File Reference: Proposed FSP APB 14-a Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)

Dear Mr. Golden:

CONMED Corporation is a $650 million manufacturer of surgical devices and patient monitoring products. We specialize in medical technology that facilitates minimally invasive surgical techniques enabling improved patient outcomes and quicker recovery times. Over the last 35 years the Company has grown as a result of internally developed products as well as through acquisition of complementary product lines and businesses. The acquisitions have been generally financed through internally generated cash or through various types of debt. In 2004 the Company issued $150 million of “Instrument C” convertible debt.

We appreciate the opportunity to comment on the proposed FSP 14-a. We respectfully disagree with the Board’s conclusion that the present accounting for convertible debt with the characteristics of Instrument C “can provide misleading information to investors” (paragraph B3). Further, we disagree with the proposal to apply the “new” accounting to currently outstanding convertible debt and suggest that if the proposal is adopted, it should only be applied on a prospective basis for new issuances.

Investors understand present accounting for Instrument C convertible debt

The present accounting for Instrument C convertible debt (described in EITF Issue 90-19) is thoroughly understood by investors. It is consistent with the cash flow of the stated bond interest rate and recognizes the effect on outstanding shares when the underlying equity value exceeds the stated conversion price. We are not aware of any investor group or organization who has expressed a concern that the present accounting is inadequate or not understandable.

An equity component to Instrument C convertible debt may never be realized

While we understand the theoretical merits of bifurcating the debt and equity components of Instrument C convertible debt, there is no economic certainty that the issuer of Instrument C convertible bonds will ever issue equity to the convertible bond holders.
Accounting recognition of most matters occurs when an event happens and it is measurable. Revenue recognition, goodwill impairment, accounting for contingencies and most other matters all follow this principal. In CONMED’s case, our convertible bonds require settlement of the principal amount in cash, with any excess value over the conversion price to be settled in stock. CONMED common stock is currently trading at approximately $29.00 per share while the conversion price applicable to the bonds is $38.19. If the Company never issues stock to settle the convertible bonds, the only value paid to the bond holders is the principal amount plus the stated interest.

Retroactive application presumes management had no other alternatives

Management makes investment and financing decisions based on the best information available at the time the decision is made. Retroactive application of the proposed FSP presumes that management had only one financing option at the time of issuance of the convertible bonds - a conventional bond with a fixed market rate of interest.

However, there are many other financing alternatives available to a management team, including variable rate interest products. If the proposed FSP had been in place at the time of the convertible debt issuance, management of companies affected may have chosen vastly different financing vehicles. Further, the underlying need for the financing may have been seen in a different light causing acquisitions, capital projects or other financing needs to have been put on hold or eliminated. Retroactive application locks the accounting into a financing scenario that may not have been chosen by management at the time of debt issuance.

The proposed FSP would negatively affect CONMED Corporation

The proposed FSP would cause CONMED to recognize an additional non-cash interest accretion charge of approximately $6.8 million annually causing variability in earnings when there has been no change in operations.

CONMED Corporation appreciates your continued review of this matter. We would be pleased to meet with you or answer any questions you may have.

Sincerely,

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