2007, 2008 or 2009.

We have reserved 5.8 million shares of common stock for issuance to employees and directors under three shareholder-approved share-based compensation plans (the "Plans") of which approximately 1.1 million shares remain available for grant at December 31, 2009. The exercise price on all outstanding options and stock appreciation rights (“SARs”) is equal to the quoted fair market value of the stock at the date of grant. Restricted stock units (“RSUs”) are valued at the market value of the underlying stock on the date of grant. Stock options, SARs and RSUs are non-transferable other than on death and generally become exercisable over a five year period from date of grant. Stock options and SARs expire ten years from date of grant. SARs are only settled in shares of the Company’s stock. The issuance of shares pursuant to the exercise of stock options and SARs and vesting of RSUs are from the Company’s treasury stock.

Total pre-tax stock-based compensation expense recognized in the Consolidated Statements of Operations was $3.8 million, $4.2 million and $4.3 million for the year ended December 31, 2007, 2008 and 2009, respectively. This amount is included in selling and administrative expenses on the Consolidated Statements of Operations. Tax related benefits of $0.8 million, $1.1 million and $1.3 million were also recognized for the years ended December 31, 2007, 2008 and 2009. Cash received from the exercise of stock options was $11.3 million, $6.9 million and $0.7 million for the years ended December 31, 2007, 2008 and 2009, respectively and is reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

The weighted average fair value of awards of options and SARs granted in the years ended December 31, 2007, 2008 and 2009 was $11.88, $9.35 and $7.03, respectively. The fair value of these options and SARs was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for options and SARs granted in the years ended December 31, 2007, 2008 and 2009, respectively: risk-free interest rate of 4.56%, 3.25% and 2.48%; volatility factor of the expected market price of the Company's common stock of 32.61%, 30.36% and 37.17%; a weighted-average expected life of the option and SAR of 5.7 years for 2007 and 2008 and 6.2 years for 2009; and that no dividends would be paid on common stock. The risk free interest rate is based on the option and SAR grant date for a traded zero-coupon U.S. Treasury bond with a maturity date closest to the expected life. Expected volatilities are based upon historical volatility of the Company’s stock over a period equal to the expected life of each option and SAR grant. The expected life represents the period of time that the options and SARs are expected to be outstanding based on a study of historical data of option holder exercise and termination behavior.

The following table illustrates the stock option and SAR activity for the year ended December 31, 2009.:

	Number of Shares (in 000’s)	Weighted-Average Exercise Price
Outstanding at December 31, 2008	2,423	$ 24.10
Granted	233	$ 17.30
Forfeited	(159)	$ 22.38
Exercised	(46)	$ 16.92
Outstanding at December 31, 2009	2,451	$ 23.70
Exercisable at December 31, 2009	1,839	$ 23.94

The weighted average remaining contractual term for stock options and SARs outstanding and exercisable at December 31, 2009 was 5.0 years and 4.0 years, respectively. The aggregate intrinsic value of stock options and SARs outstanding and exercisable at December 31, 2009 was $4.8 million and $3.3 million, respectively. The aggregate intrinsic value of stock options and SARs exercised during the year ended December 31, 2007, 2008 and 2009 was $6.7 million, $4.0 million and $0.2 million, respectively.

The following table illustrates the RSU activity for the year ended December 31, 2009. There were no RSU's granted prior to 2006.

	Number of Shares (in 000's)	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2008	336	$ 26.01
Granted	197	$ 17.02
Vested	(77)	$ 25.48
Forfeited	(31)	$ 24.67
Outstanding at December 31, 2009	425	$ 22.03

The weighted average fair value of awards of RSUs granted in the years ended December 31, 2007, 2008 and 2009 was $29.13, $26.94 and $17.02, respectively.

The total fair value of shares vested was $0.6 million, $1.3 million and $1.8 million for the years ended December 31, 2007, 2008 and 2009, respectively.

As of December 31, 2009, there was $12.1 million of total unrecognized compensation cost related to nonvested stock options, SARs and RSUs granted under the Plan which is expected to be recognized over a weighted average period of 3.5 years.

