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

FORM 10-Q

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

For the quarterly period ended July 1, 2016

Commission File Number 1-16137

INTEGER HOLDINGS CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	**16-1531026**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

2595 Dallas Parkway
Suite 310
Frisco, Texas 75034
(Address of principal executive offices)

(716) 759-5600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the Company's common stock, $0.001 par value per share, as of August 3, 2016 was: 30,801,205 shares.

Integer Holdings Corporation
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As of and for the Quarterly Period Ended July 1, 2016

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS—Unaudited
(in thousands except share and per share data)

	As of	
	July 1, 2016	**January 1, 2016**
Assets		
Current assets:		
Cash and cash equivalents	$ 36,590	$ 82,478
Accounts receivable, net of allowance for doubtful accounts of $1.0 million in each period	192,121	207,342
Inventories	276,279	252,166
Refundable income taxes	6,545	11,730
Prepaid expenses and other current assets	22,358	20,888
Total current assets	533,893	574,604
Property, plant and equipment, net	383,229	379,492
Amortizing intangible assets, net	880,254	893,977
Indefinite-lived intangible assets	90,288	90,288
Goodwill	980,839	1,013,570
Deferred income taxes	2,699	3,587
Other assets	31,335	26,618
Total assets	$ 2,902,537	$ 2,982,136
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 29,000	$ 29,000
Accounts payable	99,135	84,362
Income taxes payable	2,347	3,221
Accrued expenses	86,800	97,257
Total current liabilities	217,282	213,840
Long-term debt	1,727,856	1,685,053
Deferred income taxes	220,440	221,804
Other long-term liabilities	13,486	10,814
Total liabilities	2,179,064	2,131,511
Stockholders' equity:		
Preferred stock, $0.001 par value, authorized 100,000,000 shares; no shares issued or outstanding	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 30,935,792 and 30,664,119 shares issued, respectively; 30,801,205 and 30,601,167 shares outstanding, respectively	31	31
Additional paid-in capital	630,077	620,470
Treasury stock, at cost, 134,587 and 62,952 shares, respectively	(5,880)	(3,100)
Retained earnings	89,696	231,854
Accumulated other comprehensive income	9,549	1,370
Total stockholders' equity	723,473	850,625
Total liabilities and stockholders' equity	$ 2,902,537	$ 2,982,136

The accompanying notes are an integral part of these condensed consolidated financial statements.

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)—Unaudited
(in thousands except per share data)

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Sales	$ 348,382	$ 174,890	$ 680,620	$ 336,210
Cost of sales	252,351	116,939	493,121	225,861
Gross profit	96,031	57,951	187,499	110,349
Operating expenses:				
Selling, general and administrative expenses	37,628	24,104	79,516	46,713
Research, development and engineering costs, net	13,640	13,063	30,946	25,608
Other operating expenses, net	15,494	7,750	36,634	15,605
Total operating expenses	66,762	44,917	147,096	87,926
Operating income	29,269	13,034	40,403	22,423
Interest expense, net	27,908	1,206	55,525	2,326
Other expense (income), net	674	(107)	(3,047)	(1,658)
Income (loss) before provision for income taxes	687	11,935	(12,075)	21,755
Provision for income taxes	1,457	2,652	1,355	4,464
Net income (loss)	$ (770)	$ 9,283	$ (13,430)	$ 17,291
Earnings (loss) per share:				
Basic	$ (0.03)	$ 0.36	$ (0.44)	$ 0.68
Diluted	$ (0.03)	$ 0.35	$ (0.44)	$ 0.66
Weighted average shares outstanding:				
Basic	30,767	25,473	30,743	25,369
Diluted	30,767	26,313	30,743	26,264
Comprehensive Income (Loss)				
Net income (loss)	$ (770)	$ 9,283	$ (13,430)	$ 17,291
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(9,701)	214	9,059	(1,611)
Net change in cash flow hedges, net of tax	(1,247)	(89)	(880)	(689)
Other comprehensive income (loss)	(10,948)	125	8,179	(2,300)
Comprehensive income (loss)	$ (11,718)	$ 9,408	$ (5,251)	$ 14,991

The accompanying notes are an integral part of these condensed consolidated financial statements.

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—Unaudited
(in thousands)

	Six Months Ended	
	July 1, 2016	**July 3, 2015**
Cash flows from operating activities:		
Net income (loss)	$ (13,430)	$ 17,291
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	45,048	18,194
Debt related amortization included in interest expense	3,581	387
Stock-based compensation	4,962	5,972
Other non-cash gains, net	(108)	(19)
Deferred income taxes	(3,776)	(1,916)
Changes in operating assets and liabilities:		
Accounts receivable	11,858	3,691
Inventories	(23,919)	(10,851)
Prepaid expenses and other current assets	(3,124)	(1,322)
Accounts payable	12,844	(848)
Accrued expenses	(3,865)	(7,239)
Income taxes	3,683	(846)
Net cash provided by operating activities	33,754	22,494
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(30,402)	(22,174)
Purchase of cost and equity method investments, net	(2,198)	(4,500)
Other investing activities	(682)	691
Net cash used in investing activities	(33,282)	(25,983)
Cash flows from financing activities:		
Principal payments of long-term debt	(16,500)	(5,000)
Proceeds from issuance of long-term debt	57,000	—
Issuance of common stock	610	5,056
Payment of debt issuance costs	(781)	—
Spin-off of cash and cash equivalents to Nuvectra Corporation	(76,256)	—
Purchase of non-controlling interests	(6,818)	—
Other financing activities	(3,983)	(571)
Net cash used in financing activities	(46,728)	(515)
Effect of foreign currency exchange rates on cash and cash equivalents	368	(482)
Net decrease in cash and cash equivalents	(45,888)	(4,486)
Cash and cash equivalents, beginning of period	82,478	76,824
Cash and cash equivalents, end of period	$ 36,590	$ 72,338

The accompanying notes are an integral part of these condensed consolidated financial statements.

INTEGER HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY—Unaudited
(in thousands)

	Common Stock		Additional Paid-In	Treasury Stock		Retained	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Earnings	Income	Equity
At January 1, 2016	30,664	$ 31	$ 620,470	(63)	$ (3,100)	$ 231,854	$ 1,370	$ 850,625
Stock-based compensation	—	—	4,962	—	—	—	—	4,962
Net shares issued (acquired) under stock incentive plans	272	—	(596)	(72)	(2,780)	—	—	(3,376)
Spin-off of Nuvectra Corporation	—	—	5,241	—	—	(128,728)	—	(123,487)
Net loss	—	—	—	—	—	(13,430)	—	(13,430)
Total other comprehensive income, net	—	—	—	—	—	—	8,179	8,179
At July 1, 2016	30,936	$ 31	$ 630,077	(135)	$ (5,880)	$ 89,696	$ 9,549	$ 723,473

The accompanying notes are an integral part of these condensed consolidated financial statements.

INTEGER HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information (Accounting Standards Codification ("ASC") 270, *Interim Reporting*) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all of the information necessary for a full presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of Integer Holdings Corporation and its subsidiaries (collectively "Integer" or the "Company") for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ materially from these estimates. The January 1, 2016 condensed consolidated balance sheet data was derived from the Company's audited consolidated financial statements but does not include all disclosures required by GAAP. For further information, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended January 1, 2016 . The Company utilizes a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31. The second quarter of 2016 and 2015 each contained 13 weeks, and ended on July 1, and July 3, respectively.

Effective June 30, 2016, the Company changed its name from Greatbatch, Inc. to Integer Holdings Corporation. The new name represents the union of the Greatbatch Medical, Lake Region Medical and Electrochem brands. Integer, as in whole or complete, signifies the Company's more comprehensive products and service offerings, and a new dimension in its combined capabilities.

Nature of Operations – On October 27, 2015, the Company acquired all of the outstanding common stock of Lake Region Medical Holdings, Inc. ("Lake Region Medical"). As a result, the Company now has three reportable segments: Greatbatch Medical, QiG Group ("QiG") and Lake Region Medical. On March 14, 2016, Integer completed the spin-off of a portion of its QiG segment through a tax-free distribution of all of the shares of its QiG Group, LLC subsidiary to the stockholders of Integer on a pro rata basis (the "Spin-off"). See Note 2 "Divestiture and Acquisition" for further description of these transactions. As a result of the Lake Region Medical acquisition and the Spin-off, the Company is in the process of re-evaluating its internal financial reporting structure, which may change its product line and segment reporting in the future. This process is expected to be finalized in 2016.

Greatbatch Medical designs and manufactures products where the Company either owns the intellectual property or has unique manufacturing and assembly expertise. These products include medical devices and components for the cardiac, neuromodulation, orthopedics, portable medical, vascular and energy markets among others.

The QiG segment focuses on the design and development of complete medical device systems and components. QiG seeks to assist customers in accelerating the velocity of innovation while delivering an optimized supply chain and critical cost efficiencies. The medical devices QiG designs and develops are full product solutions that utilize the medical technology expertise and capabilities residing within Greatbatch Medical and Lake Region Medical. See Note 2 "Divestiture and Acquisition" for further description of the Spin-off and how it impacted the Company's QiG segment.

Lake Region Medical has operated as a segment of Integer since it was acquired during the fourth quarter of 2015. This segment specializes in the design, development, and manufacturing of products across the medical component and device spectrum, primarily serving the cardio, vascular and advanced surgical markets. Lake Region Medical offers fully integrated outsourced manufacturing, regulatory and engineering services, contract manufacturing, finished device assembly services, original device development, and supply chain management to its customers.

The Company's customers include large multi-national original equipment manufacturers ("OEMs") and their affiliated subsidiaries.

2. DIVESTITURE AND ACQUISITION

Spin-off of Nuvectra Corporation

On March 14, 2016, Integer completed the spin-off of a portion of its QiG segment through a tax-free distribution of all of the shares of its QiG Group, LLC subsidiary to the stockholders of Integer on a pro rata basis. Immediately prior to completion of the Spin-off, QiG Group, LLC was converted into a corporation organized under the laws of Delaware and changed its name to Nuvectra Corporation ("Nuvectra"). On March 14, 2016, each of the Company's stockholders of record as of the close of business on March 7, 2016 (the "Record Date") received one share of Nuvectra common stock for every three shares of Integer common stock held as of the Record Date. Upon completion of the Spin-off, Nuvectra became an independent publicly traded company whose common stock is listed on the NASDAQ stock exchange under the symbol "NVTR."

The portion of the QiG segment spun-off consisted of QiG Group, LLC and its subsidiaries: (i) Algostim, LLC ("Algostim"), (ii) PelviStim LLC ("PelviStim"), and (iii) the Company's NeuroNexus Technologies ("NeuroNexus") subsidiary. The operations of Centro de Construcción de Cardioestimuladores del Uruguay ("CCC") and certain other existing QiG research and development capabilities were retained by Integer and not included as part of the Spin-off. As the Company continues to focus on the design and development of complete medical device systems and components, and more specifically on medical device systems and components in the neuromodulation market, the Spin-off was not considered a strategic shift that had a major effect on the Company's operations and financial results. Accordingly, the Spin-off is not presented as a discontinued operation in the Company's Condensed Consolidated Financial Statements. The results of Nuvectra are included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) through the date of the Spin-off.

In connection with the Spin-off, during the first quarter of 2016, the Company made a cash capital contribution of $75 million to Nuvectra and divested the following assets and liabilities (in thousands):

Assets divested		
Cash and cash equivalents	$	76,256
Other current assets		977
Property, plant and equipment, net		4,407
Amortizing intangible assets, net		1,931
Goodwill		40,830
Deferred income taxes		6,446
Total assets divested		130,847
Liabilities transferred		
Current liabilities		2,119
Net assets divested	$	128,728

For the first quarter of 2016, Nuvectra contributed a pre-tax loss of $5.2 million to the Company's results of operations. Nuvectra contributed a pre-tax loss of $6.2 million and $11.7 million , respectively, to the Company's results of operations for the three and six month periods ended July 3, 2015.

In connection with the Spin-off, on March 14, 2016, Integer entered into several agreements with Nuvectra that govern its post Spin-off relationship with Nuvectra, including a Separation and Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement and Transition Services Agreement. The Transition Services Agreement contains customary mutual indemnification provisions. Amounts earned by Integer under the Transition Services Agreement were immaterial for the six month period ended July 1, 2016. Accounts Receivable, Net within the Condensed Consolidated Balance Sheet at July 1, 2016 includes $4.6 million due from Nuvectra for payments made by the Company on Nuvectra's behalf.

Acquisition of Lake Region Medical Holdings, Inc.

On October 27, 2015, the Company acquired all of the outstanding common stock of Lake Region Medical Holdings, Inc. for a total purchase price, including debt assumed, of approximately $1.77 billion . Lake Region Medical specializes in the design, development, and manufacturing of products across the medical component and device spectrum primarily serving the cardio, vascular and advanced surgical markets.

2. DIVESTITURE AND ACQUISITION (Continued)

The aggregate consideration paid to the stockholders and equity award holders of Lake Region Medical consisted of the following (in thousands):

Cash	$	478,490
Fair value of Integer common stock		245,368
Replacement stock options attributable to pre-acquisition service		4,508
Total purchase consideration	$	728,366

The fair value of the Integer common stock issued as part of the consideration was determined based upon the closing stock price of Integer's shares as of the acquisition date. The fair value of the Integer stock options issued as part of the consideration was determined utilizing a Black-Scholes option pricing model as of the acquisition date. Concurrent with the closing of the acquisition, the Company repaid all of the outstanding debt of Lake Region Medical of approximately $1.0 billion . The cash portion of the purchase price and the repayment of Lake Region Medical's debt was primarily funded through a new senior secured credit facility and the issuance of senior notes. See Note 6 "Debt" for additional information regarding the Company's debt. The Company believes that the combination of Greatbatch and Lake Region Medical brings together two highly complementary organizations that can provide a new level of industry leading capabilities and services to OEM customers while building value for stockholders. Through this acquisition, the Company believes that it will be at the forefront of innovating technologies and products that help change the face of healthcare, providing its customers with a distinct advantage as they bring complete systems and solutions to market. In turn, Integer's customers will be able to accelerate patient access to life enhancing therapies. The transaction is consistent with Integer's strategy of achieving profitable growth and continuous improvement to drive margin expansion.

This transaction was accounted for under the acquisition method of accounting. Accordingly, the cost of the acquisition was allocated to the Lake Region Medical assets acquired and liabilities assumed based on their fair values as of the closing date of the acquisition, with the amount exceeding the fair value of the net assets acquired recorded as goodwill. The value assigned to certain assets and liabilities are preliminary and are subject to revision as more detailed analysis is completed and additional information about the fair value of assets acquired and liabilities assumed become available. The final allocation may include changes to the acquisition date fair value of goodwill, deferred taxes, as well as operating assets and liabilities, some of which may result in material adjustments. Measurement-period adjustments made during the first six months of 2016 were primarily to goodwill ($3.9 million) and deferred tax liabilities ($2.6 million), and did not impact the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The following table summarizes the preliminary allocation of the Lake Region Medical purchase price to the assets acquired and liabilities assumed (in thousands):

Assets acquired		
Current assets	$	269,815
Property, plant and equipment		216,473
Amortizing intangible assets		849,000
Indefinite-lived intangible assets		70,000
Goodwill		665,720
Other non-current assets		1,629
Total assets acquired		2,072,637
Liabilities assumed		
Current liabilities		103,836
Debt assumed		1,044,675
Other long-term liabilities		195,760
Total liabilities assumed		1,344,271
Net assets acquired	$	728,366

2. DIVESTITURE AND ACQUISITION (Continued)

The preliminary fair values of the assets acquired were determined using one of three valuation approaches: market, income or cost. The selection of a particular method for a given asset depended on the reliability of available data and the nature of the asset, among other considerations.

The market approach estimates the value for a subject asset based on available market pricing for comparable assets. The income approach estimates the value for a subject asset based on the present value of cash flows projected to be generated by the asset. The projected cash flows were discounted at a required rate of return that reflects the relative risk of the asset and the time value of money. The projected cash flows for each asset considered multiple factors from the perspective of a marketplace participant including revenue projections from existing customers, attrition trends, technology life-cycle assumptions, marginal tax rates and expected profit margins giving consideration to historical and expected margins. The cost approach estimates the value for a subject asset based on the cost to replace the asset and reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation or obsolescence, with specific consideration given to economic obsolescence if indicated. These fair value measurement approaches are based on significant unobservable inputs, including management estimates and assumptions.

Current Assets and Liabilities – The fair value of current assets and liabilities, excluding inventory, was assumed to approximate their carrying value as of the acquisition date due to the short-term nature of these assets and liabilities.

The fair value of in-process and finished goods inventory acquired was estimated by applying a version of the market approach called the comparable sales method. This approach estimates the fair value of the assets by calculating the potential revenue generated from selling the inventory and subtracting from it the costs related to the completion and sale of that inventory and a reasonable profit allowance. Based upon this methodology, the Company recorded the inventory acquired at fair value resulting in an increase in inventory of $23.0 million . This step-up in the fair value of inventory was amortized as the inventory to which the step-up relates was sold and was fully amortized as of January 1, 2016.

Property, Plant and Equipment – The fair value of PP&E acquired was estimated by applying the cost approach for personal property, buildings and building improvements and the market approach for land. The cost approach was applied by developing a replacement cost and adjusting for depreciation and obsolescence. The value of the land acquired was derived from market prices for comparable properties.

Intangible Assets – The purchase price was allocated to intangible assets as follows (dollars in thousands):

Amortizing Intangible Assets	Fair Value Assigned	Weighted Average Amortization Period (Years)	Estimated Useful Life (Years)	Weighted Average Discount Rate
Technology	$ 160,000	7	19	11.5%
Customer lists	689,000	14	29	11.5%
	$ 849,000	13	27	11.5%
Indefinite-lived Intangible Assets				
Trademarks and tradenames	$ 70,000	N/A	N/A	11.5%

The weighted average amortization period is less than the estimated useful life, as the Company is using an accelerated amortization method, which approximates the distribution of cash flows used to fair value those intangible assets.

Technology – Technology consists of technical processes, patented and unpatented technology, manufacturing know-how, trade secrets and the understanding with respect to products or processes that have been developed by Lake Region Medical and that will be leveraged in current and future products. The fair value of technology acquired was determined utilizing the relief from royalty method, a form of the income approach, with a royalty rate that ranged from 0.5% to 7% . The estimated useful life of the technology is based upon management’s estimate of the product life cycle associated with the technology before it will be replaced by new technologies.

2. DIVESTITURE AND ACQUISITION (Continued)

Customer Lists – Customer lists represent the estimated fair value of non-contractual customer relationships Lake Region Medical had as of the acquisition date. The primary customers of Lake Region Medical include large OEMs in various geographic locations around the world. These relationships were valued separately from goodwill at the amount that an independent third party would be willing to pay for these relationships. The fair value of customer lists was determined using the multi-period excess-earnings method, a form of the income approach. The estimated useful life of the existing customer base was based upon the historical customer annual attrition rate of 5% , as well as management's understanding of the industry and product life cycles.

Trademarks and Tradenames – Trademarks and tradenames represent the estimated fair value of Lake Region Medical's corporate and product names. These tradenames were valued separately from goodwill at the amount that an independent third party would be willing to pay for use of these names. The fair value of the trademarks and tradenames was determined by utilizing the relief from royalty method, a form of the income approach, with a royalty rate that ranged from 0.25% to 1% . Trademarks and tradenames were assumed to have an indefinite useful life based upon the significant value the Lake Region Medical name has with OEMs in the medical component and device industries, their long history of being an industry leader and producing quality and innovative components, and given management's current intention of using this tradename indefinitely, which was assumed to be consistent with what a reasonable market participant would also assume.

Goodwill – The excess of the purchase price over the fair value of net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill. Various factors contributed to the establishment of goodwill, including the value of Lake Region Medical's highly trained assembled work force and management team, the incremental value resulting from Lake Region Medical's capabilities and services to OEMs, enhanced synergies, and the expected revenue growth over time that is attributable to increased market penetration from future products and customers. The goodwill acquired in connection with the acquisition was allocated to the Lake Region Medical segment and is not deductible for tax purposes.

Long-term Debt – The fair value of long-term debt was assumed to be equal to what was paid by Integer at the time of closing of the acquisition in order to retire the debt, including prepayment penalties and fees.

Statements of Operations and Comprehensive Income (Loss)

The operating results of Lake Region Medical have been included in the Company's Lake Region Medical segment from the date of acquisition. For the six months ended July 1, 2016, Lake Region Medical added $ 403.2 million to the Company's revenue and decreased the Company's net loss by approximately $ 16.5 million .

Unaudited Pro Forma Financial Information

The following unaudited pro forma information presents the consolidated results of operations of the Company and Lake Region Medical as if that acquisition occurred as of the beginning of fiscal year 2014 (in thousands, except per share amounts):

	Three Months Ended	Six Months Ended
	July 3, 2015	July 3, 2015
Sales	$ 377,934	$ 736,351
Net income	4,709	5,675
Earnings per share:		
Basic	$ 0.15	$ 0.18
Diluted	$ 0.15	$ 0.18

2. DIVESTITURE AND ACQUISITION (Continued)

The unaudited pro forma financial information presents the combined operating results of Integer and Lake Region Medical with the results prior to the acquisition date adjusted to include the pro forma impact of the amortization of acquired intangible assets, the adjustment to interest expense reflecting the amount borrowed in connection with the acquisition at Integer's interest rates, and the impact of income taxes on the pro forma adjustments utilizing the applicable statutory tax rate. The unaudited pro forma consolidated basic and diluted earnings per share calculations are based on the consolidated basic and diluted weighted average shares of Integer outstanding for the respective period plus an adjustment for the additional shares and stock options issued in connection with the Lake Region Medical acquisition as discussed above. The unaudited pro forma financial information is presented for illustrative purposes only and does not reflect the realization of potential cost savings, and any related integration costs. Costs savings may result from the acquisition; however, there can be no assurance that these cost savings will be achieved. These pro forma results do not purport to be indicative of the results that would have been obtained by the combined company, or to be a projection of results that may be obtained in the future by the combined company.

3. SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended	
(in thousands)	July 1, 2016	July 3, 2015
Noncash investing and financing activities:		
Common stock contributed to 401(k) Plan	$ —	$ 3,920
Property, plant and equipment purchases included in accounts payable	9,696	1,446
Purchase of technology included in accrued expenses	1,000	—
Divestiture of noncash assets	54,591	—
Divestiture of liabilities	2,119	—

4. INVENTORIES

Inventories are comprised of the following (in thousands):

	As of	
	July 1, 2016	January 1, 2016
Raw materials	$ 114,454	$ 107,296
Work-in-process	103,747	93,729
Finished goods	58,078	51,141
Total	$ 276,279	$ 252,166

INTEGER HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—Unaudited

5. INTANGIBLE ASSETS

Amortizing intangible assets are comprised of the following (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation	Net Carrying Amount
At July 1, 2016				
Purchased technology and patents	$ 256,719	$ (92,017)	$ 2,397	$ 167,099
Customer lists	759,987	(50,389)	3,264	712,862
Other	4,534	(5,044)	803	293
Total amortizing intangible assets	$ 1,021,240	$ (147,450)	$ 6,464	$ 880,254
At January 1, 2016				
Purchased technology and patents	$ 255,776	$ (83,708)	$ 1,444	$ 173,512
Customer lists	761,857	(40,815)	(986)	720,056
Other	4,534	(4,946)	821	409
Total amortizing intangible assets	$ 1,022,167	$ (129,469)	$ 1,279	$ 893,977

During the first quarter of 2016, the Company made an asset purchase of technology totaling $2.0 million , which is being amortized over a weighted average period of approximately 15 years.

Aggregate intangible asset amortization expense is comprised of the following (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Cost of sales	$ 4,240	$ 1,445	$ 8,480	$ 2,916
Selling, general and administrative expenses	5,123	1,830	10,259	3,643
Research, development and engineering costs, net	151	103	239	206
Total intangible asset amortization expense	$ 9,514	$ 3,378	$ 18,978	$ 6,765

Estimated future intangible asset amortization expense based on the carrying value as of July 1, 2016 is as follows (in thousands):

	Estimated Amortization Expense
Remainder of 2016	$ 18,934
2017	44,050
2018	44,962
2019	45,044
2020	45,642
Thereafter	681,622
Total estimated amortization expense	$ 880,254

Indefinite-lived intangible assets are comprised of the following (in thousands):

	Trademarks and Tradenames
At January 1, 2016	$ 90,288
At July 1, 2016	$ 90,288

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5. INTANGIBLE ASSETS (Continued)

The change in goodwill is as follows (in thousands):

	Greatbatch Medical	QiG	Lake Region Medical	Total
At January 1, 2016	$ 303,929	$ 50,096	$ 659,545	$ 1,013,570
Goodwill divested (Note 2)	—	(40,830)	—	(40,830)
Purchase accounting adjustment (Note 2)	—	—	3,932	3,932
Foreign currency translation	91	—	4,076	4,167
At July 1, 2016	$ 304,020	$ 9,266	$ 667,553	$ 980,839

6. DEBT

Long-term debt is comprised of the following (in thousands):

	As of	
	July 1, 2016	January 1, 2016
Senior secured term loan A	$ 365,625	$ 375,000
Senior secured term loan B	1,019,875	1,025,000
9.125% senior notes due 2023	360,000	360,000
Revolving line of credit	55,000	—
Less unamortized discount on term loan B and debt issuance costs	(43,644)	(45,947)
Total debt	1,756,856	1,714,053
Less current portion of long-term debt	29,000	29,000
Total long-term debt	$ 1,727,856	$ 1,685,053

Senior Secured Credit Facilities - In connection with the Lake Region Medical acquisition, on October 27, 2015, the Company replaced its existing credit facility with new senior secured credit facilities (the "Senior Secured Credit Facilities") consisting of (i) a $200 million revolving credit facility (the "Revolving Credit Facility"), (ii) a $375 million term loan A facility (the "TLA Facility"), and (iii) a $1,025 million term loan B facility (the "TLB Facility"). The TLA Facility and TLB Facility are collectively referred to as the "Term Loan Facilities." The TLB facility was issued at a 1% discount.

Term Loan Facilities

The TLA Facility and TLB Facility mature on October 27, 2021 and October 27, 2022 , respectively. Interest rates on the TLA Facility, as well as the Revolving Credit Facility, are at the Company's option, either at: (i) the prime rate plus the applicable margin, which will range between 0.75% and 2.25% , based on the Company's Total Net Leverage Ratio, as defined in the Senior Secured Credit Facilities agreement or (ii) the applicable LIBOR rate plus the applicable margin, which will range between 1.75% and 3.25% , based on the Company's Total Net Leverage Ratio. Interest rates on the TLB Facility are, at the Company's option, either at: (i) the prime rate plus 3.25% or (ii) the applicable LIBOR rate plus 4.25% , with LIBOR subject to a 1.00% floor.

Subject to certain conditions, one or more incremental term loan facilities may be added to the Term Loan Facilities so long as, on a pro forma basis, the Company's first lien net leverage ratio does not exceed 4.25 :1.00.