We offer to our employees a shareholder-approved Employee Stock Purchase Plan (the "Employee Plan"), under which we have reserved 1.0 million shares of common stock for issuance to our employees. The Employee Plan provides employees with the opportunity to invest from 1% to 10% of their annual salary to purchase shares of CONMED common stock through the exercise of stock options granted by the Company at a purchase price equal to 95% of the fair market value of the common stock on the exercise date. During 2009, we issued approximately 28,900 shares of common stock under the Employee Plan. No stock-based compensation expense has been recognized in the accompanying consolidated financial statements as a result of common stock issuances under the Employee Plan.

Note 8 — Business Segments and Geographic Areas

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

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

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

	2007	2008	2009
Arthroscopy	$ 264,637	$ 291,910	$ 269,820
Powered Surgical Instruments	149,261	155,659	144,014
CONMED Linvatec	413,898	447,569	413,834
CONMED Electrosurgery	92,107	100,493	94,959
CONMED Endosurgery	58,829	64,459	66,027
CONMED Linvatec, Electrosurgery, and Endosurgery	564,834	612,521	574,820
CONMED Patient Care	76,711	78,384	70,978
CONMED Endoscopic Technologies	52,743	51,278	48,941
Total	$ 694,288	$ 742,183	$ 694,739

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

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

	2007	2008	2009
CONMED Linvatec, Electrosurgery and Endosurgery	$ 87,569	$ 98,101	$ 62,715
CONMED Patient Care	2,003	2,259	(1,263)
CONMED Endoscopic Technologies	(6,250)	(7,411)	(7,904)
Corporate	(2,331)	(17,690)	(25,279)
Income from operations	80,991	75,259	28,269
Gain on early extinguishment of debt	-	1,947	1,083
Amortization of bond discount	4,618	4,823	4,111
Interest expense	16,234	10,372	7,086
Income before income taxes	$ 60,139	$ 62,011	$ 18,155

Net sales information for geographic areas consists of the following:

	2007	2008	2009
United States	$ 404,434	$ 411,773	$ 385,770
Canada	55,313	52,792	48,713
United Kingdom	45,335	44,123	35,155
Japan	26,274	28,026	29,244
Australia	30,199	30,270	30,159
All other countries	132,733	175,199	165,698
Total	$ 694,288	$ 742,183	$ 694,739

Sales are attributed to countries based on the location of the customer. There were no significant investments in long-lived assets located outside the United States at December 31, 2008 and 2009. No single customer represented over 10% of our consolidated net sales for the years ended December 31, 2007, 2008 and 2009.

Note 9 — Employee Benefit Plans

We sponsor an employee savings plan ("401(k) plan") and a defined benefit pension plan (the "pension plan") covering substantially all our employees.

Total employer contributions to the 401(k) plan were $2.5 million, $2.7 million and $6.8 million during the years ended December 31, 2007, 2008 and 2009, respectively. Included in the 2009 total is a discretionary one-time $4.0 million employer 401(k) contribution.

During the first quarter of 2009, the Company announced the freezing of benefit accruals under the defined benefit pension plan for United States employees ("the Plan") effective May 14, 2009. As a result, the Company recorded a curtailment gain of $4.4 million and a reduction in accrued pension of $11.4 million which is included in other long term liabilities.

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

	2008	2009
Accumulated Benefit Obligation	$61,514	$61,222
Change in benefit obligation		
Projected benefit obligation at beginning of year	$56,592	$76,610
Service cost	5,835	187
Interest cost	3,977	3,920
Actuarial loss (gain)	14,837	(4,802)
Curtailment gain	-	(11,358)
Benefits paid	(4,631)	(3,335)
Projected benefit obligation at end of year	$76,610	$61,222

Change in plan assets		
Fair value of plan assets at beginning of year	$48,532	$45,381
Actual gain (loss) on plan assets	(10,520)	6,723
Employer contributions	12,000	4,073
Benefits paid	(4,631)	(3,335)
Fair value of plan assets at end of year	$45,381	$52,842
Funded status	$(31,229)	$(8,380)

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

	2008	2009
Accrued long-term pension liability	$31,229	$8,380
Accumulated other comprehensive income (loss)	(43,762)	(25,823)

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

	2008	2009
Discount rate	5.97 %	5.86 %
Expected return on plan assets	8.00 %	8.00 %
Rate of compensation increase	3.50 %	3.50 %

Accumulated other comprehensive income (loss) for the years ended December 31, 2008 and 2009 consists of the following items not yet recognized in net periodic pension cost (before income taxes):

	2008	2009
Net actuarial loss	$(48,216)	$(25,823)
Transition liability	(28)	-
Prior service cost	4,482	-
Accumulated other comprehensive income (loss)	$(43,762)	$(25,823)

Other changes in plan assets and benefit obligations recognized in other comprehensive income in 2009 are as follows:

Current year actuarial gain	$9,409
Curtailment gain	6,990
Amortization of actuarial loss	1,627
Amortization of prior service costs (credits)	(88)
Amortization of transition liability	1
Total recognized in other comprehensive income	$17,939

The estimated portion of net actuarial loss in accumulated other comprehensive income (loss) that is expected to be recognized as a component of net periodic pension cost in 2010 is $1,313.

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

	2007	2008	2009
Service cost — benefits earned during the period	$5,863	$5,835	$1,887
Interest cost on projected benefit obligation	3,216	3,977	3,920
Return on plan assets	(3,226)	(4,210)	(3,817)
Curtailment gain	-	-	(4,368)
Transition amount	4	4	1
Prior service cost	(351)	(351)	(88)
Amortization of loss	1,382	1,320	1,627
Net periodic pension cost	$6,888	$6,575	$(838)

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

	2007	2008	2009
Discount rate	5.90 %	6.48 %	5.97 %*
Expected return on plan assets	8.00 %	8.00 %	8.00 %
Rate of compensation increase	3.00 %	3.50 %	3.50 %

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

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

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

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

	Percentage of Pension Plan Assets		Target Allocation
	2008	2009	2010
Equity securities	47 %	64 %	75 %
Debt securities	53	36	25
Total	100 %	100 %	100 %

As of December 31, 2009, the Plan held 27,562 shares of our common stock, which had a fair value of $0.6 million. We believe that our long-term asset allocation on average will approximate the targeted allocation. We regularly review our actual asset allocation and periodically rebalance the pension plan’s investments to our targeted

allocation when deemed appropriate.

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

	2008	2009
Common Stock	$15,250	$20,795
Money Market Fund	21,554	16,090
Equity Funds	6,162	13,247
Fixed Income Securities	2,328	2,638
Accrued Interest and Dividend	87	72
Total Assets at Fair Value	$45,381	$52,842

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008 and 2009:

Common Stock: Common stock is valued at the closing price reported on the common stock's respective stock exchange and is classified within level 1 of the valuation hierarchy.

Money Market Fund: These investments are public investment vehicles valued using $1 for the Net Asset Value (NAV). The money market fund is classified within level 2 of the valuation hierarchy.

Equity Funds: These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and is classified within level 1 of the valuation hierarchy.

Fixed Income Securities: Valued at the closing price reported on the active market on which the individual securities are traded and are classified within level 1 of the valuation hierarchy.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

	Level 1	Level 2	Total
Common Stock	$20,795	$-	$20,795
Money Market Fund	-	16,090	16,090
Equity Funds	13,247	-	13,247
Fixed Income Securities	2,638	-	2,638
Total Assets at Fair Value	$36,680	$16,090	$52,770

We are required to contribute approximately $3.0 million to our pension plan for the 2010 Plan year.

The following table summarizes the benefits expected to be paid by our pension plan in each of the next five years and in aggregate for the following five years. The expected benefit payments are estimated based on the same assumptions used to measure the Company’s projected benefit obligation at December 31, 2009 and reflect the impact of expected future employee service.

2010	2,751
2011	2,815
2012	2,982
2013	3,167
2014	3,311
2015-2019	19,216

Note 10 — Legal Matters

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

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

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

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

The Company's motions to dismiss and for summary judgment, which were heard at a hearing held on January 5, 2007, were denied by a Memorandum Decision and Order dated May 22, 2007. The District Court also granted the plaintiffs' motion to certify a class of former CONMED Linvatec sales representatives whose employment with CONMED Linvatec was involuntarily terminated in 2003 and who did not receive severance benefits. With discovery essentially completed, on July 21, 2008, the Company filed motions seeking summary judgment and to decertify the class. In addition, on July 21, 2008, Plaintiffs filed a motion seeking summary judgment. These motions were submitted for decision on August 26, 2008. There is no fixed time frame within which the Court is required to rule on the motions. The Company believes there is no merit to the claims asserted in the Complaint, and plans to vigorously defend the case. There can be no assurance, however, that the Company will prevail in the litigation.