As of July 1, 2016 , the estimated fair value of the TLB Facility was approximately $1,011 million , based on quoted market prices for the debt, recent sales prices for the debt and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and is classified as Level 2 measurements within the fair value hierarchy. The par amount of the TLA Facility approximated its fair value as of July 1, 2016 based upon the debt being variable rate in nature.

6. DEBT (Continued)

Revolving Credit Facility

The Revolving Credit Facility matures on October 27, 2020 . The Revolving Credit Facility also includes a $15 million sublimit for swingline loans and a $25 million sublimit for standby letters of credit. The Company is required to pay a commitment fee on the unused portion of the Revolving Credit Facility, which will range between 0.175% and 0.25% , depending on the Company's Total Net Leverage Ratio. As of July 1, 2016 , the Company had $55 million of outstanding borrowings on the Revolving Credit Facility and an available borrowing capacity of $134.1 million after giving effect to $10.9 million of outstanding standby letters of credit.

Subject to certain conditions, commitments under the Revolving Credit Facility may be increased through an incremental revolving facility so long as, on a pro forma basis, the Company's first lien net leverage ratio does not exceed 4.25 :1.00.

Covenants

The Revolving Credit Facility and TLA Facility contain covenants requiring (A) a maximum Total Net Leverage Ratio of 6.50 :1.00, subject to step downs beginning in the fourth quarter of 2016 and (B) a minimum interest coverage ratio of adjusted EBITDA (as defined in the Senior Secured Credit Facilities) to interest expense of not less than 3.00 :1.00. The TLB Facility does not contain any financial maintenance covenants.

The Senior Secured Credit Facilities also contain negative covenants that restrict the Company's ability to (i) incur additional indebtedness; (ii) create certain liens; (iii) consolidate or merge; (iv) sell assets, including capital stock of the Company's subsidiaries; (v) engage in transactions with the Company's affiliates; (vi) create restrictions on the payment of dividends or other amounts to Greatbatch Ltd. from the Company's restricted subsidiaries; (vii) pay dividends on capital stock or redeem, repurchase or retire capital stock; (viii) pay, prepay, repurchase or retire certain subordinated indebtedness; (ix) make investments, loans, advances and acquisitions; (x) make certain amendments or modifications to the organizational documents of the Company or its subsidiaries or the documentation governing other senior indebtedness of the Company; and (xi) change the Company's type of business. These negative covenants are subject to a number of limitations and exceptions that are described in the Senior Secured Credit Facilities agreement. As of July 1, 2016 , the Company was in compliance with all financial and negative covenants under the Senior Secured Credit Facilities.

The Senior Secured Credit Facilities provide for customary events of default. Upon the occurrence and during the continuance of an event of default, the outstanding advances and all other obligations under the Senior Secured Credit Facilities become immediately due and payable. The Senior Secured Credit Facilities are guaranteed by Integer Holdings Corporation, as a parent guarantor, and all of the Company's present and future direct and indirect wholly-owned domestic subsidiaries (other than Greatbatch Ltd. (which is the borrower under the Senior Secured Credit Facilities), non-wholly owned joint ventures, and certain other excluded subsidiaries). The Senior Secured Credit Facilities are secured, subject to certain exceptions, by a first priority security interest in; i) the present and future shares of capital stock of (or other ownership or profit interests in) Greatbatch Ltd. and each guarantor (except Integer Holdings Corporation); ii) sixty-six percent (66%) of all present and future shares of voting capital stock of each specified first-tier foreign subsidiary; iii) substantially all of the Company's, Greatbatch Ltd.'s and each other guarantor's other personal property; and iv) all proceeds and products of the property and assets of the Company, Greatbatch Ltd. and the other guarantors.

9.125% Senior Notes due 2023 - On October 27, 2015, the Company completed a private offering of $360 million aggregate principal amount of 9.125% senior notes due on November 1, 2023 (the "Senior Notes").

Interest on the Senior Notes is payable on May 1 and November 1 of each year, beginning on May 1, 2016. The Company may redeem the Senior Notes, in whole or in part, prior to November 1, 2018 at a price equal to 100% of the principal amount thereof plus a "make-whole" premium. Prior to November 1, 2018, the Company may redeem up to 40% of the aggregate principal amount of the Senior Notes using the proceeds from certain equity offerings at a redemption price equal to 109.125% of the aggregate principal amount of the Senior Notes. As of July 1, 2016 , the estimated fair value of the Senior Notes was approximately $365 million , based on quoted market prices of these Senior Notes, recent sales prices for the Senior Notes and consideration of comparable debt instruments with similar interest rates and trading frequency, among other factors, and is classified as Level 2 measurements within the fair value hierarchy.

6. DEBT (Continued)

The Senior Notes are senior unsecured obligations of the Company. The indenture for the Senior Notes contains restrictive covenants that, among other things, limit the ability of the Company to: (i) incur or guarantee additional indebtedness or issue certain disqualified stock or preferred stock; (ii) create certain liens; (iii) pay dividends or make distributions in respect of capital stock; (iv) make certain other restricted payments; (v) enter into agreements that restrict certain dividends or other payments; (vi) enter into sale-leaseback agreements; (vii) engage in certain transactions with affiliates; and (viii) consolidate or merge with, or sell substantially all of their assets to, another person. These covenants are subject to a number of limitations and exceptions that are described in the indenture for the Senior Notes. The indenture for the Senior Notes provides for customary events of default, subject in certain cases to customary cure periods, in which the Senior Notes and any unpaid interest would become due and payable. As of July 1, 2016 , the Company was in compliance with all restrictive covenants under the Senior Notes.

As of July 1, 2016 , the weighted average interest rate on all outstanding borrowings is 5.67% .

Contractual maturities under the Senior Secured Credit Facilities and Senior Notes for the remainder of 2016 and the five years and thereafter, excluding any discounts or premiums, as of July 1, 2016 are as follows (in thousands):

Remaining in 2016	$	14,500
2017		31,344
2018		40,719
2019		47,750
2020		102,750
Thereafter		1,563,437
Total	$	1,800,500

Interest Rate Swaps – From time to time, the Company enters into interest rate swap agreements in order to hedge against potential changes in cash flows on its outstanding variable rate debt. On June 20, 2016, the Company entered into a three -year $200 million interest rate swap with an effective date of June 27, 2017. The Company entered into the swap to hedge against potential changes in cash flows on the outstanding TLA Facility borrowings, which are indexed to the one-month LIBOR rate. The variable rate received on the interest rate swap and the variable rate paid on the TLA Facility will have the same rate of interest, excluding the credit spread, and will reset and pay interest on the same date. The swap is being accounted for as a cash flow hedge.

During 2012, the Company entered into a three -year $150 million interest rate swap, which amortized $50 million per year. During 2014, the Company entered into an additional interest rate swap. The first $45 million of notional amount of the swap was effective February 20, 2015 and the second $45 million of notional amount was scheduled to be effective February 22, 2016. These swaps were accounted for as cash flow hedges. As a result of the Lake Region Medical acquisition, the forecasted cash flows that the Company's interest rate swaps were hedging were no longer expected to occur. During the fourth quarter of 2015, the Company terminated these interest rate swap agreements.

Information regarding the Company's outstanding interest rate swap as of July 1, 2016 is as follows (dollars in thousands):

Instrument	Type of Hedge	Notional Amount	Start Date	End Date	Pay Fixed Rate	Receive Current Floating Rate	Fair Value July 1, 2016	Balance Sheet Location
Interest Rate Swap	Cash Flow	$ 200,000	Jun-17	Jun-20	1.1325%	N/A	$ (1,819)	Other Long-Term Liabilities

The estimated fair value of the interest rate swap agreement represents the amount the Company expects to receive (pay) to terminate the contract. No portion of the change in fair value of the Company's interest rate swaps during the six months ended July 1, 2016 and July 3, 2015 was considered ineffective. The amount recorded as Interest Expense during the six months ended July 3, 2015 related to the Company's interest rate swaps was $0.5 million .

6. DEBT (Continued)

Debt Issuance Costs and Discounts – The change in deferred debt issuance costs related to the Company' Revolving Credit Facility is as follows (in thousands):

At January 1, 2016	$	4,791
Amortization during the period		(496)
At July 1, 2016	$	4,295

The change in unamortized discount and debt issuance costs related to the Term Loan Facilities and Senior Notes is as follows (in thousands):

	Debt Issuance Costs	Unamortized Discount on TLB Facility	Total
At January 1, 2016	$ 35,908	$ 10,039	$ 45,947
Financing costs incurred	781	—	781
Amortization during the period	(2,435)	(649)	(3,084)
At July 1, 2016	$ 34,254	$ 9,390	$ 43,644

7. BENEFIT PLANS

The Company is required to provide its employees located in Switzerland, Mexico, France, and Germany certain statutorily mandated defined benefits. Under these plans, benefits accrue to employees based upon years of service, position, age and compensation. The defined benefit pension plan provided to the Company's employees located in Switzerland is a funded contributory plan, while the plans that provide benefits to the Company's employees located in Mexico, France, and Germany are unfunded and noncontributory. The liability and corresponding expense related to these benefit plans is based on actuarial computations of current and future benefits for employees.

The change in net defined benefit plan liability is as follows (in thousands):

At January 1, 2016	$	7,121
Net defined benefit cost		390
Benefit payments		(70)
Foreign currency translation		116
At July 1, 2016	$	7,557

Net defined benefit cost is comprised of the following (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Service cost	$ 110	$ 78	$ 218	$ 157
Interest cost	45	15	88	30
Amortization of net loss	47	12	93	26
Expected return on plan assets	(4)	(3)	(9)	(6)
Net defined benefit cost	$ 198	$ 102	$ 390	$ 207

8. STOCK-BASED COMPENSATION

At the 2016 Annual Meeting of Stockholders held on May 24, 2016, the Company's stockholders approved the Company's 2016 Stock Incentive Plan (the "2016 Plan"). The 2016 Plan provides for the granting of stock options, shares of restricted stock, restricted stock units, stock appreciation rights and stock bonuses to employees, non-employee directors, consultants, and service providers. The 2016 Plan supplements the Company's existing 2009 and 2011 Stock Incentive Plans, as amended.

In connection with the Spin-off, under the provisions of the Company's stock incentive plans, employee stock option, restricted stock awards, and restricted stock unit awards were adjusted to preserve the fair value of the awards immediately before and after the Spin-off. As such, the Company did not record any modification expense related to the conversion of the awards. Certain awards granted to employees who transferred to Nuvectra in connection with the Spin-off were canceled. As required, the Company accelerated the remaining expense related to these canceled awards of $0.5 million during the first quarter of 2016, which was classified as Other Operating Expenses, Net. The stock awards held as of March 14, 2016 were modified as follows:

- Stock options : Holders of Integer stock option awards continued to hold stock options to purchase the same number of shares of Integer common stock at an adjusted exercise price and one new Nuvectra stock option for every three Integer stock options held as of the Record Date, which, in the aggregate, preserved the fair value of the overall awards granted. The adjusted exercise price for Integer stock options was equal to approximately 93% of the original exercise price. The stock option awards will continue to vest over their original vesting period.
- Restricted stock and restricted stock units : Holders of Integer restricted stock and restricted stock unit awards received one new share of Nuvectra restricted stock and restricted stock unit awards for every three Integer restricted stock and restricted stock unit awards held as of the Record Date. Integer restricted stock and restricted stock unit awards will continue to vest in accordance with their original performance metrics and over their original vesting period.

The components and classification of stock-based compensation expense were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Stock options	$ 585	$ 663	$ 1,194	$ 1,282
Restricted stock and restricted stock units	1,542	1,746	3,768	3,380
401(k) Plan stock contribution	—	1,310	—	1,310
Total stock-based compensation expense	$ 2,127	$ 3,719	$ 4,962	$ 5,972
Cost of sales	$ 150	$ 1,094	$ 347	$ 1,354
Selling, general and administrative expenses	1,528	2,148	3,183	3,909
Research, development and engineering costs, net	116	477	293	709
Other operating expenses, net	333	—	1,139	—
Total stock-based compensation expense	$ 2,127	$ 3,719	$ 4,962	$ 5,972

The weighted average fair value and assumptions used to value options granted are as follows:

	Six Months Ended	
	July 1, 2016	July 3, 2015
Weighted average fair value	$ 9.41	$ 12.18
Risk-free interest rate	1.58%	1.55%
Expected volatility	26%	26%
Expected life (in years)	5	5
Expected dividend yield	—%	—%

8. STOCK-BASED COMPENSATION (Continued)

The following table summarizes the Company's stock option activity:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value (In Millions)
Outstanding at January 1, 2016	1,678,900	$ 28.32		
Granted	235,856	50.69		
Exercised	(27,540)	22.13		
Forfeited or expired	(37,708)	45.04		
Adjustment due to Spin-off	—	(2.02)		
Outstanding at July 1, 2016	1,849,508	$ 28.91	6.1	$ 14.3
Exercisable at July 1, 2016	1,443,941	$ 23.91	5.3	$ 14.3

The following table summarizes time-vested restricted stock and restricted stock unit activity:

	Time-Vested Activity	Weighted Average Fair Value
Nonvested at January 1, 2016	39,235	$ 47.40
Granted	46,474	51.48
Vested	(11,422)	51.21
Forfeited	(8,165)	48.92
Nonvested at July 1, 2016	66,122	$ 49.42

The following table summarizes performance-vested restricted stock unit activity:

	Performance-Vested Activity	Weighted Average Fair Value
Nonvested at January 1, 2016	577,825	$ 25.11
Granted	156,730	31.59
Vested	(249,153)	15.86
Forfeited	(68,237)	32.33
Nonvested at July 1, 2016	417,165	$ 31.87

9. OTHER OPERATING EXPENSES, NET

Other Operating Expenses, Net is comprised of the following (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
2014 investments in capacity and capabilities	$ 5,126	$ 6,051	$ 9,279	$ 12,738
Orthopedic facilities optimization	162	518	299	991
Legacy Lake Region Medical consolidations	2,088	—	4,447	—
Acquisition and integration costs	7,859	98	17,824	164
Asset dispositions, severance and other	259	1,083	4,785	1,712
	$ 15,494	$ 7,750	$ 36,634	$ 15,605

2014 investments in capacity and capabilities. In 2014, the Company announced several initiatives to invest in capacity and capabilities and to better align its resources to meet its customers' needs and drive organic growth and profitability. These included the following:

- Functions performed at the Company's facility in Plymouth, MN to manufacture catheters and introducers will transfer into the Company's existing facility in Tijuana, Mexico. This initiative will be substantially completed in the second half of 2016 and is dependent upon our customers' validation and qualification of the transferred products.
- Functions performed at the Company's facilities in Beaverton, OR and Raynham, MA to manufacture products for the portable medical market were transferred to a new facility in Tijuana, Mexico. Products manufactured at the Beaverton facility, which do not serve the portable medical market, were transferred to the Company's Raynham facility. This initiative was substantially completed during the first quarter of 2016.
- The design engineering responsibilities previously performed at the Company's Cleveland, OH facility were transferred to the Company's facilities in Minnesota in 2015.
- The realignment of the Company's commercial sales operations was completed in 2015.

The total capital investment expected for these initiatives is between $ 25.0 million and $ 28.0 million , of which $22.9 million has been expended through July 1, 2016 . Total restructuring charges expected to be incurred in connection with this realignment are between $ 42.0 million and $ 48.0 million , of which $ 41.2 million has been incurred through July 1, 2016 . Expenses related to this initiative are recorded within the applicable segment and corporate cost centers that the expenditures relate to and include the following:

- Severance and retention: $ 6.0 million - $ 7.0 million ;
- Accelerated depreciation and asset write-offs: $ 2.0 million - $3.0 million ; and
- Other: $ 34.0 million - $ 38.0 million

Other expenses primarily consist of costs to relocate certain equipment and personnel, duplicate personnel costs, excess overhead, disposal, and travel expenditures. All expenses are cash expenditures except accelerated depreciation and asset write-offs. The change in accrued liabilities related to the 2014 investments in capacity and capabilities is as follows (in thousands):

	Severance and Retention	Accelerated Depreciation/Asset Write-offs	Other	Total
At January 1, 2016	$ 1,429	$ —	$ 1,595	$ 3,024
Restructuring charges	—	1,581	7,698	9,279
Write-offs	—	(1,581)	—	(1,581)
Cash payments	(1,235)	—	(7,386)	(8,621)
At July 1, 2016	$ 194	$ —	$ 1,907	$ 2,101

9. OTHER OPERATING EXPENSES, NET (Continued)

Orthopedic facilities optimization. In 2010, the Company began updating its Indianapolis, IN facility to streamline operations, consolidate two buildings, increase capacity, further expand capabilities, and reduce dependence on outside suppliers. This initiative was completed in 2011.

In 2011, the Company began construction of an orthopedic manufacturing facility in Fort Wayne, IN and transferred manufacturing operations being performed at its Columbia City, IN location into this new facility. This initiative was completed in 2012.

In 2012, the Company transferred manufacturing and development operations performed at its facilities in Orvin and Corgemont, Switzerland into existing facilities in Fort Wayne, IN and Tijuana, Mexico. This initiative was completed in 2013.

During 2013, the Company began a project to expand its Chaumont, France facility in order to enhance its capabilities and fulfill larger volume customer supply agreements. This initiative is expected to be completed over the next year.

The total capital investment expected to be incurred for these initiatives is between $30.0 million and $35.0 million , of which $29.7 million has been expended through July 1, 2016 . Total expense expected to be incurred for these initiatives is between $45.0 million and $48.0 million , of which $44.2 million has been incurred through July 1, 2016 . All expenses have been and will be recorded within the Greatbatch Medical segment and are expected to include the following:

- Severance and retention: approximately $11.0 million ;
- Accelerated depreciation and asset write-offs: approximately $13.0 million ; and
- Other: $21.0 million – $24.0 million

Other expenses include production inefficiencies, moving, revalidation, personnel, training, consulting, and travel costs associated with these consolidation projects. All expenses are cash expenditures except accelerated depreciation and asset write-offs.

The change in accrued liabilities related to the orthopedic facilities optimization is as follows (in thousands):

	Severance and Retention	Accelerated Depreciation/Asset Write-offs	Other	Total
At January 1, 2016	$ —	$ —	$ —	$ —
Restructuring charges	—	—	299	299
Cash payments	—	—	(299)	(299)
At July 1, 2016	$ —	$ —	$ —	$ —

Legacy Lake Region Medical consolidations. In 2014, Lake Region Medical initiated plans to close its Arvada, CO site, consolidate its two Galway, Ireland sites into one facility, and other restructuring actions that will result in a reduction in staff across manufacturing and administrative functions at certain locations. This initiative is expected to be substantially completed by the end of 2016. The total capital investment expected for this initiative since the acquisition date is between $3.0 million and $4.0 million , of which $1.7 million has been expended through July 1, 2016 . Total expense expected to be incurred for this initiative since the acquisition date is between $13.0 million and $15.0 million , of which $6.4 million has been incurred through July 1, 2016 . All expenses have been and will be recorded within the Lake Region Medical segment and are expected to include the following:

- Employee costs: $5.0 million - $6.0 million ; and
- Other: $8.0 million - $9.0 million .

Other expenses primarily consist of production inefficiencies, moving, revalidation, personnel, training, consulting, and travel costs associated with these consolidation projects. All expenses are cash expenditures.

9. OTHER OPERATING EXPENSES, NET (Continued)

The change in accrued liabilities related to these legacy Lake Region Medical consolidation initiatives is as follows (in thousands):

	Employee Costs	Other	Total
At January 1, 2016	$ 3,667	$ 596	$ 4,263
Restructuring charges	3,428	1,019	4,447
Cash payments	(4,768)	(1,121)	(5,889)
At July 1, 2016	$ 2,327	$ 494	$ 2,821

Acquisition and integration costs. During the first six months of 2016, the Company incurred $1.8 million in transaction costs related to the acquisition of Lake Region Medical. These costs primarily relate to professional and consulting fees. Expenses related to this initiative were recorded to corporate unallocated expenses. Additionally, during the first six months of 2016, the Company incurred $16.0 million in Lake Region Medical integration costs, which primarily included change-in-control payments to former Lake Region Medical executives, as well as professional, consulting, severance, retention, relocation, and travel costs, of which $5.4 million are accrued as of July 1, 2016 . Total expense expected to be incurred in connection with the integration of Lake Region Medical is between $40.0 million and $50.0 million , of which $21.2 million were incurred through July 1, 2016 . Total capital expenditures for this initiative are expected to be between $20.0 million and $25.0 million , the incurrence of which have not been material to date.

Asset dispositions, severance and other . During 2016 and 2015, the Company recorded losses in connection with various asset disposals and/or write-downs. In addition, during the first six months of 2016 and 2015, the Company incurred legal and professional costs in connection with the Spin-off of $4.4 million and $1.5 million , respectively. Total transaction related costs incurred for the Spin-off since inception were $10.4 million . Expenses related to the Spin-off were primarily recorded within the corporate unallocated and the QiG segment. Refer to Note 2 “Divestiture and Acquisition” for additional information on the Spin-off.

10. INCOME TAXES

The income tax provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the estimate of the annual effective tax rate is updated, and if the estimated effective tax rate changes, a cumulative adjustment is made. There is a potential for volatility of the effective tax rate due to several factors, including changes in the mix of the pre-tax income and the jurisdictions to which it relates, changes in tax laws and foreign tax holidays, business reorganizations, settlements with taxing authorities and foreign currency fluctuations. The effective tax rate for the first six months of 2016 includes the impact of a $1.3 million discrete tax charge related to non-deductible Lake Region Medical and Spin-off related expenses.

As of July 1, 2016 , the balance of unrecognized tax benefits is approximately $9.5 million . It is reasonably possible that a reduction of up to $0.1 million of the balance of unrecognized tax benefits may occur within the next twelve months as a result of potential audit settlements. Approximately $8.7 million of the balance of unrecognized tax benefits would favorably impact the effective tax rate, net of federal benefit on state issues, if recognized.

11. COMMITMENTS AND CONTINGENCIES

Litigation – In April 2013, the Company commenced an action against AVX Corporation and AVX Filters Corporation (collectively "AVX") alleging that AVX had infringed on the Company's patents by manufacturing and selling filtered feedthrough assemblies used in implantable pacemakers and cardioverter defibrillators that incorporate the Company's patented technology. On January 26, 2016, a jury in the U.S. District Court for the District of Delaware returned a verdict finding that AVX infringed on two Integer patents and awarded Integer $37.5 million in damages. The finding is subject to post-trial proceedings, including a possible appeal by AVX. The Company has recorded no gains in connection with this litigation as no cash has been received.

In January 2015, Lake Region Medical was notified by the New Jersey Department of Environmental Protection ("NJDEP") of the NJDEP's intent to revoke a no further action determination made by the NJDEP in favor of Lake Region Medical in 2002 pertaining to a property on which a subsidiary of Lake Region Medical operated a manufacturing facility in South Plainfield, New Jersey beginning in 1971. Lake Region Medical sold the property in 2004 and vacated the facility in 2007. In response to the NJDEP's notice, the Company further investigated the matter and submitted a technical report to the NJDEP in August of 2015 that concluded that the NJDEP's notice of intent to revoke was unwarranted. After reviewing the Company's technical report, the NJDEP issued a draft response in May 2016, stating that the NJDEP would not revoke the no further action determination at that time, but would require some additional site investigation to support the Company's conclusion. The Company is cooperating with the NJDEP and will meet with NJDEP representatives to discuss the appropriate scope of the requested additional investigation and does not expect any material impact on its consolidated results of operations to result. In December 2014, the current owner of the property commenced litigation against Lake Region Medical, one of its executive officers and other unrelated third parties, alleging that the defendants caused or contributed to alleged groundwater contamination beneath the property. The plaintiff in that case voluntarily dismissed the litigation in June 2016.

The Company is a party to various other legal actions arising in the normal course of business. The Company does not expect that the ultimate resolution of any other pending legal actions will have a material effect on its consolidated results of operations, financial position, or cash flows. However, litigation is subject to inherent uncertainties. As such, there can be no assurance that any pending legal action, which the Company currently believes to be immaterial, will not become material in the future.

Environmental Matters – The Company's Collegeville, PA facility, which was acquired as part of the Lake Region Medical acquisition, is subject to two administrative consent orders entered into with the U.S. Environmental Protection Agency (the "EPA"), which require ongoing groundwater treatment and monitoring at the site as a result of historic leaks from underground storage tanks. Upon approval by the EPA of the Company's proposed post remediation care plan, which requires a continuation of the groundwater treatment and monitoring process at the site, the Company expects that the consent orders will be terminated. The Company expects a decision from the EPA on whether the Company's post remediation care plan has been approved during the third quarter of 2016. The groundwater treatment process at the Collegeville facility consists of a groundwater extraction and treatment system and the performance of annual sampling of a defined set of groundwater wells as a means to monitor containment within approved boundaries. As of July 1, 2016 and January 1, 2016, there was $1.1 million recorded in Other Long-Term Liabilities in the Condensed Consolidated Balance Sheets in connection with this matter for the cost of on-going remediation. The Company does not expect this environmental matter will have a material effect on its consolidated results of operations, financial position or cash flows.

Product Warranties – The Company generally warrants that its products will meet customer specifications and will be free from defects in materials and workmanship. The Company does not expect future product warranty claims will have a material effect on its consolidated results of operations, financial position, or cash flows. However, there can be no assurance that any future customer complaints or negative regulatory actions regarding the Company's products, which the Company currently believes to be immaterial, does not become material in the future. The change in product warranty liability was comprised of the following (in thousands):

At January 1, 2016	$	3,316
Additions to warranty reserve		1,163
Warranty claims settled		(1,427)
At July 1, 2016	$	3,052

11. COMMITMENTS AND CONTINGENCIES (Continued)

Foreign Currency Contracts – The Company enters into forward contracts to purchase Mexican pesos in order to hedge the risk of peso-denominated payments associated with operations at its facilities in Mexico . In connection with the Lake Region Medical acquisition, the Company terminated its outstanding forward contracts resulting in a $2.4 million payment to the foreign currency contract counterparty during the fourth quarter of 2015. As of July 1, 2016, the Company had a $0.7 million loss recorded in Accumulated Other Comprehensive Income related to these contracts, which will be amortized to Cost of Sales as the inventory, which the contracts were hedging the cash flows to produce, is sold.

The impact to the Company's results of operations from its forward contract hedges is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Addition in cost of sales	$ 768	$ 420	$ 1,387	$ 664
Ineffective portion of change in fair value	—	—	—	—

Information regarding outstanding foreign currency contracts as of July 1, 2016 is as follows (dollars in thousands):

Instrument	Type of Hedge	Aggregate Notional Amount	Start Date	End Date	$/Peso	Fair Value	Balance Sheet Location
FX Contract	Cash flow	$ 8,240	Jan 2016	Dec 2016	0.0584	$ (634)	Accrued Expenses
FX Contract	Cash flow	$ 5,591	Apr 2016	Dec 2016	0.0565	$ (251)	Accrued Expenses

Self-Insured Medical Plan – The Company self-funds the medical insurance coverage provided to its U.S. based employees. The Company has specific stop loss coverage for claims incurred during 2016 exceeding $250 thousand per associate for legacy Greatbatch and exceeding $ 275 thousand per associate for legacy Lake Region Medical with no annual maximum aggregate stop loss coverage. As of July 1, 2016 and January 1, 2016, the Company had $3.5 million and $4.0 million accrued related to its self-insurance of its medical plans, respectively. This accrual is recorded in Accrued Expenses in the Condensed Consolidated Balance Sheets and is primarily based upon claim history.