Note 11 — Other expense (income)

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

	2007	2008	2009
Termination of product offering	$ 148	$ -	$ -
Facility closure costs	1,822	-	
Gain on litigation settlement	(6,072)	-	-
Product liability settlement	1,295	-	-
New plant/facility consolidation costs	-	1,577	2,726
Net pension gain	-	-	(1,882)
Product recall	-	-	5,992
CONMED Endoscopic Technologies division consolidation costs	-	-	4,080
Other expense (income)	$ (2,807)	$ 1,577	$ 10,916

During 2004, we elected to terminate our surgical lights product line. We instituted a customer replacement program whereby all currently installed surgical lights were replaced by CONMED. We recorded charges totaling $5.5 million related to the surgical lights customer replacement program (including $0.1 million in the year ended December 31, 2007) in other expense (income). The surgical lights customer replacement program was completed during the second quarter of 2007.

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

During 2007, we elected to close our CONMED Endoscopic Technologies sales office in France and incurred $1.5 million in costs associated with this closure primarily related to severance expense. We have recorded such costs in other expense (income).

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

Two of the Company's subsidiaries settled a product liability claim asserted against it and several of the Company's subsidiaries in a case captioned Wehner v. Linvatec Corp., et al. Total settlement and defense related costs amounted to $1.3 million which were recorded in other expense (income) during 2007.

During 2008, we announced a plan to restructure certain of our operations. We incurred $18.6 million in restructuring costs of which $4.3 million (including $1.6 million and $2.7 million in the years ending December 31, 2008 and 2009, respectively) have been recorded in other expense (income) and include charges related to the consolidation of our distribution centers. The remaining $14.3 million (including $2.5 million and $11.8 million in the years ending December 31, 2008 and 2009, respectively) in restructuring costs have been charged to cost of goods sold and represent startup activities associated with a new manufacturing facility in Chihuahua, Mexico and the closure of two Utica, New York area manufacturing facilities (See Note 17).

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

During 2009, we announced a voluntary recall of certain model numbers of the PRO5 & PRO6 series battery handpieces and certain lots of the MC5057 Universal Cable used with certain of CONMED Linvatec's powered handpieces. Current models of products are not affected. The cost of this recall is expected to be approximately $6.0 million and we have recorded this cost in 2009. We have performed repairs on $0.9 million of the total $6.0 million of expected costs in 2009.

During 2009, we elected to consolidate the administrative offices and operations of the CONMED Endoscopic Technologies division from its offices in Chelmsford, Massachusetts to our Corporate headquarters in Utica, New York. The sales force and product portfolio remain unchanged and CONMED Endoscopic Technologies continues to operate as a separate division of the Company. We incurred a total of $4.9 million in charges of which $4.1 million have been recorded in other expense (income) and include charges relating to severance, lease termination costs, write down of fixed assets and other transition costs. The remaining $0.8 million in costs relate to the write-down of inventory and is included in cost of goods sold. We believe the divisional consolidation is now complete and do not expect any further costs.

Note 12 — Guarantees

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

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

	2007	2008	2009
Balance as of January 1,	$3,617	$3,306	$3,341
Provision for warranties	3,078	3,581	3,638
Claims made	(3,389)	(3,546)	(3,596)
Balance as of December 31,	$3,306	$3,341	$3,383

Note 13 – Fair Value Measurement

In March 2008, the FASB issued guidance which requires entities to provide enhanced disclosure about how and why the entity uses derivative instruments, how the instruments and related hedged items are accounted and how the instruments and related hedged items affect the financial position, results of operations, and cash flows of the entity. We adopted such guidance during the quarter ended March 31, 2009.

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 our foreign currency exposures.