Self-Insured Workers' Compensation Trust – Prior to 2011, the Company was a member of a group self-insurance trust that provided workers' compensation benefits to employees of the Company in Western New York (the "Trust"). Prior to being acquired by Integer, Lake Region Medical self-insured the workers' compensation benefits provided to its employees. As of July 1, 2016, the Company utilized a traditional insurance provider for workers' compensation coverage for all associates. During 2015, the Company received an additional assessment from the Trust of $0.9 million . As of July 1, 2016 and January 1, 2016, the Company had $2.3 million and $3.9 million accrued for workers' compensation claims, respectively. This accrual is recorded in Accrued Expenses in the Condensed Consolidated Balance Sheets and is primarily based upon claim history and assessments received.

12. EARNINGS (LOSS) PER SHARE ("EPS")

The following table illustrates the calculation of basic and diluted EPS (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Numerator for basic and diluted EPS:				
Net income (loss)	$ (770)	$ 9,283	$ (13,430)	$ 17,291
Denominator for basic EPS:				
Weighted average shares outstanding	30,767	25,473	30,743	25,369
Effect of dilutive securities:				
Stock options, restricted stock and restricted stock units	—	840	—	895
Denominator for diluted EPS	30,767	26,313	30,743	26,264
Basic EPS	$ (0.03)	$ 0.36	$ (0.44)	$ 0.68
Diluted EPS	$ (0.03)	$ 0.35	$ (0.44)	$ 0.66

The diluted weighted average share calculations do not include the following securities, which are not dilutive to the EPS calculations or the performance criteria have not been met (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Time-vested stock options, restricted stock and restricted stock units	1,916	276	1,916	297
Performance-vested restricted stock units	417	60	417	56

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated Other Comprehensive Income is comprised of the following (in thousands):

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total Pre-Tax Amount	Tax	Net-of-Tax Amount
At April 1, 2016	$ (1,179)	$ (1,827)	$ 22,369	$ 19,363	$ 1,134	$ 20,497
Unrealized loss on cash flow hedges	—	(2,687)	—	(2,687)	940	(1,747)
Realized loss on foreign currency hedges	—	768	—	768	(268)	500
Foreign currency translation loss	—	—	(9,701)	(9,701)	—	(9,701)
At July 1, 2016	$ (1,179)	$ (3,746)	$ 12,668	$ 7,743	$ 1,806	$ 9,549

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total Pre-Tax Amount	Tax	Net-of-Tax Amount
At January 1, 2016	$ (1,179)	$ (2,392)	$ 3,609	$ 38	$ 1,332	$ 1,370
Unrealized loss on cash flow hedges	—	(2,741)	—	(2,741)	959	(1,782)
Realized loss on foreign currency hedges	—	1,387	—	1,387	(485)	902
Foreign currency translation gain	—	—	9,059	9,059	—	9,059
At July 1, 2016	$ (1,179)	$ (3,746)	$ 12,668	$ 7,743	$ 1,806	$ 9,549

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (Continued)

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total Pre-Tax Amount	Tax	Net-of-Tax Amount
At April 3, 2015	$ (1,181)	$ (3,480)	$ 9,625	$ 4,964	$ 1,734	$ 6,698
Unrealized loss on cash flow hedges	—	(840)	—	(840)	295	(545)
Realized loss on foreign currency hedges	—	420	—	420	(147)	273
Realized loss on interest rate swap hedges	—	281	—	281	(98)	183
Foreign currency translation gain	—	—	214	214	—	214
At July 3, 2015	$ (1,181)	$ (3,619)	$ 9,839	$ 5,039	$ 1,784	$ 6,823

	Defined Benefit Plan Liability	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total Pre-Tax Amount	Tax	Net-of-Tax Amount
At January 2, 2015	$ (1,181)	$ (2,558)	$ 11,450	$ 7,711	$ 1,412	$ 9,123
Unrealized loss on cash flow hedges	—	(2,187)	—	(2,187)	766	(1,421)
Realized loss on foreign currency hedges	—	664	—	664	(232)	432
Realized loss on interest rate swap hedges	—	462	—	462	(162)	300
Foreign currency translation loss	—	—	(1,611)	(1,611)	—	(1,611)
At July 3, 2015	$ (1,181)	$ (3,619)	$ 9,839	$ 5,039	$ 1,784	$ 6,823

The realized loss relating to the Company's foreign currency and interest rate swap hedges were reclassified from Accumulated Other Comprehensive Income and included in Cost of Sales and Interest Expense, Net, respectively, in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

14. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Fair value measurement standards apply to certain financial assets and liabilities that are measured at fair value on a recurring basis (each reporting period). For the Company, these financial assets and liabilities include its derivative instruments. The Company does not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis.

Foreign Currency Contracts – The fair value of foreign currency contracts were determined through the use of cash flow models that utilize observable market data inputs to estimate fair value. These observable market data inputs included foreign exchange rate and credit spread curves. In addition, the Company received fair value estimates from the foreign currency contract counterparty to verify the reasonableness of the Company's estimates. The Company's foreign currency contracts are categorized in Level 2 of the fair value hierarchy. The fair value of the Company's foreign currency contracts will be realized as Cost of Sales as the inventory, which the contracts are hedging the cash flows to produce, is sold, of which approximately $1.9 million is expected to be realized within the next twelve months.

Interest Rate Swap – The fair value of the Company's interest rate swap outstanding at July 1, 2016 was determined through the use of a cash flow model that utilizes observable market data inputs. These observable market data inputs include LIBOR, swap rates, and credit spread curves. In addition, the Company received a fair value estimate from the interest rate swap counterparty to verify the reasonableness of the Company's estimate. This fair value calculation was categorized in Level 2 of the fair value hierarchy. The fair value of the Company's interest rate swap will be realized as Interest Expense as interest on the TLA Facility is accrued.

14. FAIR VALUE MEASUREMENTS (Continued)

The following table provides information regarding assets and liabilities recorded at fair value on a recurring basis (in thousands):

		Fair Value Measurements Using		
Description	At July 1, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities				
Foreign currency contracts (Note 11)	$ 885	$ —	$ 885	$ —
Interest rate swap (Note 6)	$ 1,819	$ —	$ 1,819	$ —

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Fair value standards also apply to certain assets and liabilities that are measured at fair value on a nonrecurring basis. The carrying amounts of cash, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short-term nature of these items. Refer to Note 6 "Debt" for further discussion regarding the fair value of the Company's Senior Secured Credit Facilities and Senior Notes. A summary of the valuation methodologies for assets and liabilities measured on a nonrecurring basis is as follows:

Long-lived Assets – The Company reviews the carrying amount of its long-lived assets to be held and used, other than goodwill and indefinite-lived intangible assets, for potential impairment whenever certain indicators are present such as: a significant decrease in the market price of the asset or asset group; a significant change in the extent or manner in which the long-lived asset or asset group is being used or in its physical condition; a significant change in legal factors or in the business climate that could affect the value of the long-lived asset or asset group, including an action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of the long-lived asset or asset group; or a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent.

Potential recoverability is measured by comparing the carrying amount of the asset or asset group to its related total future undiscounted cash flows. If the carrying value is not recoverable, the asset or asset group is considered to be impaired. Impairment is measured by comparing the asset or asset group's carrying amount to its fair value. When it is determined that useful lives are shorter than originally estimated, and no impairment is present, the rate of depreciation is accelerated in order to fully depreciate the assets over their new shorter useful lives. The Company did not record any impairment charges related to its long-lived assets during the first six months of 2016 or 2015 .

Goodwill and Indefinite-lived Intangible Assets – Goodwill and other indefinite lived intangible assets recorded are not amortized but are periodically tested for impairment. The Company assesses goodwill for impairment on the last day of each fiscal year, or more frequently if certain events occur as described above. Goodwill is evaluated for impairment through the comparison of the fair value of the reporting units to their carrying values. When evaluating goodwill for impairment, the Company may first perform an assessment of qualitative factors to determine if the fair value of the reporting unit is more-likely-than-not greater than its carrying amount. This qualitative assessment is referred to as a "step zero " approach. If, based on the review of the qualitative factors, the Company determines it is more-likely-than-not that the fair value of the reporting unit is greater than its carrying value, the required two-step impairment test can be bypassed. If the Company does not perform a step zero assessment or if the fair value of the reporting unit is more-likely-than-not less than its carrying value, the Company must perform a two-step impairment test, and calculate the estimated fair value of the reporting unit. If, based upon the two-step impairment test, it is determined that the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill within the reporting unit is less than its carrying value. Under the two-step approach, fair values for reporting units are determined based on discounted cash flows and market multiples.

14. FAIR VALUE MEASUREMENTS (Continued)

Other indefinite lived intangible assets are assessed for impairment on the last day of each fiscal year, or more frequently if certain events occur as described above, by comparing the fair value of the intangible asset to its carrying value. The fair value is determined by using the income approach.

The Company did not record any impairment charges related to its indefinite-lived intangible assets, including goodwill, during the first six months of 2016 or 2015 , respectively. See Note 5 “Intangible Assets” for additional information on the Company’s intangible assets.

Cost and Equity Method Investments – The Company holds investments in equity and other securities that are accounted for as either cost or equity method investments, which are classified as Other Assets on the Condensed Consolidated Balance Sheets. The total carrying value of these investments is reviewed quarterly for changes in circumstance or the occurrence of events that suggest the Company’s investment may not be recoverable. The fair value of cost or equity method investments is not adjusted if there are no identified events or changes in circumstances that may have a material effect on the fair value of the investments. Gains and losses realized on cost and equity method investments are recorded in Other Expense (Income), Net, unless separately stated. The aggregate recorded amount of cost and equity method investments at July 1, 2016 and January 1, 2016 was $24.7 million and $20.6 million , respectively. The Company’s equity method investment is in a Chinese venture capital fund focused on investing in life sciences companies. This fund accounts for its investments at fair value with the unrealized change in fair value of these investments recorded as income or loss to the fund in the period of change. As of July 1, 2016 , the Company owned 6.9% of this fund.

During the six month periods ended July 1, 2016 and July 3, 2015 , the Company did not recognize any impairment charges related to its cost method investments. The fair value of these investments is determined by reference to recent sales data of similar shares to independent parties in an inactive market. This fair value calculation is categorized in Level 2 of the fair value hierarchy. During the six month periods ended July 1, 2016 and July 3, 2015 , the Company recognized a net gain on cost and equity method investments of $1.2 million and $0.5 million , respectively.

15. BUSINESS SEGMENT, GEOGRAPHIC AND CONCENTRATION RISK INFORMATION

As a result of the acquisition of Lake Region Medical, the Company now has three reportable segments: Greatbatch Medical, QiG and Lake Region Medical. During the first quarter of 2016, the Company completed the Spin-off of a portion of its QiG segment. See Note 2 “Divestiture and Acquisition” for further description of these transactions. As a result of the Lake Region Medical acquisition and the Spin-off, the Company is re-evaluating its internal financial reporting structure, which may change its product line and segment reporting in the future. This process is expected to be finalized in 2016.

Greatbatch Medical designs and manufactures medical devices and components where Integer either owns the intellectual property or has unique manufacturing and assembly expertise. Greatbatch Medical provides medical devices and components to the cardiac, neuromodulation, orthopedics, portable medical, vascular and energy markets among others. Greatbatch Medical also offers value-added assembly and design engineering services for medical devices that utilize its component products.

The QiG segment focuses on the design and development of complete medical device systems and components. The medical devices QiG designs and develops are full product solutions that utilize the medical technology expertise and capabilities residing within Greatbatch Medical and Lake Region Medical. QiG revenue consists primarily of sales of various medical device products such as implantable pulse generators, programmer systems, battery chargers, patient wands and leads to medical device companies. Once the medical devices developed by QiG reach significant production levels, the responsibility for manufacturing these products may be transferred to Greatbatch Medical.

Lake Region Medical has operated as a segment for Integer since it was acquired during the fourth quarter of 2015. This segment specializes in the design, development, and manufacturing of products across the medical component and device spectrum, primarily serving the cardio, vascular and advanced surgical markets. Lake Region Medical offers fully integrated outsourced manufacturing, regulatory and engineering services, contract manufacturing, finished device assembly services, original device development, and supply chain management.

15. BUSINESS SEGMENT, GEOGRAPHIC AND CONCENTRATION RISK INFORMATION (Continued)

As a result of the Lake Region Medical acquisition and the Spin-off, the Company has recast its product line sales into the following four categories:

- **Advanced Surgical, Orthopedics, and Portable Medical:** Includes legacy Greatbatch Orthopedics and Portable Medical product line sales plus the legacy Lake Region Medical Advanced Surgical product line sales. Products include components, sub-assemblies, finished devices, implants, instruments and delivery systems for a range of surgical technologies to the advanced surgical market, including laparoscopy, orthopedics and general surgery, biopsy and drug delivery, joint preservation and reconstruction, arthroscopy, and engineered tubing solutions. Products also include life-saving and life-enhancing applications comprising of automated external defibrillators, portable oxygen concentrators, ventilators, and powered surgical tools.

- **Cardio and Vascular:** Includes the legacy Greatbatch Vascular product line sales plus the legacy Lake Region Medical Cardio and Vascular product line sales less the legacy Lake Region Medical Cardiac/Neuromodulation sales. Products include introducers, steerable sheaths, guidewires, catheters, and stimulation therapy components, subassemblies and finished devices that deliver therapies for various markets such as coronary and neurovascular disease, peripheral vascular disease, interventional radiology, vascular access, atrial fibrillation, and interventional cardiology, plus products for medical imaging and pharmaceutical delivery.

- **Cardiac/Neuromodulation:** Includes the legacy Greatbatch Cardiac/Neuromodulation and QiG sales plus the legacy Lake Region Medical Cardiac/Neuromodulation sales previously included in their Cardio and Vascular product line sales. Products include batteries, capacitors, filtered and unfiltered feed-throughs, engineered components, implantable stimulation leads, and enclosures used in implantable medical devices.

- **Electrochem:** Includes the legacy Greatbatch Energy, Military and Environmental product line sales. Products include primary (lithium) cells, and primary and secondary battery packs for demanding applications such as down hole drilling tools.

An analysis and reconciliation of the Company's business segments, product lines and geographic information to the respective information in the Condensed Consolidated Financial Statements follows. Sales by geographic area are presented by allocating sales from external customers based on where the products are shipped (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Product line sales:				
Advanced Surgical, Orthopedics, and Portable Medical	$ 104,317	$ 53,181	$ 195,646	$ 105,819
Cardio and Vascular	144,219	12,907	277,869	23,263
Cardiac/Neuromodulation	91,623	92,257	188,698	172,873
Electrochem	9,819	16,545	21,491	34,255
Elimination of interproduct line sales	(1,596)	—	(3,084)	—
Total sales	348,382	174,890	$ 680,620	$ 336,210

15. BUSINESS SEGMENT, GEOGRAPHIC AND CONCENTRATION RISK INFORMATION (Continued)

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Business segment sales:				
Greatbatch Medical	$ 141,167	$ 172,786	$ 272,773	$ 329,763
QiG	2,747	2,741	6,121	7,788
Lake Region Medical	204,934	—	403,209	—
Elimination of intersegment sales [a]	(466)	(637)	(1,483)	(1,341)
Total sales	348,382	174,890	$ 680,620	$ 336,210

[a] Greatbatch Medical sales include approximately $0.1 million and $0.3 million of intersegment sales for the three and six months ended July 1, 2016 , respectively. Lake Region Medical sales include approximately $0.3 million $1.0 million of intersegment sales for the three and six months ended July 1, 2016 , respectively. Intersegment sales for the three and six months periods of 2015 are included in the Greatbatch Medical segment.

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Segment income (loss) from operations:				
Greatbatch Medical	$ 14,564	$ 28,914	$ 25,579	$ 50,667
QiG	(700)	(7,002)	(5,909)	(12,452)
Lake Region Medical	27,356	—	48,555	—
Total segment income from operations	41,220	21,912	68,225	38,215
Unallocated operating expenses	(11,951)	(8,878)	(27,822)	(15,792)
Operating income	29,269	13,034	40,403	22,423
Unallocated expenses, net	(28,582)	(1,099)	(52,478)	(668)
Income (loss) before provision for income taxes	$ 687	$ 11,935	$ (12,075)	$ 21,755

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Sales by geographic area:				
United States	$ 204,090	$ 75,041	$ 406,213	$ 145,557
Non-Domestic locations:				
Puerto Rico	39,344	37,415	78,472	71,431
Belgium	20,491	16,018	38,657	33,385
Rest of world	84,457	46,416	157,278	85,837
Total sales	$ 348,382	$ 174,890	$ 680,620	$ 336,210

Three customers accounted for a significant portion of the Company’s sales as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Customer A	17%	20%	18%	21%
Customer B	15%	18%	15%	18%
Customer C	13%	12%	13%	13%
Total	45%	50%	46%	52%

15. BUSINESS SEGMENT, GEOGRAPHIC AND CONCENTRATION RISK INFORMATION (Continued)

Long-lived tangible assets by geographic area are as follows (in thousands):

	As of	
	July 1, 2016	January 1, 2016
United States	$ 265,208	$ 264,556
Rest of world	118,021	114,936
Total	$ 383,229	$ 379,492

16. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments," which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. This update requires acquiring companies to recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The guidance in this ASU became effective for the Company on January 2, 2016. See Note 2 "Divestiture and Acquisition" for further description of the measurement-period adjustments made and the Company's acquisition.

In the normal course of business, management evaluates all new accounting pronouncements issued by the FASB, Securities and Exchange Commission ("SEC"), Emerging Issues Task Force ("EITF"), or other authoritative accounting bodies to determine the potential impact they may have on the Company's Condensed Consolidated Financial Statements. Based upon this review, except as noted below, management does not expect any of the recently issued accounting pronouncements, which have not already been adopted, to have a material impact on the Company's Condensed Consolidated Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which amends the guidance on reporting credit losses for assets held at amortized cost and available-for-sale debt securities. For assets held at amortized cost, the ASU eliminates the probable initial recognition threshold and requires an entity to reflect a current estimate of all expected credit losses, such that the net amount expected to be collected is presented. For available-for-sale debt securities, the ASU requires credit losses to be presented as an allowance versus a write-down. These amendments are effective for the Company in annual and interim reporting periods beginning after December 15, 2019, with early adoption permitted in annual and interim reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact that the adoption of this ASU will have on its Condensed Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, including interim periods within those annual periods. If an entity early adopts in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period and the entity must adopt all of the amendments from ASU 2016-09 in the same period. The Company is currently evaluating the impact that the adoption of this ASU will have on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires companies to recognize all leases as assets and liabilities on the consolidated balance sheet. This ASU retains a distinction between finance leases and operating leases, and the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the current accounting literature. As a result, the effect of leases on the consolidated statement of comprehensive income and a consolidated statement of cash flows is largely unchanged from previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted. The Company is currently evaluating the impact that the adoption of this ASU will have on its Condensed Consolidated Financial Statements.

16. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset; and requires entities to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option. This ASU is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption of the own credit provision is permitted. The Company is currently evaluating the impact that the adoption of this ASU will have on its Condensed Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory," which simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently assessing the impact of adopting this ASU on its Condensed Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." The core principle behind ASU No. 2014-09 is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering goods and services. In August 2015, the FASB approved a one year deferral to the effective date to be adopted by all public companies for annual reporting periods beginning after December 15, 2017, with earlier application permitted as of annual reporting periods beginning after December 15, 2016. In March, April and May of 2016, respectively, the FASB issued ASU No. 2016-08, which clarifies the implementation guidance on principal versus agent considerations, ASU No. 2016-10, which clarifies the implementation guidance on identifying performance obligations and licensing and ASU No. 2016-12, which provides improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition, a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. These amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently assessing the financial impact of adopting these ASU's and the methods of adoption; however, given the scope of the new standard, the Company is currently unable to provide a reasonable estimate regarding the financial impact or which method of adoption will be elected.

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

This Quarterly Report on Form 10-Q should be read in conjunction with the disclosures included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2016. In addition, please read this section in conjunction with our Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements contained herein.

Forward-Looking Statements

Some of the statements contained in this report and other written and oral statements made from time to time by us and our representatives are not statements of historical or current fact. As such, they are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations, and these statements are subject to known and unknown risks, uncertainties and assumptions. Forward-looking statements include statements relating to:

- future sales, expenses and profitability;
- future development and expected growth of our business and industry;
- our ability to execute our business model and our business strategy;
- our ability to identify trends within our industries and to offer products and services that meet the changing needs of those markets;
- our ability to remain in compliance with our debt covenants; and
- projected capital expenditures.

You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or "variations" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those stated or implied by these forward-looking statements. In evaluating these statements and our prospects, you should carefully consider the factors set forth below. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary factors and to others contained throughout this report. Except as required by applicable law, we are under no duty to update any of the forward-looking statements after the date of this report or to conform these statements to actual results.

It is not possible to create a comprehensive list of all factors that may cause actual results to differ from the results expressed or implied by our forward-looking statements or that may affect our future results. Some of these factors include the following: our high level of indebtedness following the acquisition of Lake Region Medical, our inability to pay principal and interest on this high level of outstanding indebtedness, and the risk that this high level of indebtedness limits our ability to invest in our business and overall financial flexibility; our dependence upon a limited number of customers; customer ordering patterns; product obsolescence; our inability to market current or future products; pricing pressure from customers; our ability to timely and successfully implement cost and capital reduction, synergy, and plant consolidation initiatives; our reliance on third party suppliers for raw materials, products and subcomponents; fluctuating operating results; our inability to maintain high quality standards for our products; challenges to our intellectual property rights; product liability claims; product field actions or recalls; our inability to successfully consummate and integrate acquisitions, including the acquisition of Lake Region Medical, and to realize synergies and benefits from these acquisitions and to operate these acquired businesses in accordance with expectations; our unsuccessful expansion into new markets; our failure to develop new products including system and device products; the timing, progress and ultimate success of pending regulatory actions and approvals; our inability to obtain licenses to key technology; regulatory changes, including Health Care Reform, or consolidation in the healthcare industry; global economic factors including currency exchange rates and interest rates; the resolution of various legal and environmental actions brought against the Company; and other risks and uncertainties that arise from time to time and are described in Item 1A "Risk Factors" of our Annual Report on Form 10-K and in other periodic filings with the SEC. Except as required by applicable law, the Company assumes no obligation to update forward-looking statements in this report whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects, or otherwise.

Our Business

Integer Holdings Corporation (NYSE: ITGR) is one of the largest medical device outsource ("MDO") manufacturers in the world serving the cardiac, neuromodulation, orthopedics, vascular, advanced surgical and power solutions markets. We provide innovative, high quality medical technologies that enhance the lives of patients worldwide. During the fourth quarter of 2015, we acquired all of the outstanding common stock of Lake Region Medical Holdings, Inc. ("Lake Region Medical"). As a result, we now have three reportable segments: Greatbatch Medical, QiG Group ("QiG"), and Lake Region Medical. In March 2016, we spun-off of a portion of our QiG segment (the "Spin-off"), which is now an independent publicly traded company known as Nuvectra Corporation ("Nuvectra"). As a result of the Lake Region Medical acquisition and the Spin-off, we are in the process of re-evaluating our internal financial reporting structure, which may change our product line and segment reporting in the future. This process is expected to be finalized in 2016. See Note 2 "Divestiture and Acquisition" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for further description of these transactions and Note 15 "Business Segment, Geographic and Concentration Risk Information" for further information on our product lines and business segments.

Effective June 30, 2016, we changed our name from Greatbatch, Inc. ("Greatbatch") to Integer Holdings Corporation. The new name represents the union of the Greatbatch Medical, Lake Region Medical and Electrochem brands. Integer, as in whole or complete, signifies our more comprehensive products and service offerings, and a new dimension in our combined capabilities. When used in this report, the terms "Integer," "we," "us," "our" and the "Company" mean Integer Holdings Corporation and its subsidiaries.

The Greatbatch Medical segment designs and manufactures products where we either own the intellectual property or have unique manufacturing and assembly expertise. These products include medical devices and components for the cardiac, neuromodulation, orthopedics, portable medical, vascular and energy markets among others. The Greatbatch Medical segment also offers value-added assembly and design engineering services for medical devices that utilize its component products.

The QiG segment focuses on the design and development of complete medical device systems and components. QiG seeks to assist customers in accelerating the velocity of innovation while delivering an optimized supply chain and critical cost efficiencies. The medical devices QiG designs and develops are full product solutions that utilize the medical technology expertise and capabilities residing within Greatbatch Medical and Lake Region Medical. QiG revenue consists primarily of sales of various medical device products such as implantable pulse generators, programmer systems, battery chargers, patient wands and leads to medical device companies. Once the medical devices developed by QiG reaches significant production levels, the responsibility for manufacturing these products may be transferred to Greatbatch Medical.

The Lake Region Medical segment specializes in the design, development, and manufacturing of products across the medical component and device spectrum, primarily serving the cardio, vascular and advanced surgical markets. Lake Region Medical offers fully integrated outsourced manufacturing, regulatory and engineering services, contract manufacturing, finished device assembly services, original device development, and supply chain management.

Our Acquisitions

On October 27, 2015, we acquired all of the outstanding common stock of Lake Region Medical, headquartered in Wilmington, MA. Lake Region Medical is a manufacturer of interventional and diagnostic wire-formed medical devices and components specializing in minimally invasive devices for cardiovascular, endovascular, and neurovascular applications. This acquisition has added scale and diversity to enhance customer access and experience by providing a comprehensive portfolio of technologies. The operating results of Lake Region Medical are included in our Lake Region Medical segment from the date of acquisition. The aggregate purchase price of Lake Region Medical including debt assumed was $1.77 billion, which was funded primarily through a new senior secured credit facility and the issuance of senior notes. Total assets acquired from Lake Region Medical were $2.1 billion. Total liabilities assumed from Lake Region Medical were $1.3 billion. For the first six months of 2016, Lake Region Medical added approximately $403.2 million to our revenue and decreased our net loss by approximately $16.5 million.

With the acquisition of Lake Region Medical, two of our main strategic priorities over the next three years will be the integration of both legacy companies, and the paying down our outstanding debt.