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

Foreign Currency Forward Contracts. We manage our foreign currency transaction risks through the use of forward contracts to hedge forecasted cash flows associated with foreign currency transaction exposures. We account for these forward contracts as cash flow hedges. To the extent these forward contracts meet hedge accounting criteria, changes in their fair value are not included in current earnings but are included in Accumulated Other Comprehensive Loss. These changes in fair value will be reclassified into earnings as a component of sales when the forecasted transaction occurs. The notional contract amounts for forward contracts outstanding at December 31, 2009 which have been accounted for as cash flow hedges totaled $80.2 million. Net realized losses recognized for forward contracts accounted for as cash flow hedges approximated $0.4 million for the year ended December 31, 2009. Net unrealized gains on forward contracts outstanding which have been accounted for as cash flow hedges and which have been included in accumulated other comprehensive income (loss) totaled $0.1 million at December 31, 2009. These unrealized gains will be recognized in income in 2010.

We also enter into forward contracts to exchange foreign currencies for United States dollars in order to hedge our currency transaction exposures on intercompany receivables denominated in foreign currencies. These forward contracts settle each month at month-end, at which time we enter into new forward contracts. We have not designated these forward contracts as hedges and have not applied hedge accounting to them. The notional contract amounts for forward contracts outstanding at December 31, 2009 which have not been designated as hedges totaled $28.6 million. Net realized losses recognized in connection with those forward contracts not accounted for as hedges approximated $3.9 million for the year ended December 31, 2009, offsetting gains on our intercompany receivables of $4.6 million for the year ended December 31, 2009. These gains and losses have been recorded in selling and

administrative expense in the consolidated statements of income.

We record these forward foreign exchange contracts at fair value; the following table summarizes the fair value for forward foreign exchange contracts outstanding at December 31, 2009:

	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	$739	Prepaid Expenses and other current assets	$(618)	$121
Derivatives not designated as hedging instruments:					
Foreign Exchange Contracts	Prepaid Expenses and other current assets	25	Prepaid Expenses and other current assets	(51)	(26)
Total derivatives		$764		$(669)	$95

Our forward foreign exchange contracts are subject to a master netting agreement and qualify for netting in the consolidated balance sheets. Accordingly, we have recorded the net fair value of $0.1 million in prepaid expenses and other current assets.

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

We adopted this guidance as of January 1, 2008, with the exception of its application to non-recurring nonfinancial assets and nonfinancial liabilities, which was delayed to fiscal years beginning after November 15, 2008, which we therefore adopted as of January 1, 2009. As of December 31, 2009, we do not have any significant non-recurring measurements of nonfinancial assets and nonfinancial liabilities.

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

Valuation Techniques. Liabilities carried at fair value and measured on a recurring basis as of December 31, 2009 consist of forward foreign exchange contracts and two embedded derivatives associated with our 2.50% convertible senior subordinated notes. The value of these liabilities was determined within Level 2 of the valuation hierarchy and was not material either individually or in the aggregate to our financial position, results of operations or cash flows.

The carrying amounts reported in our balance sheets for cash and cash equivalents, accounts receivable, accounts payable and long-term debt excluding the 2.50% convertible senior subordinated notes approximate fair value. The fair value of the Notes approximated $97.2 million and $108.3 million at December 31, 2008 and December 31, 2009, respectively, based on their quoted market price. See Note 5 for additional discussion of the Notes.

Note 14 - New Accounting Pronouncements

In June 2009, the FASB issued guidance which requires additional disclosures about the transfer and derecognition of financial assets, eliminates the concept of qualifying special-purpose entities, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. This guidance is effective for fiscal years beginning after November 15, 2009. Our current off balance sheet arrangement in which a wholly-owned, bankruptcy-remote, special purpose subsidiary of CONMED Corporation sells an undivided percentage ownership interest in receivables to a bank under an accounts receivable sales agreement, will no longer be permitted to be accounted for as a sale and reduction in accounts receivable beginning in 2010. As a result, accounts receivable sold under the agreement (which aggregated $29.0 million at December 31, 2009) would be recorded as additional borrowings rather than as a reduction in accounts receivable. There will be no impact to the results of operations.

Note 15 – Business acquisition

On January 9, 2008, we purchased our Italian distributor's business for approximately $21.8 million in cash (the "Italy acquisition"). Under the terms of the acquisition agreement, we agreed to pay additional consideration in 2009 based upon the 2008 results of the acquired business.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as a result of the Italy acquisition.