As previously mentioned, we expect to finalize the process of re-evaluating our internal financial reporting structure during 2016. As a result of this process, we may change our product line and/or segment reporting. If we change our segment reporting, we will assess goodwill for impairment and re-allocate our goodwill to the new reporting units based on their relative fair value at that time. While the results of our annual impairment reviews have historically not indicated impairment, impairment reviews are highly dependent on management's projections of our future operating results and cash flows, discount rates based on the Company's weighted average cost of capital, the Company's stock price, revenue and adjusted EBITDA multiples, and appropriate benchmark peer companies. Assumptions used in determining future operating results and cash flows include current and expected market conditions, and future sales and earnings forecasts, including future operating efficiencies included in our projections. Subsequent changes in these assumptions and estimates could result in future impairment. Any impairment charges that we record in the future could negatively impact our results of operations and financial condition. A detailed discussion of our impairment testing is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Our Critical Accounting Estimates" in our Annual Report on Form 10-K. Despite our lower than expected revenue and adjusted EBITDA, and reduction in our stock price during 2016, we believe that no impairment of goodwill or intangible assets was indicated for any of our reporting units as of July 1, 2016. This was based upon management's evaluation, which took into consideration our current and expected results to date, current revenue and adjusted EBITDA multiples, and the significant amount of cushion that existed as of the last goodwill impairment analysis. However, there can be no assurances that our goodwill and/or intangible assets will not be impaired in future periods if future operating results and cash flows continue to deteriorate, are less than our projections, and/or we continue to have a sustained decrease in our stock price.

Our Customers

Our products are designed to provide reliable, long-lasting solutions that meet the evolving requirements and needs of our customers. The nature and extent of our selling relationships with each customer are different in terms of breadth of products purchased, purchased product volumes, length of contractual commitment, ordering patterns, inventory management, and selling prices.

Our Greatbatch Medical and Lake Region Medical customers include large multinational original equipment manufacturers ("OEMs") and their subsidiaries, such as Abbott Labs, Biotronik, Boehringer Ingelheim, Boston Scientific, Cyberonics, Halliburton Company, Johnson & Johnson, Medtronic, Nevro Corp., Philips Healthcare, Smith & Nephew, Sorin Group, St. Jude Medical, Stryker, and Zimmer Biomet. For the six months ended July 1, 2016 , Johnson & Johnson, Medtronic, and St. Jude Medical collectively accounted for 46% of our total sales. QiG customers include various early stage medical device companies.

Financial Overview

For the second quarter and first six months of 2016, sales increased $173.5 million, or 99%, and $344.4 million, or 102%, respectively, in comparison to the prior year periods. Included in these periods is $204.9 million and $403.2 million of sales from Lake Region Medical, respectively. Sales for the first six months of 2016 also include the impact of foreign currency exchange rate fluctuations, which reduced Greatbatch Medical sales by approximately $1 million in comparison to the prior year due to the strengthening dollar versus the Euro. Foreign currency exchange rate fluctuations did not materially impact Greatbatch Medical sales for the second quarter of 2016. Excluding the impact of these items, our organic constant currency sales decreased 18% and 17% for the second quarter and first half of 2016 in comparison to the prior year, respectively. These decreases were primarily due to 1) the reduction of shipments in a limited number of cardiac rhythm management ("CRM") customer programs; 2) the decline in energy market-driven revenue; and 3) a decline due to contractual price reductions. These decreases were partially offset by growth in sales to our neuromodulation customers. Lake Region Medical revenues were consistent with the prior year. In comparison to the sequential first quarter of 2016, revenue increased 5% as the impact of CRM customer programs began to subside during the second quarter of 2016.

Use of Non-GAAP Financial Information

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Additionally, we consistently report and discuss in our earnings releases and investor presentations adjusted net income, adjusted earnings per diluted share, earnings before interest, taxes, depreciation, and amortization ("EBITDA"), adjusted EBITDA and organic constant currency sales growth rates. Adjusted net income and adjusted earnings per diluted share consist of GAAP amounts adjusted for the following to the extent occurring during the period: (i) acquisition-related charges, (ii) amortization of intangible assets, (iii) facility consolidation, optimization, manufacturing transfer and system integration charges, (iv) asset write-down and disposition charges, (v) charges in connection with corporate realignments or a reduction in force, (vi) certain litigation expenses, charges and gains, (vii) unusual or infrequently occurring items, (viii) gain/loss on cost and equity method investments, (ix) the income tax (benefit) related to these adjustments and (x) certain tax items related to the Federal research and development tax credit which are outside the normal benefit received for the period. Adjusted earnings per diluted share are calculated by dividing adjusted net income by diluted weighted average shares outstanding. Adjusted EBITDA consists of GAAP net income (loss) plus (i) the same adjustments as listed above except for items (ix), and (x), (ii) GAAP stock-based compensation, interest expense, and depreciation, (iii) GAAP provision (benefit) for income taxes and (iv) cash gains received from cost and equity method investments during the period. To calculate organic constant currency sales growth rates, which exclude the impact of changes in foreign currency exchange rates, as well as the impact of any acquisitions or divestitures of product lines on sales growth rates, we convert current period sales from local currency to U.S. dollars using the previous periods' foreign currency exchange rates and exclude the amount of sales acquired/divested during the period from the current/previous period amounts, respectively. We believe that the presentation of adjusted net income, adjusted diluted earnings per share, EBITDA, adjusted EBITDA, and organic constant currency sales growth rates provides important supplemental information to management and investors seeking to understand the financial and business trends relating to our financial condition and results of operations. Additionally, incentive compensation targets for our executives and associates are based upon these adjusted measures.

A reconciliation of GAAP net income (loss) and diluted earnings (loss) per share ("EPS") to adjusted amounts is as follows (in thousands, except per share amounts):

	Three Months Ended					
	July 1, 2016			July 3, 2015		
(in thousands except per share amounts)	Pre-Tax	Net Income	Per Diluted Share	Pre-Tax	Net Income	Per Diluted Share
Income (loss) and diluted EPS as reported (GAAP)	$ 687	$ (770)	$ (0.03)	$ 11,935	$ 9,283	$ 0.35
Adjustments:						
Amortization of intangibles [a]	9,514	6,732	0.22	3,378	2,359	0.09
IP related litigation (SG&A) [a][b]	285	185	0.01	1,459	948	0.04
Consolidation and optimization expenses (OOE) [a][c]	7,376	5,975	0.19	6,569	5,361	0.20
Acquisition and integration expenses (OOE) [a][d]	7,859	5,145	0.16	98	70	—
Asset dispositions, severance and other (OOE) [a][e]	259	197	0.01	1,083	698	0.03
Loss (gain) on cost and equity method investments, net (other expense (income), net) [a]	124	81	—	(42)	(27)	—
R&D Tax Credit [f]	—	—	—	—	400	0.02
Taxes [a]	(8,559)	—	—	(5,388)	—	—
Adjusted net income and diluted EPS (Non-GAAP) [g]	$ 17,545	$ 17,545	$ 0.56	$ 19,092	$ 19,092	$ 0.73
Adjusted effective tax rate/diluted weighted average shares [a][h]	32.8%	31,228		22.0%	26,313	

(in thousands except per share amounts)	Six Months Ended July 1, 2016 Pre-Tax	Net Income	Per Diluted Share	Six Months Ended July 3, 2015 Pre-Tax	Net Income	Per Diluted Share
Income (loss) and diluted EPS as reported (GAAP)	$ (12,075)	$ (13,430)	$ (0.44)	$ 21,755	$ 17,291	$ 0.66
Adjustments:						
Amortization of intangibles [a]	18,978	13,423	0.43	6,765	4,725	0.18
IP related litigation (SG&A) [a][b]	2,192	1,425	0.05	2,159	1,403	0.05
Consolidation and optimization expenses (OOE) [a][c]	14,025	11,289	0.36	13,729	10,899	0.41
Acquisition and integration expenses (OOE) [a][d]	17,824	11,656	0.37	164	116	—
Asset dispositions, severance and other (OOE) [a][e]	4,785	4,423	0.14	1,712	1,132	0.04
Gain on cost and equity method investments, net (other expense (income), net) [a]	(1,177)	(765)	(0.02)	(540)	(351)	(0.01)
R&D Tax Credit [f]	—	—	—	—	800	0.03
Taxes [a]	(16,531)	—	—	(9,729)	—	—
Adjusted net income and diluted EPS (Non-GAAP) [g]	$ 28,021	$ 28,021	$ 0.90	$ 36,015	$ 36,015	$ 1.37
Adjusted effective tax rate/diluted weighted average shares [a][h]	37.1%	31,257		21.3%	26,264	

(a) The difference between pre-tax and net income amounts is the estimated tax impact related to the respective adjustment. Net income amounts are computed using a 35% U.S., Mexico, Germany and France statutory tax rate, a 0% Swiss tax rate, a 20% Netherlands statutory tax rate, a 25% Uruguay statutory tax rate, and a 12.5% Ireland statutory tax rate. Expenses that are not deductible for tax purposes (i.e. permanent tax differences) are added back at 100%.

(b) In 2013, we filed suit against AVX Corporation alleging they were infringing our intellectual property. Given the complexity and significant costs incurred pursuing this litigation, we are excluding these litigation expenses from adjusted amounts. This matter proceeded to trial during the first quarter of 2016 and a federal jury awarded the Company $37.5 million in damages. To date, no gains have been recognized in connection with this litigation.

(c) During 2016 and 2015, we incurred costs primarily related to the transfer of our Beaverton, OR, portable medical and Plymouth, MN, vascular manufacturing operations to Tijuana, Mexico. Additionally, with the acquisition of Lake Region Medical, 2016 costs also include expenses incurred in connection with the closure of Lake Region Medical's Arvada, CO, site and the consolidation of its two Galway, Ireland sites, which was initiated by Lake Region Medical in 2014.

(d) During 2016, we incurred acquisition and integration costs related to the acquisition of Lake Region Medical, which was acquired in October 2015. During 2015, we incurred costs related to the integration of CCC Medical Devices, which was acquired in August 2014.

(e) Costs primarily include legal and professional fees incurred in connection with the Spin-off, which was completed in March 2016.

(f) The 2015 Federal R&D tax credit was enacted during the fourth quarter of 2015 and has been permanently reinstated. Amounts assume that the tax credit was effective at the beginning of the year for 2015.

(g) The per share data in this table has been rounded to the nearest $0.01 and therefore may not sum to the total.

(h) The three and six-month 2016 adjusted diluted weighted average shares include 461,000 and 514,000 shares, respectively, related to outstanding equity awards that were not dilutive for GAAP diluted EPS purposes.

GAAP diluted EPS for the second quarter and first six months of 2016 was a loss of $0.03 and $0.44 per share, respectively, compared to income of $0.35 and $0.66 per share, respectively for the comparable 2015 periods. Adjusted diluted EPS of $0.56 and $0.90 per share for the second quarter and first six months of 2016, respectively, decreased 23% and 34%, respectively, in comparison to the prior year periods. These results are primarily due to the following:

- The organic constant currency decline in sales as discussed above;
- A $26.7 million and $53.2 million increase in interest expense for the quarter and six month comparisons, respectively, due to the debt incurred in connection with the Lake Region Medical acquisition in October 2015;
- The additional 5 million shares issued in connection with the Lake Region Medical acquisition;
- The decrease in GAAP diluted EPS for the second quarter and six month periods was also attributable to $15.8 million and $38.8 million, respectively, of consolidation, IP related litigation, acquisition, integration and Spin-off related expenses compared to $9.2 million and $17.8 million, respectively, for the comparable 2015 periods. These costs are included in GAAP results, but are excluded from adjusted amounts; and
- The decrease in GAAP and adjusted diluted EPS for the second quarter and six month periods was partially offset by 1) $27.4 million and $48.6 million, respectively, of operating income added from Lake Region Medical; 2) approximately $8 million and $13 million, respectively, of synergies realized in connection with the Lake Region Medical acquisition; and 3) approximately $6 million of lower costs (primarily RD&E and SG&A) for the quarter and six month periods as a result of the Spin-off in March 2016.

A reconciliation of net income (loss) as reported (GAAP) to EBITDA and adjusted EBITDA is as follows (dollars in thousands):

	Three Months Ended		Six Months Ended	
(dollars in thousands)	**July 1, 2016**	**July 3, 2015**	**July 1, 2016**	**July 3, 2015**
Net income (loss) as reported (GAAP)	$ (770)	$ 9,283	$ (13,430)	$ 17,291
Interest expense	27,908	1,206	55,525	2,326
Provision for income taxes	1,457	2,652	1,355	4,464
Depreciation	13,121	5,638	26,070	11,429
Amortization	9,514	3,378	18,978	6,765
EBITDA (Non-GAAP)	51,230	22,157	88,498	42,275
IP related litigation	285	1,459	2,192	2,159
Stock-based compensation expense	1,794	3,719	3,823	5,972
Consolidation and optimization expenses	7,376	6,569	14,025	13,729
Acquisition and integration expenses	7,859	98	17,824	164
Asset dispositions, severance and other	259	1,083	4,785	1,712
Noncash (gain) loss on cost and equity method investments	124	(42)	(515)	(540)
Adjusted EBITDA (Non-GAAP)	$ 68,927	$ 35,043	$ 130,632	$ 65,471
Adjusted EBITDA as a % of sales (Non-GAAP)	19.8%	20.0%	19.2%	19.5%

The primary driver behind the increases in adjusted EBITDA for the second quarter and first six months of 2016 versus the comparable 2015 periods was approximately $45 million and $88 million, respectively, of adjusted EBITDA added from Lake Region Medical partially offset by lower sales and gross profit from legacy Greatbatch Medical during the same periods as discussed above. Additionally, the Spin-off of Nuvectra accounted for approximately $6 million of the increase in our EBITDA and adjusted EBITDA for the second quarter and six month periods.

As of July 1, 2016, we were in full compliance with the financial and restrictive covenants in our debt agreements. However, a significant increase in the LIBOR interest rate (i.e. above 1%) and/or a continued decline in our operating performance, and in particular our sales and/or adjusted EBITDA, could result in our inability to meet our financial covenants and, if a waiver or amendment could not be obtained from our lenders, lead to an event of default. An event of default under our debt agreements can result in the acceleration of our indebtedness. As a result, management believes that compliance with these covenants is

material to us. See the “Liquidity and Capital Resources” section of this Item for further discussion on our debt covenants and liquidity.

Financial Guidance

Our current full-year 2016 guidance is as follows (in millions, except for per share amounts):

	GAAP		Adjusted Comparable Basis	
	High	Low	High	Low
Revenue	$1,396	$1,376	$1,395	$1,375
Net Income	$13	$9	$86	$82
Earnings per Diluted Share	$0.42	$0.27	$2.75	$2.60
EBITDA	NA	NA	$305	$295

We expect sales for the remainder of 2016 to be in the range of $350 million to $360 million per quarter, essentially flat to last year and an increase of approximately 4% compared to the average quarterly sales for the first half of this year. For 2016, we expect to achieve approximately $30 million in synergies, which exceeds our $25 million annual synergies target. We expect to significantly exceed our $60 million annual run rate synergy target for 2018.

Comparable basis Adjusted Net Income and EPS for 2016 are expected to consist of GAAP Net Income and EPS, excluding items such as intangible amortization (approximately $40 million), IP related litigation costs, and consolidation, acquisition, integration, and asset disposition/write down charges totaling approximately $105 million. The after tax impact of these items are estimated to be approximately $70 million, or approximately $2.25 per diluted share. Additionally, our comparable basis revenue, adjusted effective tax rate, adjusted net income, adjusted EPS and adjusted EBITDA guidance excludes the results of Nuvectra prior to its Spin-off on March 14, 2016, of $1.2 million, a tax benefit of $1.4 million, a loss of $2.6 million, a loss of $0.08 per share, and $3.7 million of adjusted EBITDA, respectively.

With respect to our expectations under “Financial Guidance” above, for Adjusted Net Income, Adjusted Earnings per Diluted Share, and Adjusted EBITDA, except as described above, further reconciliations by line item to the closest corresponding GAAP financial measures are not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and visibility with respect to charges excluded from these non-GAAP financial measures.

Our CEO’s View

In summary, though we are not pleased with our performance over the past year, we believe the factors that have been plaguing our CRM and non-medical businesses are mitigating, and while it will take some time for these categories to recover in earnest, we believe this revenue base is stabilizing.

We continue to proactively implement various cost reduction plans to mitigate these top-line effects and continue to see progress from our integration activities. We are also focused on improving cash flow by implementing working capital actions and continuing to pay down our debt obligations.

It is important to note that we will not compromise our R&D programs. We are driving a pipeline of development opportunities in the Neurostimulation, Structural Heart, Neuro Vascular and Peripheral Vascular markets. This will drive future revenues over the longer run timeframe. We remain confident that we will successfully execute the growth plans we established and deliver against our vision to enhance the lives of patients worldwide by being our customers’ partner of choice for innovative medical technologies and services.

Product Development

Greatbatch Medical and Lake Region Medical

We believe our core business is well positioned because our OEM customers leverage our portfolio of intellectual property, and we continue to build a healthy pipeline of diverse medical technology opportunities. The combination with Lake Region Medical brings together two highly complementary organizations that we believe can provide a new level of industry leading capabilities and services to OEM customers while building value for stockholders. Through this transformative deal, we believe we are at the forefront of innovating technologies and products that help change the face of healthcare, providing our customers with a distinct advantage as they bring complete systems and solutions to market. In turn, our customers will be able to accelerate patient access to life enhancing therapies. We believe that the newly combined company will be able to offer a substantially more comprehensive portfolio of products and services to our customers utilizing the best technologies, providing a single point of support, and driving optimal outcomes. Additionally, by combining the capabilities of both Greatbatch Medical and Lake Region Medical, we now have a full suite of device-level competencies that allow us to innovate across our product categories. Some of the more significant product development opportunities Greatbatch Medical and Lake Region Medical are pursuing are as follows:

Product Line	Product Development Opportunities
Advanced Surgical, Orthopedics, and Portable Medical	Developing a portfolio of single use products and instruments for the orthopedics market.
	Developing a portfolio of wireless products for the portable medical and orthopedic markets.
Cardio and Vascular	Developing a portfolio of catheter, wire-based, sensor and coating products for the cardio and vascular markets.
Cardiac/Neuromodulation	Developing next generation technology programs including the Gen 2 Q_{HR} battery, next generation filtered feedthroughs, high voltage capacitors and vertically integrated lead solutions.
Electrochem	Developing power solutions to advance performance and reliability of battery packs in critical environments.

QiG

Through QiG, we can develop or assist our customers in developing complete medical devices. After completion of the Spin-off, our design and development of complete medical device systems is being facilitated by our combined teams in Greatbatch Medical, Lake Region Medical, and Centro de Construcción de Cardioestimuladores del Uruguay (“CCC”). We are now able to more broadly partner with medical device companies, leveraging Greatbatch Medical’s and Lake Region’s core components discrete technology and design and manufacturing expertise, as well as the full device capabilities of CCC, which will enhance our medical device innovation efforts.

Cost Savings and Consolidation Efforts

In 2016 and 2015 , we recorded charges in other operating expenses, net related to various cost savings and consolidation initiatives. These initiatives were undertaken to improve our operational efficiencies and profitability, the most significant of which are as follows (dollars in millions):

Initiative	Expected Expense	Expected Capital	Expected Benefit to Operating Income [(a)]	Expected Completion Date
2014 investments in capacity and capabilities	$42 - $48	$25 - $28	> $20	2016
Orthopedic facilities optimization	$45 - $48	$30 - $35	$15 - $20	2017
Legacy Lake Region Medical consolidations	$13 - $15	$3 - $4	$8 - $9	2016

(a) Represents the annual benefit to our operating income expected to be realized from these initiatives through cost savings and/or increased capacity. These benefits will be phased in over time as the various initiatives are completed.

See Note 9 “Other Operating Expenses, Net” of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information about the timing, cash flow impact and amount of future expenditures for these initiatives. We continually evaluate our operating structure in order to maximize efficiencies and drive margin expansion. Future charges are expected to be incurred as a result of the consolidation and optimization of the combined Greatbatch Medical and Lake Region Medical businesses.

For 2016, we expect to achieve approximately $30 million in synergies, which exceeds our $25 million annual synergies target. We expect to significantly exceed our $60 million annual run rate synergy target for 2018. In order to achieve these synergies, we expect the investment necessary to be approximately $60 million to $75 million, which consists of $20 million to $25 million in capital expenditures and $40 million to $50 million of operating expenses, over a period of three years following completion of the acquisition.

Our Financial Results

We utilize a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31. For 52-week years, each quarter contains 13 weeks. The second quarter and first six months of 2016 and 2015 ended on July 1, and July 3, respectively, and each contained 13 weeks and 26 weeks, respectively.

In connection with our acquisition of Lake Region Medical, we have recast our revenue by product line into the following four categories:

Advanced Surgical, Orthopedics, and Portable Medical - Includes legacy Greatbatch Orthopedics and Portable Medical product line sales plus the legacy Lake Region Medical Advanced Surgical product line sales.

- Cardio and Vascular - Includes the legacy Greatbatch Vascular product line sales plus the legacy Lake Region Medical Cardio and Vascular product line sales less the legacy Lake Region Medical Cardiac/Neuromodulation sales.
- Cardiac/Neuromodulation - Includes the legacy Greatbatch Cardiac/Neuromodulation and QiG sales plus the legacy Lake Region Medical Cardiac/Neuromodulation sales previously included in their Cardio and Vascular product line sales.
- Electrochem - Includes the legacy Greatbatch Energy, Military and Environmental product line sales.

We are currently in the process of re-evaluating our internal financial reporting structure, which may change our product line and segment reporting in the future. This process is expected to be finalized in 2016.

The following tables present certain selected financial information derived from our Condensed Consolidated Financial Statements for the periods presented (dollars in thousands, except per share):

	Three Months Ended		Change	
	July 1, 2016	July 3, 2015	$	%
Sales:				
Advanced Surgical, Orthopedics, and Portable Medical	$ 104,317	$ 53,181	$ 51,136	96 %
Cardio and Vascular	144,219	12,907	131,312	N/A
Cardiac/Neuromodulation	91,623	92,257	(634)	(1)%
Electrochem	9,819	16,545	(6,726)	(41)%
Elimination of interproduct line sales	(1,596)	—	(1,596)	N/A
Total Sales	348,382	174,890	173,492	99 %
Cost of sales	252,351	116,939	135,412	116 %
Gross profit	96,031	57,951	38,080	66 %
Gross profit as a % of sales	27.6 %	33.1%		
Selling, general and administrative expenses (“SG&A”)	37,628	24,104	13,524	56 %
SG&A as a % of sales	10.8 %	13.8%		
Research, development and engineering costs, net (“RD&E”)	13,640	13,063	577	4 %
RD&E as a % of sales	3.9 %	7.5%		
Other operating expenses, net	15,494	7,750	7,744	100 %
Operating income	29,269	13,034	16,235	125 %
Operating margin	8.4 %	7.5%		
Interest expense, net	27,908	1,206	26,702	N/A
Other expense (income), net	674	(107)	781	N/A
Provision for income taxes	1,457	2,652	(1,195)	(45)%
Effective tax rate	N/A	22.2%		
Net income (loss)	$ (770)	$ 9,283	$ (10,053)	(108)%
Net margin	(0.2)%	5.3%		
Diluted earnings (loss) per share	$ (0.03)	$ 0.35	$ (0.38)	(109)%

	Six Months Ended		Change	
	July 1, 2016	July 3, 2015	$	%
Sales:				
Advanced Surgical, Orthopedics, and Portable Medical	$ 195,646	$ 105,819	$ 89,827	85 %
Cardio and Vascular	277,869	23,263	254,606	N/A
Cardiac/Neuromodulation	188,698	172,873	15,825	9 %
Electrochem	21,491	34,255	(12,764)	(37)%
Elimination of interproduct line sales	(3,084)	—	(3,084)	N/A
Total Sales	680,620	336,210	344,410	102 %
Cost of sales	493,121	225,861	267,260	118 %
Gross profit	187,499	110,349	77,150	70 %
Gross profit as a % of sales	27.5 %	32.8%		
SG&A	79,516	46,713	32,803	70 %
SG&A as a % of sales	11.7 %	13.9%		
RD&E	30,946	25,608	5,338	21 %
RD&E as a % of sales	4.5 %	7.6%		
Other operating expenses, net	36,634	15,605	21,029	135 %
Operating income	40,403	22,423	17,980	80 %
Operating margin	5.9 %	6.7%		
Interest expense, net	55,525	2,326	53,199	N/A
Other income, net	(3,047)	(1,658)	(1,389)	84 %
Provision for income taxes	1,355	4,464	(3,109)	(70)%
Effective tax rate	(11.2)%	20.5%		
Net income (loss)	$ (13,430)	$ 17,291	$ (30,721)	(178)%
Net margin	(2.0)%	5.1%		
Diluted earnings (loss) per share	$ (0.44)	$ 0.66	$ (1.10)	(167)%

Product Line Sales Highlights

For the second quarter and first six months of 2016, Advanced Surgical, Orthopedics, and Portable Medical sales increased $51.1 million, or 96%, and $89.8 million, or 85%, respectively, versus the comparable 2015 periods. This increase was primarily attributable to the acquisition of Lake Region Medical, which added $56.4 million and $109.7 million of revenue to this product line, respectively. Foreign currency exchange rates had a negative $1 million impact on legacy Greatbatch Medical sales for this product line in comparison to the prior year six month period. Foreign currency exchange rate fluctuations did not materially impact legacy Greatbatch Medical sales for this product line for the second quarter of 2016. On an organic constant currency basis, second quarter and first six months of 2016 Advanced Surgical, Orthopedics, and Portable Medical sales decreased 10% and 18%, respectively, which was primarily due to portable medical customers building safety stock in the fourth quarter of 2015 in anticipation of our product line transfers, thus lowering orders in the first quarter of 2016, a backlog in sales to one specific Portable Medical customer, and price concessions made in return for long-term volume commitments. These factors began to subside during the second quarter of 2016 as Advanced Surgical, Orthopedics, and Portable Medical sales grew 14% in comparison to the sequential first quarter.

For the second quarter and first six months of 2016, Cardio and Vascular sales increased $131.3 million and $254.6 million, respectively, versus the comparable 2015 periods. This increase was primarily attributable to the acquisition of Lake Region Medical, which added $132.1 million and $258.0 million of revenue to this product line, respectively. Foreign currency exchange rates did not have a material impact on sales in comparison to the prior year. On an organic constant currency basis, second quarter and first six months of 2016 Cardio and Vascular sales decreased 6% and 14%, respectively, which was primarily due to specific customers' working down their inventory levels. These factors began to subside during the second quarter of 2016 as Cardio and Vascular sales grew 8% in comparison to the sequential first quarter.

For the second quarter and first six months of 2016, Cardiac/Neuromodulation sales were consistent and increased $15.8 million, or 9% versus the comparable 2015 periods, respectively. The Lake Region Medical acquisition added $17.6 million and $37.4 million of revenue to this product line, respectively. Foreign currency exchange rates did not have a material impact on sales in comparison to the prior year. On an organic constant currency basis, second quarter and first six months of 2016 Cardiac/Neuromodulation sales decreased 19% and 12%, respectively. These decreases are primarily attributable to reduced shipments in a limited number of CRM customer programs, resulting in lower orders compared to the prior year, and contractual price reductions. These impacts were driven by both internal and external delays in product launches, customer clinical market share changes, customers lowering inventory levels, and order disruption due to acquisition-related influences in the medical technology markets. These factors were partially offset by growth in sales to neuromodulation customers. Additionally, we believe that CRM sales leveled in the second quarter as the impact from the discrete customer programs have lessened.

For the second quarter and first six months of 2016, Electrochem sales declined 41% and 37%, respectively, versus the comparable 2015 periods. Foreign currency exchange rates did not materially impact this product line during the quarter. These decreases were primarily due to the continued impact of the slowdown in the energy markets, which has caused customers to reduce drilling and exploration volumes. We expect the slowdown in the energy markets to have less of an impact in the second half of 2016, reflecting the reduced orders that occurred in the second half of 2015. Although we cannot determine when a recovery in the energy market will occur, many of our energy customers have publicly indicated that a slow recovery is on the horizon.

Gross Profit

Changes to gross profit as a percentage of sales ("Gross Margin") from the prior year were due to the following:

	Change From Prior Year	
	Three Months	Six Months
Impact of Lake Region Medical [(a)]	(2.4)%	(3.4)%
Production efficiencies, volume and mix [(b)]	(5.8)%	(3.4)%
Performance-based compensation [(c)]	1.9 %	0.9 %
Price [(d)]	(0.5)%	(0.4)%
Other	1.3 %	1.0 %
Total percentage point change to gross profit as a percentage of sales	(5.5)%	(5.3)%

(a) Amount represents the impact to our Gross Margin related to Lake Region Medical, which was acquired in October 2015 and historically had lower Gross Margins than Greatbatch Medical.

(b) Our Gross Margin for 2016 was negatively impacted by lower production volumes, as well as a higher mix of sales of lower margin products partially offset by production efficiencies gained as a result of our investments in capacity and capabilities.

(c) Amount represents the change in performance-based compensation versus the prior year and is recorded based upon the actual results achieved.

(d) Our Gross Margin for 2016 was negatively impacted by price concessions given to our larger OEM customers in return for long-term volume commitments.

SG&A Expenses

Changes to SG&A expenses from the prior year were due to the following (in thousands):

	Change From Prior Year	
	Three Months	Six Months
Performance-based compensation [(a)]	$ (1,027)	$ (275)
Legal fees [(b)]	(1,543)	(581)
Nuvectra SG&A [(c)]	(2,058)	(2,363)
Impact of Lake Region Medical acquisition [(d)]	17,653	36,353
Other	499	(331)
Net increase in SG&A	$ 13,524	$ 32,803

(a) Amounts represent the change in performance-based compensation versus the prior year period and is recorded based upon actual results achieved.

(b) Amounts represent the change in legal costs compared to the prior year period and includes IP related defense costs, as well as other corporate initiatives. In 2013, we filed suit against one of our cardiac/neuromodulation competitors alleging they were infringing on our IP. In January 2016, a jury returned a verdict finding in favor of Integer and awarded us $37.5 million in damages. The finding is subject to post-trial proceedings, including a possible appeal by our competitor. We have not recorded any gains in connection with this litigation as no cash has been received. Costs associated with this litigation accounted for $1.2 million of the quarter over quarter decrease in SG&A expenses from 2015 to 2016 as the trial for this litigation concluded in the first quarter of 2016.

(c) Amounts represent the decrease in SG&A costs attributable to Nuvectra, which was spun-off in March 2016.

(d) Amounts represent the incremental SG&A expenses from Lake Region Medical, which was acquired in October 2015.

RD&E Expenses, Net

Net RD&E expenses are comprised of the following (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
Research, development and engineering costs	$ 15,180	$ 15,273	$ 33,378	$ 29,103
Less: cost reimbursements	(1,540)	(2,210)	(2,432)	(3,495)
Total RD&E, net	$ 13,640	$ 13,063	$ 30,946	$ 25,608

Net RD&E expenses for the 2016 second quarter increased $0.6 million versus the comparable 2015 period as $3.3 million of additional RD&E expenses from Lake Region Medical and $0.7 million of lower customer cost reimbursements was offset by a $4.7 million decrease in RD&E as a result of the Spin-off. For the six months ended July 1, 2016, net RD&E expenses increased $5.3 million versus the comparable 2015 period primarily due to $6.2 million of net RD&E costs added from Lake Region Medical, as well as $1.1 million of lower customer cost reimbursements, which were partially offset by a $4.9 million decrease in RD&E as a result of the Spin-off. The remainder of the quarter over quarter and first six months increases were attributable to an increased level of research and development investments in order to support organic growth initiatives including development opportunities in the Neurostimulation, Structural Heart, Neuro Vascular and Peripheral Vascular markets, which is expected to generate future revenues over the longer-term.

Other Operating Expenses, Net

Other Operating Expenses, Net is comprised of the following (in thousands):

	Three Months Ended		Six Months Ended	
	July 1, 2016	July 3, 2015	July 1, 2016	July 3, 2015
2014 investments in capacity and capabilities [(a)]	$ 5,126	$ 6,051	$ 9,279	$ 12,738
Orthopedic facilities optimization [(a)]	162	518	299	991
Legacy Lake Region Medical consolidations [(a)]	2,088	—	4,447	—
Acquisition and integration costs [(b)]	7,859	98	17,824	164
Asset dispositions, severance and other [(c)]	259	1,083	4,785	1,712
Total other operating expenses, net	$ 15,494	$ 7,750	$ 36,634	$ 15,605

(a) Refer to "Cost Savings and Consolidation Efforts" section of this Item and Note 9 "Other Operating Expenses, Net" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for disclosures related to the timing and level of remaining expenditures for these initiatives.

(b) During the second quarter and first six months of 2016, we incurred $0.4 million and $1.8 million, respectively in transaction costs related to the acquisition of Lake Region Medical, which primarily included professional and consulting fees. Additionally, during the second quarter and first six months of 2016, we incurred $7.2 million and $16.0 million, respectively, in Lake Region Medical integration costs, which primarily included change-in-control payments to former Lake Region Medical executives, as well as professional, consulting, severance, retention, relocation, and travel costs. Refer to Note 9 "Other Operating Expenses, Net" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for disclosures related to the timing and level of remaining expenditures for acquisition and integration costs.

(c) During the first six months of 2016 and 2015, we incurred legal and professional costs in connection with the Spin-off of Nuvectra of $4.4 million ($0.08 million in the second quarter of 2016) and $1.5 million ($1.0 million in the second quarter of 2015), respectively. Refer to Note 2 "Divestiture and Acquisition" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for additional discussion on the Spin-off.

We continually evaluate our operating structure in order to maximize efficiencies and drive margin expansion. Other Operating Expenses, Net for 2016 are expected to be approximately $55 million to $65 million.

Interest Expense

Interest expense for the second quarter of 2016 was $27.9 million compared to $1.2 million for the second quarter of 2015. For the six months ended July 1, 2016, interest expense totaled $55.5 million compared to $2.3 million for the same period in 2015. These increases were primarily due to $1.76 billion of debt borrowed in connection with the Lake Region Medical acquisition and $55.0 million borrowed in connection with the Spin-off. See Note 6 "Debt" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information pertaining to our debt.

Other Expense (Income), Net

Other Expense (Income), Net for the first six months of 2016 and 2015 includes income realized on our cost and equity method investments of $1.2 million ($0.1 million loss for the second quarter of 2016) and $0.5 million ($0.04 gain for the second quarter of 2015), respectively. As of July 1, 2016 , we had $24.7 million of investments in equity and other cost method securities. The total carrying value of these investments is reviewed quarterly for changes in circumstance or the occurrence of events that suggest our investment may not be recoverable. These investments are in start-up research and development companies whose fair value is highly subjective in nature and could be subject to significant fluctuations in the future that could result in material gains or losses.

Other Expense (Income), Net includes the impact of foreign currency exchange rate gains (losses) on transactions denominated in foreign currencies. We recognized a loss of $0.6 million and a gain of $0.2 million on foreign currency exchange during the second quarter of 2016 and 2015, respectively. For the first six months of 2016 and 2015, we recognized foreign currency exchange gains of $1.8 million and $1.3 million, respectively. Going forward, we expect the impact of foreign currency exposures could be more significant to our consolidated results versus historical levels given the inclusion of Lake Region Medical's foreign operations, which increased our exposure to foreign currencies, primarily the Euro, Mexican Peso and Malaysian Ringgit. See Item 3 "Quantitative and Qualitative Disclosures About Market Risk" of this report for disclosures related to our most significant foreign currency exposures.

Provision for Income Taxes

We recognized income tax expense of $1.5 million for the second quarter of 2016 on $0.7 million of pre-tax income compared to income tax expense of $2.7 million on $11.9 million of pre-tax income for the same period of 2015. The GAAP effective tax rate for the first six months of 2016 was (11.2%) on $12.1 million of losses before the provision for income taxes compared to 20.5% on $21.8 million of income before provision for income taxes for the same period of 2015. The GAAP effective tax rate for the first six months of 2016 includes the impact of a $1.3 million discrete tax charge related to non-deductible Lake Region Medical and Spin-off related expenses, which is added back for adjusted diluted EPS purposes. The three and six month periods of 2015 do not include the benefit of the Federal R&D tax credit which was enacted during the fourth quarter of 2015 and has been permanently reinstated.

Excluding the impact of the above items, our adjusted effective tax rate for the second quarter and first six months of 2016 was 32.8% and 37.1%, respectively, compared to 22.0% and 21.3%, respectively, for the 2015 second quarter and first six months of 2015. This increase is primarily attributable to the Company tax affecting its non-GAAP adjustments at the statutory rate, consistent with its adjusted diluted EPS methodology, but at the lower expected full-year effective tax rate for GAAP purposes as required. The impact from these differences is expected to reverse over the remaining two quarters of 2016 and our full year GAAP and comparable basis adjusted effective tax rate is expected to be 6% and 30%, respectively. Cash taxes are expected to be approximately $8 million for 2016.

We expect there to be continued volatility of this effective tax rate due to several factors, including the impact of the Lake Region Medical acquisition, changes in the mix of pre-tax income and the jurisdictions to which it relates, changes in tax laws and foreign tax holidays, business reorganizations, settlements with taxing authorities and foreign currency fluctuations. We continuously evaluate and currently have various tax planning initiatives in place that are aimed at reducing our effective tax rate over the long-term.

Government Regulation

The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act (collectively “Health Care Reform”) legislated broad-based changes to the U.S. healthcare system that could significantly impact our business operations and financial results, including higher or lower revenue, as well as higher employee medical costs and taxes. Health Care Reform imposes significant new taxes on medical device OEMs, which will result in a significant increase in the tax burden on our industry and which could have a material negative impact on our financial condition, results of operations and our cash flows. Beginning on January 1, 2016, the medical device excise tax was suspended through December 31, 2017, but if this suspension is not continued or made permanent thereafter, the medical device excise tax will be automatically reinstated starting on January 1, 2018. Other elements of Health Care Reform such as comparative effectiveness research, an independent payment advisory board, payment system reforms including shared savings pilots and other provisions could meaningfully change the way healthcare is developed and delivered, and may materially impact numerous aspects of our business, results of operations and financial condition. Many significant parts of Health Care Reform will be phased in over the next several years and require further guidance and clarification in the form of regulations.

In the first quarter of 2014, we initiated a voluntary field corrective action for all Standard Offset Cup Impactors after an internal review determined that the sterilization recommendation in the instructions for use for the product did not meet requirements for sterility assurance, which has the potential to result in surgical infection. We have validated two sterilization parameters that meet acceptable sterility assurance levels and provided them to affected customers. We have informed the FDA and other government agencies of this action, which impacts all Standard Offset Cup Impactors manufactured and distributed from 2004 to 2013. We have received three complaints possibly related to this issue, however no adverse events have been reported.

Future customer complaints or negative regulatory actions regarding this or any of our products could harm our operating results or financial condition.

Liquidity and Capital Resources

(Dollars in thousands)	As of July 1, 2016	As of January 1, 2016
Cash and cash equivalents	$ 36,590	$ 82,478
Working capital	$ 316,611	$ 360,764
Current ratio	2.46	2.69

The decrease in cash and cash equivalents, working capital, and current ratio from the end of 2015 was primarily due to the $76.3 million of cash spun-off with Nuvectra, which was funded with cash on hand as well as $55.0 million of borrowings on our revolving line of credit. Cash flows from operating activities for the first six months of 2016 were $33.8 million, and were negatively impacted by $37.2 million of consolidation, IP related litigation, acquisition, integration and Spin-off related expenses, which were predominately cash expenditures. During the first six months of 2016, we also invested $30.4 million in property, plant and equipment as well as repaid $14.5 million on our outstanding term loans. Of the $36.6 million of cash and cash equivalents on hand as of July 1, 2016 , $24.6 million is being held at our foreign subsidiaries and is considered permanently reinvested.

Credit Facilities – As of July 1, 2016, we had senior secured credit facilities (the "Senior Secured Credit Facilities") that consists of (i) a $200 million revolving credit facility (the "Revolving Credit Facility"), which had $55 million drawn as of July 1, 2016, (ii) a $366 million term loan A facility (the "TLA Facility"), and (iii) a $1,020 million term loan B facility (the "TLB Facility"). Additionally, as of July 1, 2016, we had $360 million aggregate principal amount of 9.125% senior notes due on November 1, 2023 (the "Senior Notes") outstanding. The Revolving Credit Facility will mature on October 27, 2020, the TLA Facility will mature on October 27, 2021 and the TLB Facility will mature on October 27, 2022. The TLB facility was issued at a 1% discount. The Senior Secured Credit Facilities include mandatory prepayments customary for credit facilities of its nature.

The Revolving Credit Facility and TLA Facility contain financial covenants requiring (A) a maximum total net leverage ratio (as defined in the Senior Secured Credit Facilities) of 6.5:1.00, subject to step downs beginning in the fourth quarter of 2016 and (B) a minimum interest coverage ratio of adjusted EBITDA (as defined in the Senior Secured Credit Facilities) to interest expense of 3.00:1.00. As of July 1, 2016, our total net leverage ratio, calculated in accordance with our credit agreement, was approximately 5.66 to 1.00. For the twelve month period ended July 1, 2016, our ratio of adjusted EBITDA to interest expense, calculated in accordance with our credit agreement, was approximately 3.46 to 1.00. Failure to comply with these financial covenants would result in an event of default as defined under the Revolving Credit Facility and TLA Facility unless waived by the lenders. An event of default under the Revolving Credit Facility and TLA Facility can result in the acceleration of our indebtedness. As a result, management believes that compliance with these covenants is material to us. As of July 1, 2016, we were in full compliance with the financial covenants described above. However, a significant increase in the LIBOR interest rate (i.e. above 1%) and/or a continued decline in our operating performance, and in particular our sales and/or adjusted EBITDA, could result in our inability to meet these financial covenants and lead to an event of default if a waiver or amendment could not be obtained from our lenders.

The Revolving Credit Facility is supported by a consortium of fourteen banks with no bank controlling more than 27% of the facility. As of July 1, 2016, the banks supporting 88% of the Revolving Credit Facility each had an S&P credit rating of at least BBB or better, which is considered investment grade. The banks which support the remaining 12% of the Revolving Credit Facility are not currently being rated.

See Note 6 "Debt" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for a further description on the Company's outstanding debt.

Operating Activities – Cash provided by operations for the first six months of 2016 was $33.8 million as compared to $22.5 million for the comparable 2015 period. This increase was primarily due to a $14.9 million increase in cash flow provided by working capital partially offset by lower cash net income. The cash flow from working capital accounts primarily related to a decrease in accounts receivable, due to the timing of collections, as well as a $13.7 million increase in accounts payable due to efforts to more effectively manage vendor payment terms. One of our key priorities for the remainder of the year will be to actively reduce our working capital levels, and in particular inventory levels, to improve our cash conversion cycle.

Investing Activities – Net cash used in investing activities for the first six months of 2016 was $33.3 million compared to $26.0 million in the comparable 2015 period. This included $30.4 million of cash used in 2016 for the purchase of property, plant, and equipment in connection with the consolidation and optimization initiatives discussed in Note 9 "Other Operating Expenses, Net" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report, as well as routine capital expenditures. Our current expectation is that capital spending for 2016 will be in the range of $50 million to $60 million, of which approximately half is discretionary in nature. We anticipate that cash on hand, cash flows from operations and available borrowing capacity under our Revolving Credit Facility will be sufficient to fund these capital expenditures.

Financing Activities – Net cash used in financing activities for the first six months of 2016 was $46.7 million compared to $0.5 million for the comparable 2015 period. This consisted primarily of $76.3 million of cash that was spun off to Nuvectra, which was partially funded by $55.0 million of borrowings incurred under our Revolving Credit Facility. Additionally, during the first six months of 2016, we paid $6.8 million to purchase the remaining non-controlling interests in QiG's Algostim and PelviStim subsidiaries, which were included as part of the Spin-off, and made the mandatory principal payments of $14.5 million on our outstanding Senior Secured Credit Facilities. See Note 2 "Divestiture and Acquisition" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for a further description of the Spin-off.

Capital Structure – As of July 1, 2016, our capital structure consists of $1.8 billion of debt outstanding on our Senior Secured Credit Facilities and Senior Notes and 30.8 million shares of common stock outstanding. If necessary, we currently have access to $134.1 million under our Revolving Credit Facility. This amount may vary from period to period based upon our debt and EBITDA levels, which impacts the covenant calculations discussed above. If necessary, we are also authorized to issue 100 million shares of common stock and 100 million shares of preferred stock. As of July 1, 2016, our debt service obligations, comprised of principal and interest for the remainder of 2016, are estimated to be approximately $67 million.

Based on current expectations, we believe that our projected cash flows provided by operations, available cash and cash equivalents and potential borrowings under the Revolving Credit Facility should be sufficient to meet our working capital and fixed capital requirements for the next twelve months. If our future financing needs increase, we may need to arrange additional debt or equity financing. Accordingly, we evaluate and consider from time to time various financing alternatives to supplement our financial resources. However, we cannot be assured that we will be able to enter into any such arrangements on acceptable terms or at all. We have clear line of sight to the Lake Region Medical acquisition synergies and believe we will be able to de-lever the Company to 3.5X to 3X adjusted EBITDA over the next two to three years.

Non-Guarantor Information – For the six months ended July 1, 2016 , after giving pro forma effect to the completion of the Spin-off, the non-Guarantors for our Senior Secured Credit Facilities represented approximately 29% and 40% of our revenue and EBITDA, respectively. In addition, as of July 1, 2016 , after giving pro forma effect to the completion of the Spin-off, the non-Guarantors for our Senior Secured Credit Facilities held approximately 28% of our total tangible assets and 3% of our total tangible liabilities. Tangible assets consist of total assets less intangible assets, intercompany receivables, and deferred taxes. Tangible liabilities consist of total liabilities less intercompany payables and deferred taxes.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements within the meaning of Item 303(a)(4) of Regulation S-K.

Impact of Recently Issued Accounting Standards

In the normal course of business, we evaluate all new accounting pronouncements issued by the Financial Accounting Standards Board ("FASB"), SEC, Emerging Issues Task Force ("EITF") or other authoritative accounting bodies to determine the potential impact they may have on our Condensed Consolidated Financial Statements. See Note 16 "Impact of Recently Issued Accounting Standards" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information about these recently issued accounting standards and their potential impact on our financial condition or results of operations.

Contractual Obligations

A table of our contractual obligations as of January 1, 2016 was included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K for the fiscal year ended January 1, 2016. There have been no significant changes to our contractual obligations during the six months ended July 1, 2016 . See Note 6 "Debt" and Note 11 "Commitments and Contingencies" of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for further discussion on our contractual obligations.

Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. Our estimates, assumptions and judgments are based on historical experience and various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Making estimates, assumptions and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Management believes the estimates, assumptions and judgments employed and resulting balances reported in the Condensed Consolidated Financial Statements are reasonable; however, actual results could differ materially.

There have been no significant changes to the critical accounting policies and estimates as compared to those disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency **–** As of July 1, 2016, we have foreign operations in Ireland, Germany, France, Switzerland, Mexico, Uruguay, and Malaysia, which expose us to foreign currency exchange rate fluctuations due to transactions denominated in Euros, Swiss francs, Mexican pesos, Uruguayan pesos, and Malaysian ringgits. We continuously evaluate our foreign currency risk, and we use operational hedges, as well as forward currency exchange rate contracts, to manage the impact of currency exchange rate fluctuations on earnings and cash flows. We do not enter into currency exchange rate derivative instruments for speculative purposes. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have had an impact of approximately $13 million on our annual sales. This amount is not indicative of the hypothetical net earnings impact due to partially offsetting impacts on cost of sales and operating expenses in those currencies. We estimate that foreign currency exchange rate fluctuations during the six months ended July 1, 2016 decreased sales in comparison to the 2015 period, including Lake Region Medical sales, by approximately $1.0 million.

We have historically entered into forward contracts to purchase Mexican pesos in order to hedge the risk of peso-denominated payments associated with our operations in Mexico. These forward contracts are accounted for as cash flow hedges. The amount recorded during the six months ended July 1, 2016 and July 3, 2015 related to our forward contracts was an increase in Cost of Sales of $1.4 million and $0.7 million, respectively. No portion of the change in fair value of our foreign currency exchange rate contracts during the six months ended July 1, 2016 or July 3, 2015 was considered ineffective. As of July 1, 2016, our outstanding contracts had a net negative fair value of $0.9 million. See Note 11 "Commitments and Contingencies" to the Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information regarding our outstanding forward contracts.

We translate all assets and liabilities of our foreign operations, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translate sales and expenses at the average exchange rates in effect during the period. The net effect of these translation adjustments is recorded in the Condensed Consolidated Financial Statements as Comprehensive Income (Loss). The translation adjustment for the first six months of 2016 and 2015 was a gain of $9.1 million and a loss of $1.6 million, respectively. Translation adjustments are not adjusted for income taxes as they relate to permanent investments in our foreign subsidiaries. Net foreign currency transaction gains and losses included in Other Income, Net amounted to a gain of $1.8 million and $1.3 million for the first six months of 2016 and 2015 , respectively. A hypothetical 10% change in the value of the U.S. dollar in relation to the Euro, our most significant foreign currency net asset exposure, would have had an impact of approximately $43 million on our foreign net assets as of July 1, 2016 .

Interest Rates **–** Historically, we have entered into interest rate swap agreements in order to hedge against potential changes in cash flows on our outstanding variable rate debt. As a result of the Lake Region Medical acquisition, the forecasted cash flows that our interest rate swaps were hedging were no longer expected to occur. Accordingly, during the fourth quarter of 2015, we terminated our outstanding interest rate swap agreements at that time.

On June 20, 2016, we entered into a three-year $200 million interest rate swap with an effective date of June 27, 2017 to hedge against potential changes in cash flows on the outstanding TLA Facility borrowings, which are also indexed to the one-month LIBOR rate. Under the terms of the swap agreem ent, we will receive a floating interest rate indexed to the one-month LIBOR rate and pay a fixed interest rate of 1.1325%. The variable rate received on the interest swap and the variable rate paid on the TLA Facility will have the same rate of interest, excluding the credit spread, and will reset and pay interest on the same date. The swap is being accounted for as a cash flow hedge. As of July 1, 2016, this swap has a negative fair value of $1.8 million.

On July 7, 2016, we entered into an additional interest rate swap in order to hedge against potential changes in cash flows on the outstanding borrowings under the TLA Facility. The notional amount of the swap is $250 million and was effective on July 27, 2016 and will terminate on June 27, 2017. Under the terms of the swap agreement, the Company will pay a fixed interest rate of 0.615% and receive a floating interest rate equal to the one-month LIBOR rate. The variable rate received on the interest swap and the variable rate paid on the TLA Facility will have the same rate of interest, excluding the credit spread, and will reset and pay interest on the same date. The swap will be accounted for as a cash flow hedge.

As of July 1, 2016, we had $1.8 billion in outstanding debt, of which $360 million related to our Senior Notes which has a fixed interest rate of 9.125%, $366 million related to our TLA Facility and $55 million related to our Revolving Credit Facility, which both have a variable interest rate, and $1,020 million related to our TLB Facility which has a 1.00% LIBOR floor, thus has a variable interest rate when LIBOR is above 1.00%. Interest rates on our TLA Facility, TLB Facility, and Revolving Credit Facility reset, at our option, based upon the prime rate or LIBOR rate, thus subjecting us to interest rate risk. We continuously evaluate our interest rate risk exposures and may take steps to mitigate these exposures as appropriate. Refer to Note 6 “Debt” of the Notes to the Condensed Consolidated Financial Statements contained in Item 1 of this report for additional information about our outstanding debt. A hypothetical one percentage point (100 basis points) increase in the LIBOR rate on the $1.2 billion of unhedged variable rate debt outstanding would increase our annual interest expense by approximately $6.4 million.

ITEM 4. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

Our management, including the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization and reporting of information in our reports that we file with the Securities and Exchange Commission as of July 1, 2016 . These disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to us, including our subsidiaries, is made known to our management, including these officers, by our employees, and that this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based on their evaluation, as of July 1, 2016 , our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

b. Changes in Internal Control Over Financial Reporting

We acquired the following subsidiary during 2015:

- *Lake Region Medical Holdings, Inc.*

We believe that the internal controls and procedures of the above mentioned subsidiary are reasonably likely to materially affect our internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of this subsidiary into our internal controls over financial reporting.

The Company is extending its Section 404 compliance program under the Sarbanes-Oxley Act of 2002 (the “Act”) and the applicable rules and regulations under such Act to include this subsidiary. However, the Company excluded this subsidiary from management’s assessment of the effectiveness of internal control over financial reporting as of January 1, 2016 as permitted by the guidance issued by the Office of the Chief Accountant of the Securities and Exchange Commission.

Other than as described above, there were no changes in the registrant’s internal control over financial reporting during our last fiscal quarter to which this Quarterly Report on Form 10-Q relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There were no new material legal proceedings that are required to be reported in the quarter ended July 1, 2016 , and no material developments during the quarter in the Company’s legal proceedings as previously disclosed in the Company’s Annual Report on Form 10-K for the year ended January 1, 2016 .

ITEM 1A. RISK FACTORS

There have been no material changes to the Company’s risk factors as previously disclosed in the Company’s Annual Report on Form 10-K for the year ended January 1, 2016 .

ITEM 5. OTHER INFORMATION

Restated Certificate of Incorporation of Integer Holdings Corporation

On August 8, 2016, we filed a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to restate and integrate previously approved and filed amendments to such Certificate of Incorporation. The Restated Certificate of Incorporation is filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q.

Amended By-Laws of Integer Holdings Corporation

On August 3, 2016, our Board of Directors approved amendments to our By-Laws (as amended, the "Amended By-Laws"). In addition to technical revisions, the amendments to our Amended By-Laws made the following substantive changes:

Section 1.1 was amended to reflect that the name of our parent company was changed from Greatbatch, Inc. to Integer Holdings Corporation.