Cash	$953
Inventory	3,444
Accounts receivable	19,701
Other assets	846
Customer relationships	9,479
Total assets acquired	34,423
Income taxes payable	(2,443)
Other current liabilities	(9,658)
Total liabilities assumed	(12,101)
Net assets acquired	$22,322

The unaudited pro forma statement of operations for the year ended December 31, 2007, assuming the Italy acquisition occurred as of January 1, 2007 is presented below. This pro forma statement of operations has been prepared for comparative purposes only and does not purport to be indicative of the results of operations which actually would have resulted had the Italy acquisition occurred on the dates indicated, or which may result in the future.

	2007
Net sales	$ 710,685
Net income	41,069
Net income per share:	
Basic	$ 1.45
Diluted	$ 1.42

Note 16 – Convertible senior subordinated notes

In May 2008, the FASB issued guidance which specifies that issuers of convertible debt instruments that permit or require the issuer to pay cash upon conversion should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company was required to apply the guidance retrospectively to all past periods presented. We adopted this guidance on January 1, 2009 related to our 2.50% convertible senior subordinated notes due 2024 ("the Notes").

Our effective borrowing rate for nonconvertible debt at the time of issuance of the Notes was estimated to be 6.67%, which resulted in $34.6 million of the $150.0 million aggregate principal amount of Notes issued, or $21.8 million after taxes, being attributable to equity. For the years ended December 31, 2007, 2008 and 2009, we have recorded interest expense related to the amortization of debt discount on the Notes of $4.6 million, $4.8 million and $4.1 million, respectively, at the effective interest rate of 6.67%. The debt discount on the Notes is being amortized through November 2011. For the years ended December 31, 2007, 2008 and 2009, we have recorded interest expense

on the Notes of $3.8 million, $3.7 million and $2.9 million, respectively, at the contractual coupon rate of 2.50%.

The following table illustrates the effects of adopting the new guidance on each Consolidated Balance Sheet line item as of December 31, 2008:

	As Originally Reported	As Adjusted	Effect of Change
Long-term debt	$ 196,190	$182,739	$ (13,451)
Deferred income taxes	83,498	88,468	4,970
Total liabilities	399,927	391,446	(8,481)
Paid-in capital	292,251	313,830	21,579
Retained earnings	327,471	314,373	(13,098)
Total shareholders' equity	531,734	540,215	8,481

The following tables illustrate the effects of adopting the new guidance on each Consolidated Statement of Operations and Consolidated Statement of Cash Flows for the years ended December 31, 2007 and 2008:

	As Originally Reported	As Adjusted	Effect of Change
Consolidated statement of operations for the year ended December 31, 2007:			
Amortization of debt discount	$ -	$ 4,618	$ 4,618
Income before income taxes	64,757	60,139	(4,618)
Provision for income taxes	23,301	21,595	(1,706)
Net income	41,456	38,544	(2,912)
EPS:			
Basic	$ 1.46	$ 1.36	$ (.10)
Diluted	1.43	1.33	(.10)
Consolidated statement of operations for the year ended December 31, 2008:			
Gain on early extinguishment of debt	$ 4,376	$ 1,947	$ (2,429)
Amortization of debt discount	-	4,823	4,823
Income before income taxes	69,263	62,011	(7,252)
Provision for income taxes	24,702	22,022	(2,680)

Net income	44,561	39,989	(4,572)
EPS:			
Basic	$ 1.55	$ 1.39	$ (.16)
Diluted	1.52	1.37	(.15)

Consolidated statement of cash flow for the year ended December 31, 2007:			
Net income	$ 41,456	$ 38,544	$ (2,912)
Amortization of debt discount	-	4,618	4,618
Deferred income taxes	16,714	15,008	(1,706)
Consolidated statement of cash flow for the year ended December 31, 2008:			
Net income	$ 44,561	$ 39,989	$ (4,572)
Amortization of debt discount	-	4,823	4,823
Deferred income taxes	18,984	16,304	(2,680)

Note 17 – Restructuring

During 2009, we completed the first phase of our operational restructuring plan which we had previously announced in the second quarter of 2008. The restructuring included the closure of two manufacturing facilities located in the Utica, New York area totaling approximately 200,000 square feet with manufacturing transferred into either our Corporate headquarters location in Utica, New York or into a newly constructed leased manufacturing facility in Chihuahua, Mexico. In addition, manufacturing previously done by a contract manufacturing facility in Juarez, Mexico was transferred in-house to the Chihuahua facility. Finally, certain domestic distribution activities were centralized in a new leased consolidated distribution center in Atlanta, Georgia. We believe our restructuring will reduce our cost base by consolidating our Utica, New York operations into a single facility and expanding our lower cost Mexican operations, as well as improve service to our customers by shipping orders from more centralized distribution centers. The closure of the two manufacturing facilities, consolidation of distribution activities and the first phase of transitioning manufacturing operations was substantially complete as of December 31, 2009.