Section 1.1(f) was added to the Amended By-Laws to require that a stockholder proposing business to be conducted at an annual meeting is required to update and supplement the information contained in his or her initial advance notice delivered to our Secretary such that this information is true and correct as of the record date for the annual meeting and as of the date that is 10 business days prior to the annual meeting.

Section 1.2 was amended to provide that a special meeting of stockholders may also be called by the Chairman of the Board or our Chief Executive Officer. Under the prior provision, a special meeting was only able to be called by the order of our Board of Directors.

Section 1.4 was amended to reflect an update to applicable Delaware law in that a stockholder list may also be made available on a reasonably accessible electronic network at least 10 days prior to the date of any stockholder meeting.

Section 1.6(b) was added to the Amended By-Laws to clarify that the order of business and all other matters of procedure at every meeting of shareholders are to be determined by the presiding officer at the meeting.

Section 1.7(c) was amended to clarify that the voting standard to be used in the case of a matter submitted for vote of the stockholders as to which a stockholder approval requirement is set forth by the stock exchange on which our shares are then listed, the Exchange Act or any provision of the Internal Revenue Code will be, unless a higher voting requirement is required under Delaware law, our Certificate of Incorporation or our Amended By-Laws, the vote specified by the stock exchange on which our shares are then listed, the Exchange Act or any provision of the Internal Revenue Code.

Section 2.3(c) was amended to require that certain additional information must be provided in a stockholder's advance notice delivered to our Secretary in connection with such stockholder's nomination of a director for election to our Board of Directors.

Section 2.3(d) was added to the Amended By-Laws to require that a stockholder nominating a director for election to our Board of Directors is required to update and supplement the information contained in his or her initial advance notice delivered to our Secretary such that this information is true and correct as of the record date for the annual meeting and as of the date that is 10 business days prior to the annual meeting.

Section 4.1 was amended to clarify the process to be used in connection with adding and removing members of the committees of our Board of Directors.

Section 7.5 was amended to provide updated procedures to be used in connection with lost, stolen or destroyed stock certificates.

Article 12 was amended to provide updated procedures to be used in connection with the providing of notice to our stockholders and for the waiver of notice by our stockholders.

The foregoing summary is qualified in its entirety by reference to the full text of the Amended By-Laws, which are filed as Exhibit 3.2 hereto.

Employment Agreement and Amended and Restated Change of Control Agreement with Thomas J. Hook

On August 5, 2016, we entered into a new one-year employment agreement (the "Employment Agreement") and an amended and restated change of control agreement (the "Amended Change of Control Agreement") with Thomas J. Hook, the President and Chief Executive Officer of Integer. The Employment Agreement is the result of our Board of Directors' review of current compensation and employment contract practices among our peer group companies. The Employment Agreement has an initial term that expires on August 4, 2017, subject to renewal periods as provided for in the Employment Agreement.

Under the terms of the Employment Agreement, Mr. Hook's base salary is $800,000 per year, subject to annual review, and Mr. Hook is eligible to participate in our cash and equity-based incentive award programs available to our executive officers. Mr. Hook's short term cash incentive plan target is currently equal to 100% of his annual base salary. In addition, Mr. Hook is currently eligible to receive an award under our long term incentive program in an amount up to 430% of his annual base salary. Mr. Hook is also eligible to participate in any health and medical, pension, profit-sharing, retirement and insurance plans and programs that are generally offered to our executive officers.

In the event of Mr. Hook's permanent disability (as defined in the Employment Agreement) or death, the Employment Agreement provides for (i) receipt of a lump sum payment in an amount equal to Mr. Hook's then-current base salary for one year; (ii) the continuation of benefits for a period of one year and receipt of a lump sum payment in an amount equal to our financial contribution towards Mr. Hook's benefits for the one year period; and (iii) the immediate vesting of all outstanding time-based equity awards and the vesting of performance-based equity awards in accordance with the provisions of the applicable equity plan under which such awards were granted. In the event of Mr. Hook's termination of employment without cause or with good reason (each as defined in the Employment Agreement), the Employment Agreement provides for (i) the receipt of a lump sum payment in an amount equal to Mr. Hook's then-current base salary for one year; (ii) the receipt of a severance payment in an amount equal to 100% of Mr. Hook's then-current base salary; and (iii) immediate vesting (in the case of time-based awards) and continued pro-rata vesting based upon achievement of performance metrics (in the case of performance-based awards) of outstanding equity awards.

The Employment Agreement contains standard confidentiality and inventions provisions and a non-competition provision restricting Mr. Hook, except in connection with a termination without cause, from competing with us or soliciting our employees during the term of the Employment Agreement and for a period of 24 months thereafter.

The Amended Change of Control Agreement was amended (i) to make technical revisions to align with the terms of the Employment Agreement and (ii) to amend the prior terms for purposes of compliance with Internal Revenue Code Section 280G. Other than the revisions described in the prior sentence, the terms of Amended Change of Control Agreement remain substantially consist with the terms of Mr. Hook's prior change of control agreement.

With respect to any event affecting Mr. Hook's employment covered by both the Amended Change of Control Agreement and the Employment Agreement, Mr. Hook will receive benefits under the agreement that provides the higher level of those benefits, without duplication.

The foregoing summary is qualified in its entirety by reference to the full text of Employment Agreement and Amended Change of Control Agreement, which are filed as Exhibits 10.2 and 10.3, respectively, hereto.

ITEM 6. EXHIBITS

See the Exhibit Index for a list of those exhibits filed herewith.

SIGNATURES

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

Dated: August 9, 2016

INTEGER HOLDINGS CORPORATION

By: /s/ Thomas J. Hook

Thomas J. Hook
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael Dinkins

Michael Dinkins
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Thomas J. Mazza

Thomas J. Mazza
Vice President, Corporate Controller and Treasurer
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1*	Restated Certificate of Incorporation of Integer Holdings Corporation
3.2*	By-laws of Integer Holdings Corporation
10.1*	Amendment No. 1 to the Transition Services Agreement between Greatbatch, Inc. and Nuvectra Corporation
10.2*	Employment Agreement, dated August 5, 2016, between Integer Holdings Corporation and Thomas J. Hook
10.3*	Amended and Restated Change of Control Agreement, dated August 5, 2016, between Integer Holdings Corporation and Thomas J. Hook
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Extension Schema Document
101.CAL*	XBRL Extension Calculation Linkbase Document
101.LAB*	XBRL Extension Label Linkbase Document
101.PRE*	XBRL Extension Presentation Linkbase Document
101.DEF*	XBRL Extension Definition Linkbase Document

* Filed herewith.
** Furnished herewith.

RESTATED CERTIFICATE OF INCORPORATION

OF

INTEGER HOLDINGS CORPORATION

INTEGER HOLDINGS CORPORATION, a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is INTEGER HOLDINGS CORPORATION (the "Corporation").

2. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 13, 1997 under the name WGL Holdings, Inc. A subsequent Amended and Restated Certificate of Incorporation under the name Wilson Greatbatch Technologies, Inc. was filed with the Secretary of State of the State of Delaware on September 25, 2000, which has been subsequently amended.

3. That at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed restatement of the Amended and Restated Certificate of Incorporation of the Corporation.

4. That said restatement was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. The restatement only restates and integrates and does not further amend the provisions of the Corporation's Amended and Restated Certificate of Incorporation as theretofore amended, and that there is no discrepancy between those provisions and the provisions of the Restated Certificate of Incorporation set forth herein.

5. The Restated Certificate of Incorporation is hereby restated to read in its entirety as follows:

FIRST: The name of the Corporation is "INTEGER HOLDINGS CORPORATION" (the "Corporation").

SECOND: The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. The registered agent for the Corporation at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended from time to time (the "DGCL").

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 200,000,000 shares, consisting of

(i) 100,000,000 shares of Preferred Stock, $.001 par value per share, and

(ii) 100,000,000 shares of Common Stock, $.001 par value per share.

Except as otherwise provided by law, the shares of capital stock of the Corporation, regardless of class, may be issued by the Corporation from time to time in such amounts, for such lawful consideration and for such corporate purpose(s) as the Board of Directors may from time to time determine.

Shares of Preferred Stock may be issued from time to time in one or more series of any number of shares as may be determined from time to time by the Board of Directors; provided that the aggregate number of shares issued and not canceled of any and all such series shall not exceed the total number of shares of Preferred Stock authorized by this paragraph FOURTH. Each series of Preferred Stock shall be distinctly designated. The Board of Directors is hereby expressly granted authority to fix, in the resolution or resolutions providing for the issuance of a particular series of Preferred Stock, the voting powers, if any, of each such series, and the designations, preferences and relative, participating, optional and other special rights of each such series, and the qualifications, limitations and restrictions thereof to the fullest extent now or hereafter permitted by this Restated Certificate of Incorporation and the laws of the State of Delaware.

Subject to the provisions of applicable law or of the Corporation's By-Laws with respect to the closing of the transfer books or the fixing of a record date for the determination of stockholders entitled to vote, and except as otherwise provided by law, by this Restated Certificate of Incorporation or by the resolution or resolutions of the Board of Directors providing for the issuance of any series of Preferred Stock as aforesaid, the holders of outstanding shares of Common Stock shall exclusively possess the voting power for the election of directors of the Corporation and for all other purposes as prescribed by applicable law, with each holder of record of shares of Common Stock having voting power being entitled to one vote for each share of Common Stock registered in his or its name on the books, registers and/or accounts of the Corporation.

FIFTH: A director of the Corporation shall not be personally liable either to the Corporation or to any stockholder for monetary damages for breach of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, or (ii) for acts or omissions which are not taken or omitted to be taken in good faith or which involve intentional misconduct or knowing violation of the law, or (iii) for any matter in respect of which such director shall be liable under Section 174 of Title 8 of the DGCL or any amendment or successor provision thereto, or (iv) for any transaction from which the director shall have derived an improper personal benefit. Neither the amendment nor the repeal of this paragraph FIFTH nor the adoption of any provision of this Restated Certificate of Incorporation inconsistent

with this paragraph FIFTH shall eliminate or reduce the effect of this paragraph FIFTH in respect of any matter occurring, or any cause of action, suit or claim that, but for this paragraph FIFTH, would accrue or arise prior to such amendment, repeal or adoption of an inconsistent provision.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to, or testifies in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative in nature, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by the DGCL and any other applicable law, as from time to time in effect, and the Corporation may adopt bylaws or enter into agreements with any such person for the purpose of providing for such indemnification. Such right of indemnification shall not be deemed exclusive of any other rights to which such director, officer, employee or agent may be entitled apart from the foregoing provisions.

SIXTH: The Board of Directors is expressly authorized to amend, alter, change, adopt or repeal any or all of the By-Laws of the Corporation.

* * * *

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be executed in its corporate name by its Senior Vice President, Secretary and General Counsel, on this 8th day of August, 2016.

INTEGER HOLDINGS CORPORATION

By:	/s/ Timothy G. McEvoy
Name:	Timothy G. McEvoy
Title:	Senior Vice President, Secretary and General Counsel

BY-LAWS
OF
INTEGER HOLDINGS CORPORATION
(A DELAWARE CORPORATION)

(Amended as of August 3, 2016)

Article 1
STOCKHOLDERS

Section 1.1 ANNUAL MEETINGS. (a) The annual meeting of the holders of such classes or series of capital stock as are entitled to notice thereof and to vote thereat pursuant to the provisions of the restated certificate of incorporation (the "Certificate of Incorporation") of Integer Holdings Corporation (the "Corporation") for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on such date as may be designated by resolution of the Board of Directors or, in the event that no such date is so designated, on the fourth Thursday in May of each year, at such hour (within ordinary business hours) as shall be stated in the notice of the meeting. If the day so designated shall be a legal holiday, then such meeting shall be held on the next succeeding business day. Each annual meeting of stockholders shall be held at such place, within or without the State of Delaware, as shall be determined by the Board of Directors.

(b) An annual meeting of stockholders may be adjourned by the presiding officer of the meeting for any reason (including, if the presiding officer determines that it would be in the best interests of the Corporation, to extend the period of time for the solicitation of proxies) from time to time and place to place until such presiding officer shall determine that the business to be conducted at the meeting is completed, which determination shall be conclusive.

(c) The only business that shall be conducted at an annual meeting of stockholders shall be that which shall have been properly brought before the annual meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplements or addenda thereto) given by or at the direction of the Board of Directors, (ii) brought before the annual meeting by or at the direction of the Board of Directors, or (iii) brought before the annual meeting by a stockholder that (A) is a stockholder of record at the time of giving of notice provided for in this Section 1.1 of these By-laws and at the time of the annual meeting, (B) is entitled to vote at the annual meeting, (C) proposes the business be conducted at the annual meeting pursuant to timely notice in proper written form to the Secretary of the Corporation, and (D) otherwise complies with the procedures set forth in this Section 1.1 of these By-laws.

(d) To be timely, a stockholder's notice must be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not less than 90 calendar days nor more than 120 calendar days prior to the anniversary date of the previous year's annual meeting of stockholders (or if there was no such prior annual meeting, not less than 90 calendar

days nor more than 120 calendar days prior to the date that represents the fourth Thursday in May of the current year); PROVIDED, HOWEVER, that in the event that the date of the annual meeting is advanced by more than 20 calendar days, or delayed by more than 60 calendar days, from such anniversary date, then, to be considered timely, notice by the stockholder must be received not later than the close of business on the later of (x) the 90th calendar day prior to the annual meeting or (y) the seventh calendar day following the date on which notice of the date of the annual meeting was mailed to stockholders or public disclosure thereof was otherwise made. In no event shall any postponement or adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above.

(e) To be in proper written form, a stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for transacting such business at the annual meeting; (ii) the text of the proposal or business (including the text of any resolution for consideration and in the event that such business includes a proposal to amend these By-laws, the language of the proposed amendment); (iii) the name and address, as they appear on the Corporation's most recent stockholder lists, of the stockholder proposing such proposal and any Stockholder Related Person (as defined below); (iv) a representation that the stockholder giving the notice is a holder of record of stock of the Corporation entitled to vote at such annual meeting and intends (A) to be a holder of record of stock of the Corporation at the time of the annual meeting and (B) to appear in person or by proxy at the annual meeting to propose the business specified in the notice; (v) the class and number of shares of any securities of the Corporation that are beneficially owned or held of record by the stockholder giving the notice or any Stockholder Related Person; (vi) a description of (A) any derivative positions in any securities of the Corporation directly or indirectly held or beneficially owned by the stockholder or any Stockholder Related Person and (B) any hedging or other transaction or series of transactions, agreement, arrangement or understanding with respect to any of the Corporation's securities entered into or made by such stockholder or any Stockholder Related Person; (vii) a description of all contracts, arrangements, relationships or understandings between or among such stockholder, any Stockholder Related Person and any other person(s) (including their names) in connection with the proposal of such business, and any material interest of the stockholder or any Stockholder Related Person in such business; (viii) any other information relating to the stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (whether or not such stockholder intends to deliver a proxy statement or conduct its own proxy solicitation); and (ix) a statement as to whether either such stockholder, beneficial owner or Stockholder Related Person intends to deliver a proxy statement and form of proxy to the holders of at least the percentage of shares of the Corporation entitled to vote that is required to approve such proposal. Notwithstanding the foregoing, in order to include information relating to a stockholder proposal in the Corporation's proxy statement and form of proxy for an annual meeting of stockholders, a stockholder must provide notice as required by, and otherwise comply with, all of the content, procedural and other requirements of Rule 14a-8 of Regulation 14A under the Exchange Act, irrespective of whether the Corporation is then subject to such Rule or the Exchange Act. In addition, if the stockholder's ownership of shares

of the Corporation, as set forth in the notice, is solely beneficial (and not of record) documentary evidence satisfactory to the Corporation of such ownership must accompany the notice in order for such notice to be considered validly and timely received. A "Stockholder Related Person" of any stockholder means (1) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (2) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder, and (3) any person controlling, controlled by or under common control with, such Stockholder Related Person.

(f) A stockholder of record providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to Section 1.1 of these By-laws shall be true and correct as of the record date for the annual meeting and as of the date that is 10 business days prior to the annual meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than five (5) business days prior to the date for the annual meeting, if practicable (or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof).

(g) The presiding officer at an annual meeting shall, if the facts warrant, determine and declare to the meeting that any business which was not properly brought before the meeting is out of order and shall not be transacted at the meeting.

Section 1.2 SPECIAL MEETINGS. Special meetings of stockholders for the transaction of such business as may properly come before the meeting may be called by order of the Board of Directors, the Chairman of the Board, or the Chief Executive Officer of the Corporation, and shall be held at such place, date and time, within or without the State of Delaware, as may be specified by such order. Whenever the directors shall fail to fix the place of a special meeting, the meeting shall be held at the principal executive office of the Corporation. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplements or addenda thereto) given in accordance with Article 1, Section 1.3 of these By-laws or (ii) otherwise properly brought before the meeting by the presiding officer or by or at the direction of a majority of the Board of Directors. The presiding officer at a special meeting shall, if the facts warrant, determine and declare to the meeting that any business that was not properly brought before the meeting is out of order and shall not be transacted at the meeting. A special meeting of stockholders may be adjourned by the presiding officer of the meeting for any reason (including, if the presiding officer determines that it would be in the best interests of the Corporation, to extend the period of time for the solicitation of proxies) from time to time and place to place until such presiding officer shall determine that the business to be conducted at the meeting is completed, which determination shall be conclusive.

Section 1.3 NOTICE OF MEETINGS. Written notice of all meetings of the stockholders, stating the place, date and hour of the meeting and the place within the city or other

municipality or community at which the list of stockholders may be examined, shall be mailed or delivered to each stockholder not less than 10 nor more than 60 days prior to the meeting. Notice of any special meeting shall state with reasonable specificity the purpose or purposes for which the meeting is to be held and the business proposed to be transacted thereat. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, notice of the place, if any, date, and time of the adjourned meeting shall be given in conformity herewith.

Section 1.4 STOCKHOLDER LISTS. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, for a period of at least 10 calendar days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information received to gain access to such list is provided with the notice of the meeting or (ii) during ordinary business hours either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present in person thereat.

Section 1.5 QUORUM. Except as otherwise provided by law or the Corporation's Certificate of Incorporation, a quorum for the transaction of business at any meeting of stockholders shall consist of the holders of record of a majority of the issued and outstanding shares of the capital stock of the Corporation entitled to vote at the meeting, present in person or by proxy. If there be no such quorum, the holders of a majority of such shares so present or represented may adjourn the meeting from time to time, without further notice, until a quorum shall have been obtained. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. When a quorum is once present it is not broken by the subsequent withdrawal from the meeting of any stockholder.

Section 1.6 ORGANIZATION.

(a) Meetings of stockholders shall be presided over by the Chairman, if any, or if none or in the Chairman's absence the Vice-Chairman, if any, or if none or in the Vice-Chairman's absence the President, if any, or if none or in the President's absence a Vice-President, or, if none of the foregoing is present, by a chairman to be chosen by the stockholders entitled to vote who are present in person or by proxy at the meeting. The Secretary of the

Corporation, or in the Secretary's absence an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the presiding officer of the meeting shall appoint any person present to act as secretary of the meeting.

(b) The order of business and all other matters of procedure at every meeting of the stockholders may be determined by the presiding officer of the meeting. The presiding officer shall have all the powers and authority vested in a presiding officer by law or practice without restriction, including, without limitation, the authority, in order to conduct an orderly meeting, to announce the date and time of the opening and closing of the polls, to impose reasonable limits on the amount of time at the meeting taken up in remarks by any one stockholder and to declare any business not properly brought before the meeting to be out of order. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding officer should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the presiding officer, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 1.7 VOTING; PROXIES; REQUIRED VOTE. (a) Each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share having voting power standing in his or her name on the record of stockholders of the Corporation on the record date fixed pursuant to Section 6.3(a) of Article 6 of these By-laws. No stockholder shall be entitled to exercise any right of cumulative voting.

(b) Each stockholder entitled to vote at a meeting of stockholders may vote in person, or may authorize another person or persons to act for him or her by proxy. Any proxy may be signed by such stockholder or his or her duly authorized attorney-in-fact, including by facsimile signature, and shall be delivered to the secretary of the meeting, or may be authorized by electronic transmission provided that it can be reasonably determined from such electronic transmission that such proxy was authorized by the stockholder. The signature of a stockholder on any proxy, including without limitation an electronic transmission, may be printed, stamped or written, or provided by other reliable reproduction, provided such signature is executed or adopted by the stockholder with intention to authenticate the proxy. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy.

Every proxy shall be revocable at the pleasure of the stockholder executing it, except as otherwise provided by law or pursuant to these By-laws in respect of each matter properly presented to the meeting.

(c) At all elections of directors, the voting may, but need not be by, ballot and a plurality of the votes cast there shall elect directors. Except as otherwise required by law, the Certificate of Incorporation or the rules and regulations of any stock exchange on which the capital stock of the Corporation is quoted or traded, in which case such express provision shall govern and control the decision of the matter, any other action shall be authorized by a majority of the votes cast. In the case of a matter submitted for a vote of the stockholders as to which a stockholder approval requirement is applicable under the stockholder approval policy of the stock exchange or quotation system on which the capital stock of the Corporation is quoted or traded, the requirements of Rule 16b-3 under the Exchange Act or any provision of the Internal Revenue Code, in each case for which no higher voting requirement is specified by law, the Certificate of Incorporation or these By-laws, the vote required for approval shall be the requisite vote specified in such stockholder approval policy, Rule 16b-3 or Internal Revenue Code provision, as the case may be (or the highest such requirement if more than one is applicable). Broker non-votes and abstentions will be considered for purposes of establishing a quorum with respect to a particular proposal but will not be considered as votes cast for, against or withheld with respect to any proposal or director nominee.

Section 1.8 INSPECTORS. The Board of Directors shall, in advance of any meeting, appoint one or more inspectors of election to act at the meeting or any adjournment thereof and make a written report thereof. If an inspector or inspectors are not so appointed, the person presiding at the meeting shall appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting, the existence of a quorum and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

Section 1.9 ACTION BY WRITTEN CONSENT. Any action which is required to be or may be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice to stockholders and without a vote if consents in writing, setting forth the action so taken, shall have been signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or to take such action at a meeting at which all shares entitled to vote thereto were present and voted.

(a) In order that the Corporation's stockholders shall have an opportunity to receive and consider the information germane to an informed judgment as to whether to give a written consent and in accordance with the procedures contained in the New York Stock Exchange policies and rules, any corporate action to be taken by written consent shall not be effective until, and the stockholders of the Corporation shall be able to give or revoke written consents for, at least twenty (20) days from the date of the commencement of a solicitation (as such term is defined in Rule 14a-1(k) promulgated under the Exchange Act) of consents, other than corporate action by written consent taken pursuant to solicitations of not more than ten (10) persons. For purposes of this Section 1.9, a consent solicitation shall be deemed to have commenced when a proxy statement or information statement containing the information required by law is first furnished to the Corporation's stockholders.

(b) Consents to corporate action shall be valid for a maximum of sixty (60) days after the date of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the General Corporation Law of the State of Delaware (the "DGCL"). Consents may be revoked by written notice (i) to the Corporation, (ii) to the stockholder or stockholders soliciting consents or soliciting revocations in opposition to action by consent proposed by the Corporation (the "Soliciting Stockholders"), or (iii) to a proxy solicitor other agent designated by the Corporation or the Soliciting Stockholders.

(c) Notwithstanding the foregoing, if independent counsel to the Corporation delivers to the Corporation a written opinion stating, or a court of competent jurisdiction determines, that this Section 1.9, or any portion thereof, is illegal with respect to any corporate action to be taken by written consent for which a consent has theretofore been delivered to the Corporation, in the manner provided in Section 228(c) of the DGCL, whether prior or subsequent to the date of the adoption of this Section 1.9, then this Section 1.9, or such portion thereof, as the case may be, shall after the date of such delivery of such opinion or such determination be null and void and of no effect with respect to any other corporate action to be taken by written consent.

(d) Within three (3) business days after receipt of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the DGCL or the determination by the Board of Directors of the Corporation that the Corporation should seek corporate action by written consent, as the case may be, the Secretary shall engage independent inspectors of elections for the purpose of performing a ministerial review of the validity of the consents and revocations. The cost of retaining inspectors of election shall be borne by the Corporation.

(e) Consents and revocations shall be delivered to the inspectors upon receipt by the Corporation, the Soliciting Stockholders or their proxy solicitors or other designated agents. As soon as consents and revocations are received, the inspectors shall review the consents and revocations and shall maintain a count of the number of valid and unrevoked consents. The inspectors shall keep such count confidential and shall not reveal the count to the Corporation, the Soliciting Stockholder or their representatives or any other entity. As soon as practicable after the earlier of (i) sixty (60) days after the date of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the DGCL or (ii) a written request therefor by the Corporation or the Soliciting Stockholders (whichever is soliciting consents)

(which request may be made no earlier than twenty (20) days after the commencement of the applicable solicitation of consents, except in the case of corporate action by written consent taken pursuant to solicitations of not more than ten (10) persons), notice of which request shall be given to the party opposing the solicitation of consents, if any, which request shall state that the Corporation or Soliciting Stockholders, as the case may be, have a good faith belief that the requisite number of valid and unrevoked consents to authorize or take the action specified in the consents has been received in accordance with these By-laws, the inspectors shall issue a preliminary report to the Corporation and the Soliciting Stockholders stating: (i) the number of valid consents; (ii) the number of valid revocations; (iii) the number of valid and unrevoked consents; (iv) the number of invalid consents; (v) the number of invalid revocations; (vi) whether, based on their preliminary count, the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents.

(f) Unless the Corporation and the Soliciting Stockholders shall agree to a shorter or longer period, the Corporation and the Soliciting Stockholders shall have 48 hours to review the consents and revocations and to advise the inspectors and the opposing party in writing as to whether they intend to challenge the preliminary report of the inspectors. If no written notice of an intention to challenge the preliminary report is received within 48 hours after the inspectors' issuance of the preliminary report, the inspectors shall issue to the Corporation and the Soliciting Stockholders their final report containing the information from the inspectors' determination with respect to whether the requisite number of valid and unrevoked consents was obtained to authorize and take the action specified in the consents. If the Corporation or the Soliciting Stockholders issue written notice of an intention to challenge the inspectors' preliminary report within 48 hours after the issuance of that report, a challenge session shall be scheduled by the inspectors as promptly as practicable. A transcript of the challenge session shall be recorded by a certified court reporter. Following completion of the challenge session, the inspectors shall as promptly as practicable issue their final report to the Soliciting Stockholders and the Corporation, which report shall contain the information included in the preliminary report, plus all changes in the vote totals as a result of the challenge and a certification of whether the requisite number of valid and unrevoked consents was obtained to authorize or take the action specified in the consents. A copy of the final report of the inspectors shall be included in the book in which the proceedings of meetings of stockholders are recorded.

(g) The Corporation shall give prompt notice to the stockholders of the results of any consent solicitation or the taking of any corporate action without a meeting and by less than unanimous written consent.

Article 2
BOARD OF DIRECTORS

Section 2.1 GENERAL POWERS. The business, property and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors.

Section 2.2 QUALIFICATION; NUMBER; TERM; REMUNERATION; CHAIRMAN. (a) Each director shall be at least 18 years of age. A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The number of

directors constituting the entire Board shall be no fewer than one (1) and no more than twelve (12), or such other number as may be fixed from time to time by action of the Board of Directors. The use of the phrase "entire Board" herein refers to the total number of directors which the Corporation would have if there were no vacancies.

(b) Directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier death, resignation or removal.

(c) Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

(d) The Board of Directors shall annually, at the first meeting of the Board after the annual meeting of stockholders, select from among its members a Chairman of the Board who shall have such authority and perform such duties as the Board of Directors may from time to time prescribe. The Chairman of the Board shall, unless otherwise determined by the Board of Directors, hold office until the first meeting of the Board following the next annual meeting of stockholders and until his or her successor has been elected or appointed and qualified. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and at all meetings of the Board of Directors and shall see that all orders and resolutions of the Board of Directors are carried into effect. The Chairman of the Board of Directors, as such, shall not be an officer of the Corporation.

Section 2.3 NOMINATION OF DIRECTORS. (a) Nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or, to the extent permitted by this Section 2.3 of these By-laws, by a stockholder that (i) is a stockholder of record at the time of giving of notice provided for in this Section 2.3 of these By-laws and at the time of the meeting at which directors will be elected, (ii) is entitled to vote at such meeting, (iii) makes the nomination pursuant to timely notice in proper written form to the Secretary, and (iv) otherwise complies with the procedures set forth in this Section 2.3 of these By-laws.

(b) To be timely, a stockholder's notice of intent to make a nomination or nominations must be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, not less than 90 calendar days nor more than 120 calendar days prior to the anniversary date of the date of the previous year's annual meeting (or if there was no such prior annual meeting, not less than 90 calendar days nor more than 120 calendar days prior to the date which represents the fourth Thursday in May of the current year), PROVIDED, HOWEVER, that in the event that the date of the annual meeting is advanced by more than 20 calendar days, or delayed by more than 60 calendar days, from such anniversary date, then, to be

considered timely, notice by the stockholder must be received not later than the close of business on the later of (x) the 90th calendar day prior to the annual meeting or (y) the seventh calendar day following the date on which notice of the date of the annual meeting was mailed to stockholders or public disclosure thereof was otherwise made, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the fifth calendar day following the date on which notice of such meeting is first delivered to stockholders. In no event shall any postponement or adjournment of a meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) To be in proper written form, a stockholder's notice to the Secretary shall set forth: (i) the name and address, as they appear on the Corporation's most recent stockholder lists, of the stockholder who intends to make the nomination, any Stockholder Related Person and of the person or persons to be nominated, and of the beneficial owner(s), if any, on whose behalf the nomination is made; (ii) a representation that the stockholder giving the notice is a holder of record of capital stock of the Corporation entitled to vote at such meeting and intends (A) (1) to be a holder of record of stock of the Corporation at the time of the meeting and (2) to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares of any securities of the Corporation that are beneficially owned or held of record by the stockholder giving the notice, any Stockholder Related Person, any person to be nominated and any beneficial owner(s), if any, on whose behalf the nomination is made; (iv) a description of (A) any derivative positions in any securities of the Corporation directly or indirectly held or beneficially owned by the stockholder, any Stockholder Related Person or any person to be nominated and (B) any hedging or other transaction or series of transactions, agreement, arrangement or understanding with respect to any of the Corporation's securities entered into or made by such stockholder, any Stockholder Related Person or any person to be nominated; (v) a description of all contracts, arrangements, relationships or understandings between or among the stockholder giving the notice, any Stockholder Related Person, any person to be nominated, any beneficial owner(s), if any, on whose behalf the nomination is made, or any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (vi) whether either such stockholder or Stockholder Related Person intends to deliver a proxy statement and form of proxy to the holders of at least the percentage of shares of the Corporation entitled to vote that is required to elect such person(s) to be nominated; (vii) such other information regarding each person to be nominated as would be required to be included in a proxy or information statement filed pursuant to the Exchange Act and the rules and regulations promulgated thereunder (or any subsequent provisions replacing such Exchange Act, rules or regulations); (viii) any other information relating to the stockholder giving the notice that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Section 14 of the Exchange Act (whether or not such stockholder intends to deliver a proxy statement or conduct its own proxy solicitation); (ix) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the stockholder giving the notice, any Stockholder Related Person, any beneficial owner(s), if any, on whose behalf the nomination is made, or any other person or persons (naming such person or persons) pursuant to which the

nomination or nominations are to be made by the stockholder, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the stockholder giving the notice, any Stockholder Related Person, any beneficial owner(s), if any, on whose behalf the nomination is made, or any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; (x) the consent of each person to be nominated to be named as a nominee and to serve as a director of the Corporation if elected; and (xi) a nominee questionnaire, representation and agreement in the form provided by the Secretary upon request. The Corporation may also require any proposed nominee to furnish such other information as it may reasonably require (i) to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including with respect to qualifications established by any committee of the Board of Directors; (ii) to determine whether such nominee qualifies as an "independent director" or "audit committee financial expert" under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the Corporation; and (iii) that could be material to a reasonable stockholder's understanding of the independence and qualifications, or lack thereof, of such nominee.

(d) A stockholder of record providing notice of a nomination of director shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.3 of these By-laws shall be true and correct as of the record date for the annual meeting and as of the date that is 10 business days prior to the annual meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than five (5) business days prior to the date for the annual meeting, if practicable (or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof).

(e) The presiding officer of a meeting of stockholders shall, if the facts warrant, refuse to acknowledge the nomination of any person not made in compliance with the provisions of this Section 2.3 of these By-laws.

Section 2.4 QUORUM AND MANNER OF VOTING. Except as otherwise provided by law, a majority of the entire Board shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting from time to time to another time and place without notice. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.5 PLACES OF MEETINGS. Meetings of the Board of Directors may be held at any place within or without the State of Delaware, as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of meeting.

Section 2.6 ANNUAL MEETING. Following the annual meeting of stockholders, the newly elected Board of Directors shall meet for the purpose of the election of officers and the transaction of such other business as may properly come before the meeting. Such meeting may be held without notice immediately after the annual meeting of stockholders at the same place at which such stockholders' meeting is held.

Section 2.7 REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places as the Board of Directors shall from time to time by resolution determine. Notice need not be given of regular meetings of the Board of Directors held at times and places fixed by resolution of the Board of Directors.

Section 2.8 SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, President or by a majority of the directors then in office.

Section 2.9 NOTICE OF MEETINGS. A notice of the place, date and time and the purpose or purposes of each meeting of the Board of Directors shall be given to each director by mailing the same at least two days before the special meeting, or by telegraphing, telephoning or sending by other means of electronic transmission the same or by delivering the same personally not later than the day before the day of the meeting.

Section 2.10 ORGANIZATION. At all meetings of the Board of Directors, the Chairman, if any, or if none or in the Chairman's absence or inability to act the President, if such President is a member of the Board of Directors, or in the President's absence or inability to act, any Vice-President who is a member of the Board of Directors, or in such Vice-President's absence or inability to act a chairman chosen by the directors, shall preside. The Secretary of the Corporation shall act as secretary at all meetings of the Board of Directors when present, and, in the Secretary's absence, the presiding officer may appoint any person to act as secretary.

Section 2.11 RESIGNATION AND REMOVAL. Any director may resign at any time by giving notice in writing or by electronic transmission to the Corporation and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, any director may be removed, with or without cause, by the holders of a majority of the shares of stock outstanding and entitled to vote for the election of directors.

Section 2.12 VACANCIES. Unless otherwise provided in these By-laws, vacancies on the Board of Directors, whether caused by resignation, death, disqualification, removal, an increase in the authorized number of directors or otherwise, may be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum, or by a sole remaining

director, and any directors so chosen shall hold office until their successors are elected and qualified.

Section 2.13 PARTICIPATION IN MEETINGS BY CONFERENCE PHONE. Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board of Directors or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can speak and hear each other and such participation shall constitute presence in person at such meeting.

Section 2.14 ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all the directors consent thereto in writing or by electronic transmission (as that term is defined in Section 232 of the DGCL), and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board of Directors.

Article 3
INDEMNIFICATION

Section 3.1 INDEMNIFICATION. The Corporation shall indemnify, to the fullest extent permitted by Section 145 of the DGCL, as amended from time to time, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, have reasonable cause to believe that his or her conduct was unlawful.

Section 3.2 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture or trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best

interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3.3 INDEMNIFICATION AGAINST EXPENSES. To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 3.1 and 3.2 hereof, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 3.4 BOARD DETERMINATIONS. Any indemnification under Sections 3.1 and 3.2 hereof (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Sections 3.1 and 3.2 hereof. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such disinterested directors or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders.

Section 3.5 ADVANCEMENT OF EXPENSES. Expenses including attorneys' fees incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized by law or in this section. Such expenses incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Section 3.6 NONEXCLUSIVE. The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall not be deemed exclusive of any other rights to which any director, officer, employee or agent of the Corporation seeking indemnification or advancement of expenses may be entitled under any other bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, and shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 3.7 INSURANCE. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of applicable statutes, the certificate of incorporation or this section.

Section 3.8 CERTAIN DEFINITIONS. For purposes of this Article 3, (i) references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger that, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued; (ii) references to "other enterprises" shall include employee benefit plans; (iii) references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and (iv) references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by, such director, officer, employee or agent with respect to any employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this section.

Section 3.9 CHANGE IN GOVERNING LAW. In the event of any amendment or addition to Section 145 of the DGCL or the addition of any other section to such law that limits indemnification rights thereunder, the Corporation shall, to the extent permitted by the DGCL, indemnify to the fullest extent authorized or permitted hereunder, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Corporation), by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, indemnify, to the fullest extent permitted by Section 145 of the DGCL as amended from time to time, all persons whom it may indemnify pursuant thereto and in the manner prescribed thereby.

Article 4
COMMITTEES

Section 4.1 APPOINTMENT. From time to time, the Board of Directors by a resolution adopted by a majority of the entire Board may appoint any committee or committees for any purpose or purposes, to the extent lawful, which shall have powers as shall be determined and specified by the Board of Directors in the resolution of appointment. The Board of Directors shall have the power at any time to increase or decrease the number of members of any committee, to fill vacancies thereon, to change any member thereof and to change the functions or terminate the existence thereof. The Board of Directors may appoint a chair from among the members of the committee. If the Board of Directors does not appoint a chair of the committee, the committee members may designate a chair from among the members of the committee. The Board of Directors may designate one or more directors as alternate members of each committee who may replace any absent or disqualified member at any meeting of the committee. Any member of any such committee elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby. No member of any committee shall continue to be a member thereof after ceasing to be a director of the Corporation.

Section 4.2 PROCEDURES, QUORUM AND MANNER OF ACTING. Each committee shall fix its own rules of procedure, and shall meet where and as provided by such rules or by resolution of the Board of Directors. Except as otherwise provided by law, the presence of a majority of the then appointed members of a committee shall constitute a quorum for the transaction of business by that committee, and in every case where a quorum is present the affirmative vote of a majority of the members of the committee present shall be the act of the committee. Each committee shall keep minutes of its proceedings, and actions taken by a committee shall be reported to the Board of Directors.

Section 4.3 ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any meeting of any committee of the Board of Directors may be taken without a meeting if all the members of the committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the committee.

Section 4.4 TERM; TERMINATION. In the event any person shall cease to be a director of the Corporation, such person shall simultaneously therewith cease to be a member of any committee appointed by the Board of Directors.

Article 5
OFFICERS

Section 5.1 ELECTION AND QUALIFICATIONS. The Board of Directors shall elect the officers of the Corporation, which shall include a Chief Executive Officer, a President and a Secretary, and may include, by election or appointment, a Chief Financial Officer, one or more Vice-Presidents (any one or more of whom may be given an additional designation of rank or function), a Controller, a Treasurer and such Assistant Secretaries, Assistant Controllers and Assistant Treasurers and such other officers as the Board may from time to time deem proper.

Each officer shall have such powers and duties as may be prescribed by these By-laws and as may be assigned by the Board of Directors or the President. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 5.2 TERM OF OFFICE AND REMUNERATION. The term of office of all officers shall be one year and until their respective successors have been elected and qualified, but any officer may be removed from office, either with or without cause, at any time by the Board of Directors. Any vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the Board of Directors. The remuneration of all officers of the Corporation may be fixed by the Board of Directors or in such manner as the Board of Directors shall provide.

Section 5.3 RESIGNATION; REMOVAL. Any officer may resign at any time upon written notice to the Corporation and such resignation shall take effect upon receipt thereof by the President or Secretary, unless otherwise specified in the resignation. Any officer shall be subject to removal, with or without cause, at any time by vote of a majority of the entire Board.

Section 5.4 PRESIDENT AND CHIEF EXECUTIVE OFFICER. The President shall be the chief executive officer of the Corporation, and shall have such duties as customarily pertain to that office. The President shall have general management and supervision of the property, business and affairs of the Corporation and over its other officers; may appoint and remove assistant officers and other agents and employees, other than officers referred to in Section 5.1; and may execute and deliver in the name of the Corporation powers of attorney, contracts, bonds and other obligations and instruments.

Section 5.5 CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall in general have all duties incident to such position, including, without limitation, the organization and review of all accounting, tax and related financial matters involving the Corporation, the implementation of appropriate Corporation financial controls and procedures, and the supervision and assignment of the duties of all other financial officers and personnel employed by the Corporation, and shall have such other duties as may be assigned by the Board of Directors or the President.

Section 5.6 VICE-PRESIDENT. A Vice-President may execute and deliver in the name of the Corporation contracts and other obligations and instruments pertaining to the regular course of the duties of said office, and shall have such other authority as from time to time may be assigned by the Board of Directors or the President.

Section 5.7 TREASURER. The Treasurer shall in general have all duties incident to the position of Treasurer and such other duties as may be assigned by the Board of Directors or the President.

Section 5.8 SECRETARY. The Secretary shall in general have all the duties incident to the office of Secretary and such other duties as may be assigned by the Board of Directors or the President.

Section 5.9 CONTROLLER. The Controller shall in general have all the duties incident to the office of Controller and such other duties as may be assigned by the Board of Directors or the Chief Financial Officer.

Section 5.10 ASSISTANT OFFICERS. Any assistant officer shall have such powers and duties of the officer such assistant officer assists as such officer or the Board of Directors shall from time to time prescribe.

Article 6
BOOKS AND RECORDS

Section 6.1 LOCATION. The books and records of the Corporation may be kept at such place or places within or outside the State of Delaware as the Board of Directors or the respective officers in charge thereof may from time to time determine. The record books containing the names and addresses of all stockholders, the number and class of shares of stock held by each and the dates when they respectively became the owners of record thereof shall be kept by the Secretary or by the transfer agent or registrar as shall be designated by the Board of Directors.

Section 6.2 ADDRESSES OF STOCKHOLDERS. Notices of meetings and all other corporate notices may be delivered personally or mailed to each stockholder at the stockholder's address as it appears on the records of the Corporation or may be given by means of electronic transmission in the manner provided in Section 232 of the DGCL.

Section 6.3 FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD. (a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in this State, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's

registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by this chapter, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Article 7
CERTIFICATES REPRESENTING STOCK

Section 7.1 CERTIFICATES; SIGNATURES. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares, which uncertificated shares may be evidenced by a book-entry system maintained by the Corporation's transfer agent or registrar, or a combination of both. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate, signed by or in the name of the Corporation by the Chairman of the Board of Directors, or the President or Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares registered in certificate form. No certificate shall be valid until countersigned by a transfer agent if the Corporation has a transfer agent, or until registered by a registrar if the Corporation has a registrar. Any and all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. The name of the holder of record of the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the books of the Corporation.

Section 7.2 TRANSFERS OF SHARES. Upon compliance with any provisions restricting the transfer or registration of transfer of shares of stock, including, without limitation, restrictions set forth in the Certificate of Incorporation, shares of capital stock shall be transferable on the books of the Corporation only by the holder of record thereof in person, or by duly authorized attorney or legal representative, upon (i) surrender and cancellation of certificates for a like number of shares (or upon compliance with the provisions of Section 7.5, if applicable), properly endorsed, and the payment of all taxes due thereon or (ii) with respect to

uncertificated shares, by delivery of duly executed instructions or in any other manner permitted by applicable law. Upon such surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer (or upon compliance with the provisions of Section 7.5, if applicable) and of compliance with any transfer restrictions applicable thereto contained in an agreement to which the Corporation is a party or of which the Corporation has knowledge by reason of legend with respect thereto placed on any such surrendered stock certificate, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of the Corporation, and may appoint one or more transfer agents and registrars of the shares of the Corporation.

Section 7.3 OWNERSHIP OF SHARES. The Corporation shall be entitled to treat the holder of record of any shares or shares of capital stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 7.4 FRACTIONAL SHARES. The Corporation may, but shall not be required to, issue certificates for fractions of a share where necessary to effect authorized transactions, or the Corporation may pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or it may issue scrip in registered or bearer form over the manual or facsimile signature of an officer of the Corporation or of its agent, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a stockholder except as therein provided.

Section 7.5 LOST, STOLEN OR DESTROYED CERTIFICATES. The Board of Directors may direct a new certificate of stock or uncertificated shares to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen, destroyed or mutilated, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, destroyed or mutilated. When authorizing (a) such issue of new certificate or certificates, or (b) if the Board of Directors has provided by resolution that the applicable stock shall be uncertificated, such issue of uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require any or all of the following: (i) the owner of such lost, stolen, destroyed or mutilated certificate, or the legal representative of the owner, to give the Corporation a bond or agreement of indemnity in such form and amount and with such surety (or without surety) sufficient in the discretion of the Board of Directors to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft, destruction, or mutilation of such certificate or the issuance of such new certificate or certificates or uncertificated shares, (ii) additional evidence of the loss, theft, destruction or mutilation claimed, (iii) advertisement of the loss in such a manner as the Board of Directors may direct or approve, and (iv) the order or approval of a court.

Article 8
DIVIDENDS

Subject always to the provisions of law and the Certificate of Incorporation, the Board of Directors shall have full power to determine whether any, and, if any, what part of any, funds legally available for the payment of dividends shall be declared as dividends and paid to stockholders; the division of the whole or any part of such funds of the Corporation shall rest wholly within the lawful discretion of the Board of Directors, and it shall not be required at any time, against such discretion, to divide or pay any part of such funds among or to the stockholders as dividends or otherwise; and before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

Article 9
RATIFICATION

Any transaction, questioned in any lawsuit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or stockholder, non-disclosure, miscomputation, or the application of improper principles or practices of accounting, may be ratified before or after judgment, by the Board of Directors or by the stockholders, and if so ratified shall have the same force and effect as if the questioned transaction had been originally duly authorized. Such ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

Article 10
CORPORATE SEAL

The corporate seal shall have inscribed thereon the name of the Corporation and the year of its incorporation, and shall be in such form and contain such other words and/or figures as the Board of Directors shall determine. The corporate seal may be used by printing, engraving, lithographing, stamping or otherwise making, placing or affixing, or causing to be printed, engraved, lithographed, stamped or otherwise made, placed or affixed, upon any paper or document, by any process whatsoever, an impression, facsimile or other reproduction of said corporate seal.

Article 11
FISCAL YEAR

The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors. Unless otherwise fixed by the Board of Directors, the fiscal year of the

Corporation shall be based on a fifty-two or fifty-three week year ending on the Friday nearest December 31 st .

Article 12
NOTICE

Section 12.1 If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

Section 12.2 Whenever notice is required to be given by these By-laws or by the Certificate of Incorporation or by law, a written waiver thereof, signed by the person or persons entitled to said notice, or waiver by electronic transmission from the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the express purpose of objecting, at the beginning of the meeting, to the transaction of business because the meeting is not lawfully called or convened.

Article 13
BANK ACCOUNTS, DRAFTS, CONTRACTS, ETC.

Section 13.1 BANK ACCOUNTS AND DRAFTS. In addition to such bank accounts as may be authorized by the Board of Directors, the primary financial officer or any person designated by said primary financial officer, whether or not an employee of the Corporation, may authorize such bank accounts to be opened or maintained in the name and on behalf of the Corporation as he may deem necessary or appropriate, payments from such bank accounts to be made upon and according to the check of the Corporation in accordance with the written instructions of said primary financial officer, or other person so designated by the Treasurer.

Section 13.2 CONTRACTS. The Board of Directors may authorize any person or persons, in the name and on behalf of the Corporation, to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

Section 13.3 PROXIES; POWERS OF ATTORNEY; OTHER INSTRUMENTS. The Chairman, the President or any other person designated by either of them shall have the power and authority to execute and deliver proxies, powers of attorney and other instruments on behalf of the Corporation in connection with the rights and powers incident to the ownership of stock by the Corporation. The Chairman, the President or any other person authorized by proxy or power of attorney executed and delivered by either of them on behalf of the Corporation may attend and vote at any meeting of stockholders of any company in which the Corporation may hold stock, and may exercise on behalf of the Corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, or otherwise as specified in the proxy or power

of attorney so authorizing any such person. The Board of Directors, from time to time, may confer like powers upon any other person.

Section 13.4 FINANCIAL REPORTS. The Board of Directors may appoint the primary financial officer or other fiscal officer or any other officer to cause to be prepared and furnished to stockholders entitled thereto any special financial notice and/or financial statement, as the case may be, which may be required by any provision of law.

Article 14
AMENDMENTS

The Board of Directors shall have power to alter, adopt, amend or repeal By-laws. By-laws adopted by the Board of Directors may be repealed or changed, and new By-laws made, by the affirmative vote of the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at any regular meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, adoption, amendment or repeal shall have been stated in the notice of such meeting, and the stockholders may prescribe that any By-law made by them shall not be altered, amended or repealed by the Board of Directors.

AMENDMENT NO. 1 TO THE TRANSITION SERVICES AGREEMENT

THIS AMENDMENT NO. 1 TO THE TRANSITION SERVICES AGREEMENT (this " Amendment "), dated as of May 1, 2016, amends that certain Transition Services Agreement (the " Services Agreement "), dated March 14, 2016, by and between Greatbatch, Inc. (" Greatbatch ") and Nuvectra Corporation (f/k/a QiG Group, LLC) (" Nuvectra ").

WHEREAS, Greatbatch and Nuvectra wish to amend the Services Agreement in order to add the preparation and delivery of certain Time & Expense Reports as "Additional Transition Services" under the Services Agreement.

NOW, THEREFORE, for good and lawful consideration, the sufficiency of which is hereby acknowledged and agreed, the parties hereto (individually, a " Party "; collectively, the " Parties ") hereby agree as follows:

1. Definitions . Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Services Agreement.

2. Amendment to Schedule A . Schedule A of the Services Agreement is hereby amended by adding the following section immediately after the "Billing Fees" section in Schedule A:

" **Time & Expense Reports:**

During the period commencing on May 1, 2016 and ending on December 31, 2016, GB will prepare and deliver to Nuvectra the following reports on a monthly basis with respect to time and expense reports submitted by Nuvectra employees (the "T&E Reports"):

- A report on all expenses submitted by Nuvectra field sales representatives, Paul Hanchin, Tom Hickman, Alan Mock, Jennifer Armstrong and Scott Drees;
- A report listing all business meals over $75 that involves only one attendee, such report to include the actual report and receipts submitted by the applicable Nuvectra employee;
- A report listing all business meals over $300 regardless of the number of attendees, such report to include the actual report and receipts submitted by the applicable Nuvectra employee; and
- A report listing all expense reports submitted in a month where the aggregate amount of expenses for the applicable Nuvectra employee is more than $2,000.

In addition to the fees set forth in this Schedule A, Nuvectra will be charged $150 per hour for GB's preparation and delivery of the T&E Reports."

3. Miscellaneous .

(a) Except as provided herein, all terms and conditions of the Services Agreement shall remain in full force and effect.

(b) This Amendment may be executed in counterparts, all of which together shall constitute one agreement binding on all of the Parties, notwithstanding that all of the Parties are not signatories to the original or the same counterpart.

(c) This Amendment expresses the entire understanding of the Parties with respect to the matters set forth herein and supersedes all prior discussions or negotiations hereon.

(d) This Amendment, and all claims arising in whole or in part out of, related to, based upon, or in connection herewith or the subject matter hereof will be governed by and construed and enforced in accordance with the substantive laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

[*Remainder of page left intentionally blank.*]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first set forth above.

GREATBATCH, INC.

By: /s/ Thomas J. Mazza
Name: Thomas J. Mazza
Title: Vice President & Corporate Controller

NUVECTRA CORPORATION

By: /s/ Walter Berger
Name: Walter Berger
Title: Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the " **Agreement** ") is made on August 5, 2016 by and between INTEGER HOLDINGS CORPORATION, a Delaware corporation, with an office at 2595 Dallas Parkway, Suite 310, Frisco, Texas 75034 (the " **Corporation** ") and THOMAS J. HOOK (the " **Executive** ").

Introductory Statement . The Executive has served as President and Chief Executive Officer of the Corporation since August 8, 2006. The Corporation and the Executive entered into an Employment Agreement on August 5, 2013, the term of which expires on August 4, 2016 (the "OEA"). The Corporation now desires to secure the future services of the Executive as President and Chief Executive Officer of the Corporation and the Executive desires to accept such employment upon the terms and conditions contained in this Agreement. Therefore, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. **Term of Employment** .

1.1 Initial Term . Subject to the terms and conditions set forth in this Agreement, the Corporation hereby agrees to continue to employ the Executive for the period beginning on the Effective Date of this Agreement and ending on August 4, 2017 (the " **Initial Term** "), or until earlier terminated as provided herein.

1.2 Effective Date . The Effective Date of this Agreement is August 5, 2016. This Agreement amends and restates in its entirety the OEA.

1.3 Extensions. The Agreement will be automatically extended beyond the Initial Term of the Agreement for successive renewal terms of one year each (subject to written modifications acceptable to both parties), subject to the review and consents of the Compensation and Organization Committee of the Board of Directors of the Corporation (the " **Compensation Committee** ") and the Executive, which consents must be given no later than six (6) months prior to the expiration of the term, unless either the Corporation or the Executive gives timely notice to the other party that the term of the Agreement will not be so extended beyond the Initial Term or any such renewal term (the Initial Term and any renewal terms sometimes collectively referred to herein as the " **Term** "). Notice of non-renewal under this Section, whether given by the Corporation or the Executive, must be given not later than six (6) months prior to the expiration of the Initial Term or any one-year renewal term hereunder.

2. **Employment; Duties** .

Subject to the formal election by the Board of Directors of the Corporation (the " **Board** ") in the exercise of its judgment, the Corporation does hereby employ the Executive, and the Executive does hereby accept continued employment by the Corporation, as President and Chief Executive Officer (" **CEO** ") of the Corporation. As an executive officer of the Corporation, the Executive will perform his duties and discharge his responsibilities in accordance with the by-laws of the Corporation and as the Board from time to time reasonably directs, recognizing the nature and scope of the Executive's employment. Subject to yearly election by the Board, it is contemplated that the Executive will continue to be elected to the position of President and CEO of the Corporation during the term of this Agreement.