During 2010, we plan to enter into the second phase of our restructuring plan which contemplates transferring additional production lines from Utica, New York to our manufacturing facility in Chihuahua, Mexico. We expect to incur $2.5 million in costs associated with the second phase of our restructuring plan.

In conjunction with our restructuring plan, we considered FASB guidance which requires that long-lived assets be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. As a result of our restructuring, two manufacturing facilities located in the Utica, New York area were closed prior to the end of their previously estimated useful lives. We determined one facility did not have any value and therefore recorded a $0.5 million charge for the remaining net book value of the facility in the fourth quarter of 2009. We plan to sell or lease the second facility and have tested it for impairment under the guidance for long-lived assets to be held and used. We performed our impairment testing on the second facility by comparing future cash flows expected to be generated by this facility (undiscounted and without interest charges) against the carrying amount ($2.1 million as of December 31, 2009). Since future cash flows expected to be generated by the second facility exceed its carrying amount, we do not believe any impairment exists at this time. However, we cannot be certain an impairment charge will not be required in the future.

As of December 31, 2009, we have incurred $18.6 million (including $4.1 million and $14.5 million, in the years ended December 31, 2008 and 2009, respectively) in costs associated with our restructuring.

Approximately $14.3 million (including $2.5 million and $11.8 million in the years ended December 31, 2008 and 2009, respectively) of the total $18.6 million in restructuring costs have been charged to cost of goods sold. The $14.3 million charged to cost of goods sold includes $6.1 million in under utilization of production facilities (including $1.2 million and $4.9 million, in the years ended December 31, 2008 and 2009, respectively), $2.4 million in accelerated depreciation (including $0.3 million and $2.1 million, in the years ended December 31, 2008 and 2009, respectively), $2.1 million in severance related charges (including $0.1 million and $2.0 million, in the years ended December 31, 2008 and 2009, respectively), and $3.7 million in other charges (including $0.9 million and $2.8 million, in the years ended December 31, 2008 and 2009, respectively).

The remaining $4.3 million (including $1.6 million and $2.7 million, in the years ended December 31, 2008 and 2009, respectively) in restructuring costs have been recorded in other expense and primarily include severance, lease and other charges related to the consolidation of our distribution centers.

As the second phase of our restructuring plan progresses, we will incur additional charges, including employee termination and other exit costs. Based on the criteria contained within FASB guidance, no accrual for such costs has been made at this time.

We estimate the total costs of the second phase of our restructuring plan will approximate $2.5 million during 2010, including $1.3 million related to employee termination costs and $1.2 million in other restructuring related activities. We expect these restructuring costs will be charged to cost of goods sold. The second phase of the restructuring plan impacts Corporate manufacturing facilities which support multiple reporting segments. As a result, costs associated with the second phase of our restructuring plan will be reflected in the Corporate line within our business segment reporting.

Note 18 – Subsequent Events

We evaluated subsequent events through February 25, 2010, the date the financial statements have been issued.

Note 19 — Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 2008 and 2009 are as follows:

	Three Months Ended			
	March	June	September	December
2008				
Net sales	$190,773	$192,755	$ 179,409	$ 179,246
Gross profit	97,764	100,890	94,688	89,039
Net income	10,252	11,685	9,735	8,317
EPS:				
Basic	$.36	$.41	$ .34	$ .28
Diluted	.35	.40	.33	.28

	Three Months Ended			
	March	June	September	December
2009				
Net sales	$164,062	$164,569	$ 175,475	$ 190,633
Gross profit	76,352	77,312	87,636	96,032
Net income	4,485	1,409	1,288	4,955
EPS:				
Basic	$.15	$.05	$ .04	$ .17
Diluted	.15	.05	.04	.17

Unusual Items Included In Selected Quarterly Financial Data:

2008

First quarter

During the first quarter of 2008, we recorded a charge of $1.0 million to cost of goods sold related to the purchase accounting fair value adjustment for inventory acquired in connection with the purchase of our Italian distributor.

Second Quarter

There were no unusual items in the second quarter of 2008.

Third Quarter

During the third quarter of 2008, we recorded a charge of $0.7 million in other expense (income) related to the restructuring of certain of our operations – see Note 11 and Note 17.

Fourth Quarter

During the fourth quarter of 2008, we recorded a gain of $1.9 million on the early extinguishment of debt – see Note 5.

During the fourth quarter of 2008, we recorded a charge of $3.4 million related to the restructuring of certain of our operations; $2.5 million of the charge is recorded in cost of goods sold and $0.9 million is recorded in other expense (income) – see Note 11 and Note 17.

2009

First quarter

During the first quarter of 2009, we recorded a charge of $3.4 million related to the restructuring of certain of our operations; $2.9 million of the charge is recorded in cost of goods sold and $0.5 million is recorded in other expense (income)– see Note 11 and Note 17.

During the first quarter of 2009, we elected to freeze benefit accruals under the defined benefit pension plan for United States employees, effective May 14, 2009. As a result, we recorded a net pension gain in other expense

(income) of $1.9 million associated with the elimination of future benefit accruals under the pension plan – see Note 9 and Note 11.

During the first quarter of 2009, we repurchased and retired $9.9 million of the Notes for $7.8 million and recorded a gain on the early extinguishment of debt of $1.1 million net of the write-offs of $0.1 million in unamortized deferred financing costs and $1.0 million in unamortized debt discount – See Note 5.

Second Quarter

During the second quarter of 2009, we recorded a charge of $4.4 million related to the restructuring of certain of our operations; $3.7 million of the charge is recorded in cost of goods sold and $0.7 million is recorded in other expense (income) – see Note 11 and Note 17.

Third Quarter

During the third quarter of 2009, we recorded a charge of $3.3 million related to the restructuring of certain of our operations; $2.2 million of the charge is recorded in cost of goods sold and $1.1 million is recorded in other expense (income) – see Note 11 and Note 17.

During the third quarter of 2009, we recorded a charge of $6.0 million in other expense (income) related to the voluntary recall of certain model numbers of the PRO5 & PRO6 series battery handpieces and certain lots of the MC5057 Universal Cable used with certain of CONMED Linvatec's powered handpieces – see Note 11.

During the third quarter of 2009, we recorded a charge of $0.3 million in other expense (income) related to the consolidation of the administrative offices of CONMED Endoscopic Technologies – see Note 11.

Fourth Quarter

During the fourth quarter of 2009, we recorded a charge of $3.4 million related to the restructuring of certain of our operations; $3.0 million of the charge is recorded in cost of goods sold and $0.4 million is recorded in other expense (income) – see Note 11 and Note 17.

During the fourth quarter of 2009, we recorded a charge of $4.6 million related to the consolidation of the administrative offices and operations of CONMED Endoscopic Technologies; $0.8 million of the charge is recorded in cost of goods sold and $3.8 million is recorded in other expense (income)– see Note 11.

SCHEDULE II—Valuation and Qualifying Accounts
(in thousands)

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column C Additions Charged to Other Accounts	Column D Deductions	Column E Balance at End of Period
2009					
Allowance for bad debts	$ 1,370	$ 119	$ -	$ (314)	$ 1,175
Sales returns and allowance	2,974	647	-	(265)	3,356
Deferred tax asset valuation allowance	2,069	278	-	(1,289)	1,058
2008					
Allowance for bad debts	$ 787	$ 453	$ 285	$ (155)	$ 1,370
Sales returns and allowance	3,030	-	-	(56)	2,974
Deferred tax asset valuation allowance	4,209	-	-	(2,140)	2,069
2007					
Allowance for bad debts	$ 1,210	$ 346	$ -	$ (769)	$ 787
Sales returns and allowance	2,964	446	-	(380)	3,030
Deferred tax asset valuation allowance	6,892	805	-	(3,488)	4,209

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