The Executive agrees to perform his duties and discharge his responsibilities in a faithful manner and to the best of his ability. The Executive agrees to devote his full business time and attention to the supervision and conduct of the business and affairs of the Corporation and to faithfully and to the best of his ability promote the interests of the Corporation. The Executive further agrees that he will engage in no outside business concerns or activities, and will not accept other gainful employment, without the Corporation's written consent. The Corporation hereby acknowledges and consents to the Executive continuing to serve on any Boards of Directors on which he currently serves, and on the Boards of other nonprofit or charitable organizations, provided that the Executive agrees not to serve concurrently on the Board of Directors of more than one publicly held company during the term of the Agreement.

3. **Compensation and Other Benefits** .

3.1 Base Salary . So long as the Executive is employed by the Corporation pursuant to this Agreement, the Corporation agrees that the Executive will receive a base salary earned and payable in bi-weekly installments. As of the Effective Date, the base salary is $800,000 per year.

The Compensation and Organization Committee of the Board (the " **Compensation Committee** "), with the concurrence of the Board, will in good faith review the performance and salary of the Executive on an annual basis, and will consider appropriate increases in his salary based on individual performance, the value of the Executive to the Corporation, pay practices for comparable performance in the industry, and the successful achievement of agreed upon operating objectives. The review will be made as soon as practicable after the audited financial statements of the Corporation for the past year are available, and any salary increase authorized by the Compensation Committee will be effective at the time specified by the Committee.

3.2 Incentive Awards . During the term of the Executive's employment under this Agreement, the Executive will be eligible to receive cash-based and stock-based incentive awards under the terms of the Corporation's incentive award programs and equity plans for executives as in effect during the term of the Agreement. Incentive and equity-based plans applicable to the Executive in effect as of the Effective Date are listed in Appendix A to this Agreement. Any amount payable under this Agreement that is subject to recovery under any applicable law, government regulation or rule or listing standard of any stock exchange, will be subject to such deductions and clawback as may be required to be made pursuant to such applicable law, government regulation or rule or listing standard of any stock exchange (or any policy adopted by the Corporation pursuant to any such applicable law, government regulation or rule or listing standard of any stock exchange).

3.3 Other Benefits . During the term of this Agreement, to the extent permitted by law and the terms of the applicable plan, policy or program, the Executive will be entitled to participate in any health and medical benefit plans, any pension, profit sharing and retirement plans and any insurance policies or programs from time to time generally offered to the executive officers of the Corporation. These plans, policies and programs are subject to change at the sole discretion of the Corporation. The Executive will also receive all benefits provided for the executive officers of the Corporation that may be authorized from time to time by the Board in its sole discretion. Benefits provided under this Section include, but are not limited to, the following:

(a) Life Insurance . Throughout the term of this Agreement, the Corporation will provide and maintain, at the Corporation's sole expense, term life insurance with a total face value of not less than

$5,000,000 on the life of the Executive. The death beneficiary with respect to the life insurance will be the person or entity designated by the Executive in his sole discretion. This amount includes (and is not in addition to) any insurance that may be provided generally to executive officers. The Executive will be entitled, at his discretion and expense, to exercise any conversion rights available under the policy.

(b) Paid Time Off. The Executive will receive paid time off each calendar year in accordance with and subject to the Corporation's paid time off policy, at such times
as agreed upon by the Corporation.

(c) Disability. The Executive will continue to be eligible to participate in the executive class long term disability program available to executives of the Corporation (currently provides coverage at level equal to 60% of the Executive's total cash compensation).

(d) Executive Physical Exam. The Corporation will continue to provide to the Executive, at the Corporation's sole expense, an annual comprehensive physical exam, as provided under the Corporation's Key Management Physical Examination Program.

(e) Tuition Reimbursement. The Executive will be eligible for benefits under the Corporation's Dependent College Tuition Reimbursement Policy as it was in effect pre-January 1, 2003 except that beginning with the 2014 calendar year (a) the maximum amount of benefits the Executive can receive under the policy in any calendar year shall be ten percent (10%) of the Executive's base salary (as in effect for such year) and (b) the benefits so received shall be included in the Executive's total cash and total direct compensation for purposes of the Corporation's annual review of the competitiveness of its executive compensation.

(f) Change of Control Policy. The Executive will continue to be covered under the Amended and Restated Change of Control Agreement between the Executive and the Corporation, dated on or about August 5, 2016 (the " **Change of Control Agreement** "), as it may be further amended from time to time by agreement of the parties.

3.4 Withholding. The Corporation will deduct or withhold from salary payments, and from all other payments made to the Executive pursuant to this Agreement, all amounts that may be required to be deducted or withheld under any applicable law now in effect or that may become effective during the term of the Agreement (including but not limited to Social Security contributions and income tax withholdings).

4. **Reimbursement for Expenses**.

The Corporation will reimburse the Executive for expenses that the Executive may from time to time reasonably incur on behalf of and at the request of the Corporation in the performance of his responsibilities and duties under this Agreement, provided that the Executive is expected to exercise reasonable and prudent expense control practices that are subject to audit by a designated representative of the Compensation Committee.

5. **Death or Permanent Disability of Executive**.

5.1 Permanent Disability . If the Executive's employment is terminated by the Corporation on account of the Executive's permanent disability during the term of this Agreement, the Corporation will provide the following compensation and benefits to the Executive:

(a) Salary . A lump sum payment, within 30 days of Executive's termination, in an amount equal to the Executive's annual base salary in effect under Section 3.1 on the date of his termination.

(b) Benefits . To the extent permissible, all benefits provided under Section 3.3 (other than health and welfare benefits and any benefits described subsections (b) and (f)) of this Agreement will continue to be provided to the Executive for a period of one year from the date of Executive's termination. The Corporation will make a lump sum payment to Executive, within 30 days of Executive's termination, in an amount equal to the Corporation's contributions for 12 months towards health and medical benefits for Executive (and any covered spouse or dependent of Executive) and any other benefits described in Section 3.3 (other than the benefits described in subsections (b) and (f)) for which benefits could not be continued following the Executive's termination (in each case, at the contribution rate then in effect on the date of termination).Notwithstanding the foregoing, in accordance with Part 6 of Title I of ERISA, the Executive and the Executive's qualified beneficiaries will be eligible to elect COBRA continuation coverage in the Corporation's group health plans in connection with the Executive's termination of employment from the Corporation.

(c) Equity Awards/Stock Options/Corporation Stock .

(1) All stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on the passage of time which have not yet vested on the date the Executive is terminated on account of Executive's permanent disability, will become fully vested on the date the Executive's employment is terminated.

(2) All stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on achievement of performance metrics with respect to which the Executive has not yet vested on the date Executive is terminated on account of Executive's permanent disability will continue in effect and will become vested to the extent provided for in the plan or award agreement under which such awards are granted.

5.2 " Permanently Disabled ." For purposes of this Agreement, the Executive will be " **permanently disabled** " if he is determined to be permanently disabled for purposes of any disability insurance policy maintained by the Corporation that covers the Executive. If the Corporation maintains no such policy, the Executive will be "permanently disabled" if he has a disability because of which the Executive is physically or mentally unable to substantially perform his regular duties as President or CEO for a sufficiently long period of time such that the business of the Corporation could be materially adversely affected. Any question as to the existence, extent or potentiality of disability of the Executive upon which the Executive and the Corporation cannot agree will be determined by a qualified independent physician jointly selected by the Executive and the Corporation (or if the Executive is unable to make such a selection, it will be made by an adult member of his immediate family). The determination of the physician, made in writing to the Corporation and to the Executive, will be final and conclusive for all purposes of this Agreement. In the event the Executive is permanently disabled, the Executive will cease to be employed on the last day of the month in which the Executive is determined to be permanently disabled for purposes of any disability insurance policy maintained by the Corporation that covers the Executive, the Executive's permanent disability is determined by written agreement of the Executive and the Corporation, or the written determination of a physician, as the case may be.

5.3 Death . If the Executive dies during the term of this Agreement, the Corporation will pay to the Executive's spouse, if surviving, or legal representatives the following compensation and benefits:

(a) Salary . A lump sum payment, within 30 days of Executive's death, in an amount equal to the Executive's annual base salary in effect under Section 3.1 on the date of his termination.

(b) Benefits . A lump sum payment, within 30 days of Executive's Death, in an amount equal to the Corporation's contributions for 12 months towards health and medical benefits for any covered spouse or dependent of Executive at the contribution rate then in effect on the date of Executive's death. Notwithstanding the foregoing, in accordance with Part 6 of Title I of ERISA, the Executive's qualified beneficiaries will be eligible to elect COBRA continuation coverage in the Corporation's group health plans in connection with the Executive's death. (c) Equity Awards/Stock Options/Corporation Stock .

(1) All stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on the passage of time which have not yet vested on the date of the Executive's death, will become fully vested on the date of the Executive's death.

(2) All stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on achievement of performance metrics with respect to which the Executive has not yet vested on the date of Executive's death will continue in effect will become vested to the extent provided for in the plan or award agreement under which such awards are granted.

6. **Termination of Employment** .

6.1 Termination Without Cause . If, at any time prior to termination of this Agreement, the Corporation terminates the Executive's employment other than for cause (as defined in Section 6.4), the Corporation will provide the Executive with the following payments and benefits:

(a) Salary . A lump sum payment, within 30 days of termination, in an amount equal to the Executive's annual base salary in effect under Section 3.1 on the date of his termination.

(b) Severance . A lump sum payment, within 30 days of termination, in an amount equal to 100% of the Executive's annual base salary in effect at the time of termination.

(c) Equity Awards/Options/Corporation Stock .

(1) All stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on the passage of time which have not yet vested on the date of the Executive's termination without cause, will become fully vested on the date of the Executive's termination without cause.

(2) With respect to all stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on achievement of performance metrics with respect to which the Executive has not yet vested on the date of Executive's termination without cause (**"Termination Date** "), they will continue in effect, and be eligible for vesting after such termination of employment based on the achievement of the performance metrics to the extent (if any) that the plan or award agreement under which such awards so provides and

provided that, for any such awards that do vest after such termination without cause, the Executive shall be entitled only to the Pro-Rata Performance Amount. As used in this Agreement, the " **Pro-Rata Performance Amount** " shall be equal to the sum of: (i) (A) the number of options or restricted shares (or other equity awards) which vest on the subsequent achievement of the performance metric for the performance period ending in the calendar year in which such Termination Date occurs, multiplied by: (B) a fraction, the numerator of which is equal to the number of full and partial calendar months which have elapsed in such performance period through such Termination Date, and the denominator of which is thirty-six (36); and (ii) (A) the number of options or restricted shares (or other equity awards) which vest on the subsequent achievement of the performance metric for the performance period ending in the calendar year following the calendar year in which such Termination Date occurs, multiplied by: (B) a fraction, the numerator of which is equal to the number of full and partial calendar months which have elapsed in such performance period through such Termination Date, and the denominator of which is thirty-six (36); and (iii)(A) the number of options or restricted shares (or other equity awards) which vest on the subsequent achievement of the performance metric for the performance period ending in the second calendar year following the calendar year in which such Termination Date occurs, multiplied by: (B) a fraction, the numerator of which is equal to number of full and partial calendar months which have elapsed in such performance period through such Termination Date, and the denominator of which is thirty-six (36). If the performance period with respect to an award is a period other than thirty-six (36) months, the calculation of the Pro-Rata Performance Amount will be calculated in a manner similar to the above with the denominator being the number of months in the performance period.

(3) For the purposes of clause (2) above, a partial calendar month shall be taken into account as a fraction of a month, the numerator of which is equal to the number of days which have elapsed in such calendar month through the Executive's Termination Date, and the denominator of which is the total number of days in such calendar month. The Corporation shall notify the Executive of the number of options or restricted shares (or other equity awards) which vested at such time as awards for the plan year are generally determined to executives who are actively employed by the Company.

6.2 Termination With Good Reason .

(a) Reduction in Duties/Compensation . The Corporation will not (i) materially reduce the Executive's authority, duties, or responsibilities under the Agreement, (which would include, but not be limited to, requiring the Executive to report to a corporate officer instead of directly to the Board of the Corporation), or (ii) materially reduce the Executive's base salary (each such event a " **Reduction Event** "). In addition, (i) a material change in the geographic location of the headquarters of the Company at which the Executive must perform his duties, or (ii) the Company's material breach of the terms of this Agreement will constitute a Reduction Event. The Executive at any time during the 90-day period following a Reduction Event may provide notice to the Company of the occurrence of a Reduction Event and, if Company does not remedy the Reduction Event within 30-days of the notice, the Executive may voluntarily terminate his employment and receive the payments and benefits described in paragraph (c) below.

(b) Material Breach by the Corporation . If (i) there is a material breach by the Corporation of this Agreement (i) and Executive provides notice of such breach within 90-days of its occurrence, and (iii) the Corporation fails to cure such breach within 30 days after its receipt of written notice thereof, the

Executive may voluntarily terminate his employment and receive the payments and benefits described in paragraph (c) below.

(c) Benefits . If the Executive terminates his employment under this Section, the Corporation will provide the Executive with the following payments and benefits:

(1) Salary . A lump sum payment, within 30 days of termination, in an amount equal to the Executive's annual base salary in effect under Section 3.1 on the date of his termination.

(2) Severance . A lump sum payment, within 30 days of termination, in an amount equal to 100% of the Executive's annual base salary in effect at the time of termination.

(3) Equity Awards/Options/Corporation Stock .

(i) All stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on the passage of time which have not yet vested on the date of the Executive's termination under this Section 6.2 on account of a Reduction Event, will become fully vested on the date of such termination.

(ii) With respect to all stock options, restricted stock and/or other equity-based awards granted to the Executive which vest based on achievement of performance metrics with respect to which the Executive has not yet vested on the date of Executive's termination on account of a Reduction Event, will continue in effect, and be eligible for vesting after such termination of employment based on the achievement of the performance metrics to the extent (if any) that the plan or award agreement under which such awards so provides and provided that, for any such awards that do vest after such termination on account of a Reduction Event, the Executive shall be entitled only to the Pro-Rata Performance Amount. The "Pro-Rata Performance Amount" shall be determined in the manner provided for in Section 6.1(c)(2) and 6.1(c)(3) above.

6.3 Change of Control . If the Executive's employment is terminated on or within 24 months following a Change of Control, as defined under the Change of Control Agreement, the Corporation will provide the Executive with the payments and benefits to which he is entitled under the terms of the Change of Control Agreement. In that regard, however, the parties agree that the intent is that (a) the Executive will be entitled to receive, in respect of an event (for example, but not limited to, any termination without cause) covered by both the Change of Control Agreement and this Agreement, the payment or payments that provide for the greatest amounts; and (b) that there is to be no duplication of payment (for example, in the event of a termination without cause, the Executive would receive either the amounts covered by Section 6.1(a) and 6.1(b) of this Agreement or the amounts provided for in Section 6(d)(i) of the Change of Control Agreement, whichever is greater); *provided* , however, that any amounts will be payable at the time set forth in the Change in Control Agreement

6.4 Termination for Cause .

(a) In General . The Corporation may terminate the Executive's employment in the event the Executive does or causes to be done any act that constitutes "cause" for termination. For purposes of this Agreement, "cause" means a material breach by the Executive of this Agreement or any other written agreement between the Corporation and the Executive, gross negligence or willful misconduct in the performance of his duties, dishonesty to the Corporation, a material violation of the Corporation's Code of Business Conduct and Ethics, or the commission of a felony that results in a conviction in a court of

law. Further, the Executive will not be treated as terminated by the Corporation for cause if Executive's employment is terminated because Executive is unable to perform his duties as a result of physical or mental reasons.

(b) Obligations . Should the Executive's employment be terminated by the Corporation for cause, (1) the Corporation will pay the Executive his base salary and other compensation under Article 3 of this Agreement that has accrued as of the date of the termination, and (2) any and all stock options, stock appreciation rights ("SARs"), restricted stock, and other incentive and equity-based awards granted to the Executive in which he is not yet vested on the date of such termination will be forfeited and canceled. Notwithstanding the previous sentence, all outstanding stock options and SARs awarded under any plan or agreement, whether vested or unvested, will expire as of the commencement of business on the date of the Executive's termination for cause.

6.5 Termination Without Good Reason .

(a) In General . The Executive is entitled to terminate his employment without good reason at any time.

(b) Obligations . If the Executive's employment terminates under this Section, (1) the Corporation will pay the Executive his base salary and other compensation under Article 3 of this Agreement that has accrued as of the date of the termination, and (2) any and all stock options, restricted stock and other incentive and equity-based awards granted to the Executive in which the Executive is not vested on the date of termination will be forfeited and canceled.

6.6 Termination by Notification .

(a) In General . The Corporation or the Executive may provide notification pursuant to Section 1.3 that the Agreement will not be renewed beyond the Initial Term or any applicable renewal term.

(b) Obligations . If the Executive's employment terminates under this Section 6.6 as a result of non-renewal by the Corporation, the Corporation will provide the Executive with payments and benefits in accordance with the terms of Section 6.1. If the Executive's employment terminates under this Section 6.6 as a result of non-renewal by the Executive, the Corporation's obligation will be to provide the Executive with payments and benefits in accordance with the terms of Section 6.5.

6.7 Options/Corporation Stock .

(a) Exercise of Options . Except for those options and SARs, if any, that are cancelled upon termination of the Executive's employment, the Executive will continue to have the right to exercise all unexercised options and SARs, including those options and SARs vested in connection with the termination, for a period of twelve months commencing on the later of the date of the Executive's termination or, in the case of options or SARs that vest subsequent to termination based on achievement of performance metrics, the date of vesting. Notwithstanding the foregoing, (i) no option or SAR shall be exercisable after the expiration of its term, and (ii) if it is determined that the extension of the right to exercise an option or SAR for a given period of time would violate Section 409A of the Code, the exercise period of the affected options will be extended only for the maximum period that would not be deemed an extension of a stock right under Section 409A of the Code and related guidance.

(b) Inconsistent Terms . To the extent that the terms of this Agreement are specifically inconsistent with any provisions in any shareholder or stock option or SARs agreement between the Executive and the Corporation, the terms of this Agreement supersede the terms of any such shareholder or stock option or SARs agreement.

7. **Confidentiality** .

The Executive must not, except as required in the performance of his duties under this Agreement, divulge to any person, at any time during or after the term of his employment with the Corporation, any trade secret of the Corporation, any privileged or confidential information gained as a result of his employment with the Corporation, or any document, writing or other tangible item containing or relating to any such trade secret or privileged or confidential information.

8. **Non-Competition**

8.1 During the term of the Agreement and for a period of 24 months after the later of (a) the termination of the Agreement or (b) the end of the last pay period in respect of which the Executive receives any compensation or other annual incentive pursuant to the Agreement, the Executive agrees that he will not directly or indirectly, for his own account or as agent, employee, officer, director, trustee, consultant or shareholder of any person (except for a one percent interest or less in any publicly traded corporation) or a member of any firm or otherwise, anywhere in the sales territory of the Corporation engage or attempt to engage in any business activity that is the same as, substantially similar to, or directly competitive with the business of the Corporation as conducted by it during the term of this Agreement, or substantially similar to or directly competitive with the related business activities of the ten largest customers of the Corporation, ranked by gross sales, at the time of the termination of the Agreement.

8.2 During the term of this Agreement and for a period of 24 months from the date of termination of this Agreement for any reason, the Executive agrees that he will not, directly or indirectly, for his own account or as agent, employee, officer, director, trustee, consultant or shareholder of any person, or member of any firm or otherwise, employ or solicit the employment of any person employed by the Corporation within 24 months prior to the date of the Executive's termination.

8.3 If the Executive is terminated by the Corporation without cause, the provisions of this Article 8 will be inapplicable.

9. **Rights to Discoveries** .

The Executive agrees that all ideas, inventions (whether patentable or unpatentable), trademarks and other developments or improvements conceived, developed or acquired by the Executive, whether or not during working hours, at the premises of the Corporation or elsewhere, alone or with others, that are within the scope of the Corporation's business operations or that relate to any work or projects of the Corporation, are the sole and exclusive property of the Corporation. The Executive agrees to disclose promptly and fully to the Corporation all such ideas, inventions, trademarks or other developments and, at the request of the Corporation, the Executive will submit to the Corporation a full written report thereof regardless of whether the request for a written report is made after the termination of this Agreement. The Executive agrees that during the term of this Agreement and thereafter, upon the request of the Corporation and at its expense, he will execute and deliver any and all applications, assignments and other instruments that the Corporation deems necessary or advisable to transfer to and vest in the Corporation

the Executive's entire right, title and interest in and to all such ideas, inventions, trademarks or other developments and to permit and enable the Corporation to apply for and obtain patents or copyright or trademark registrations for any such patentable or copyrightable or trademarkable ideas, inventions, trademarks and other developments, throughout the world. To the extent applicable law provides that any such idea, invention, trademark or other development belongs to the Executive rather than the Corporation, the Executive hereby grants to the Corporation a royalty-free, non-exclusive, worldwide perpetual license to use the idea, invention, trademark or other development for no added consideration other than that given in connection with this Agreement.

10. **Documents** .

In addition to the obligations under Articles 7, 8 and 9, the Executive will execute any documents relating to the subject of those Articles as required generally by the Corporation of its executive officers and such documents already executed or executed after the Effective Date will thereby become part of this Agreement. In the case of any inconsistency between such documents and this Agreement, the broader provisions will prevail.

11. **Notices** .

All notices and other communications given pursuant to this Agreement must be in writing and will be deemed given only when (a) delivered by hand, (b) transmitted by email, facsimile, pdf or other form of electronic transmission (provided that a copy is sent at approximately the same time by first class mail), or (c) received by the addressee, if sent by registered or certified mail, return receipt requested, or by Express Mail, Federal Express or other overnight delivery service, to the appropriate party at the address given below for such party (or to such other address designated by the party in writing and delivered to the other party pursuant to this Article 11.

If to the Corporation:
Corporate Secretary
Integer Holdings Corporation
10000 Wehrle Drive
Clarence, New York 14031
Facsimile: 716-759-5672
Email: tmcevoy@greatbatch.com

With a copy to:
Hodgson Russ LLP
Attention: John J. Zak
The Guaranty Building
140 Pearl Street, Suite 100
Buffalo, NY 14202
Facsimile: 716-819-4690
Email: jzak@hodgsonruss.com

If to the Executive:
Address on file with the Corporation.

12. **Equitable Relief**.

The Executive acknowledges that the Corporation will suffer damages incapable of ascertainment in the event that any of the provisions of Article 7, 8, 9 or 10 of this Agreement are breached and that the Corporation will be irreparably damaged in the event that the provisions of Articles 7, 8, 9 and 10 are not enforced. Therefore, should any dispute arise with respect to the breach or threatened breach of Articles 7, 8, 9 or 10 of this Agreement, the Executive agrees and consents that in addition to any and all other remedies available to the Corporation, an injunction or restraining order or other equitable relief may be issued or ordered by a court of competent jurisdiction restraining any breach or threatened breach of Articles 7, 8, 9 or 10 of this Agreement. The Executive agrees not to urge in any such action that an adequate remedy exists at law. The Executive consents to jurisdiction in New York and venue in Erie County for purposes of all claims arising under this Agreement.

13. **Term of Agreement**.

For the limited purpose of making payments under this Agreement, and not, for example, for purposes of extending the periods referenced in Article 8, this Agreement will not terminate until all payments under the Agreement have been made.

14. **Miscellaneous**.

This Agreement is governed by the internal domestic laws of the State of New York without reference to conflict of laws principles. This Agreement is binding upon and inures to the benefit of the legal representatives, successors and assigns of the parties hereto (provided, however, that the Executive does not have the right to assign this Agreement in view of its personal nature). All headings and subheadings are for convenience only and are not of substantive effect. Except as otherwise specifically provided for herein, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and writings (or any part thereof) whether oral or written between the parties relating to the subject matter hereof. Except as specifically referenced herein, no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not expressly set forth in this Agreement. No provision of this Agreement may be waived, modified or amended, orally or by any course of conduct, unless such waiver, modification or amendment is set forth in a written agreement duly executed by both of the parties. If any article, section, portion, subsection or subportion of this Agreement is determined to be unenforceable or invalid, then such article, section, portion, subsection or subportion will be modified in the letter and spirit of this Agreement to the extent permitted by applicable law so as to be rendered valid, and any such determination will not affect the remainder of this Agreement, which is and will remain binding and effective as against all parties hereto.

15. **Section 409A Compliance**.

(a) Notwithstanding anything to the contrary in this Agreement, if an amount hereunder is subject to, and not exempt from, Section 409A of the Internal Revenue Code of 1986, as amended (" **Section 409A** "), and the Executive is a Specified Employee on the date of Executive's separation from service, the Executive will not receive a payment due to separation from service before the date that is six months after the date of Executive's separation from service, or, if earlier, the Executive's death after

separation from service. In the event a payment must be deferred, the first payment will include an amount equal to the sum of the payments that would have been paid to the Executive but for the payment deferral mandated pursuant to Section 409A(a)(2)(B)(i) of the Code on the first day of the month following the mandated deferral period. In no event will the mandatory deferral period extend beyond a death after separation from service.

(b) Any reimbursement of expenses or in-kind benefits provided under this Agreement subject to, and not exempt from, Section 409A shall be subject to the following additional rules: (i) any reimbursement of eligible expenses shall be paid as they are incurred (but not prior to the end of the six-month delay period set forth above, if applicable) and shall always be paid on or before the last day of the Executive's taxable year following the taxable year in which the expenses were incurred; provided that the Executive first provides documentation of such expenses in reasonable detail not later than sixty (60) days following the end of the calendar year in which the eligible expenses were incurred; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, during any other calendar year; and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(c) It is intended that all payments under this Agreement be exempt from or comply with Section 409A so as not to subject the Executive to payment of interest or any additional tax under Section 409A. All terms of this Agreement that are undefined or ambiguous must be interpreted in a manner that is consistent with Section 409A if necessary to comply with Section 409A. This Agreement will be construed and administered to preserve the exemption from Section 409A of payments that qualify as short-term deferrals pursuant to Treas. Reg. §1.409A-1(b)(4) or that qualify for the two-times compensation separation pay exemption of Treas. Reg. §1.409A-1(b)(9)(iii). In furtherance thereof, if payment or provision of any amount or benefit hereunder that is subject to Section 409A at the time specified herein would subject such amount or benefit to any additional tax under Section 409A, the payment or provision of such amount or benefit will be postponed to the earliest commencement date on which the payment or provision of such amount or benefit could be made without incurring such additional tax. In addition, to the extent that any regulations or other guidance issued under Section 409A (after application of the previous provisions of this Section 15) would result in the Executive's being subject to the payment of interest or any additional tax under Section 409A of the Code, the parties agree, to the extent reasonably possible, to amend this Agreement in order to avoid the imposition of any such interest or additional tax under Section 409A, which amendment shall have the minimum economic effect necessary and be reasonably determined in good faith by the Corporation and the Executive. Executive acknowledges and agrees that the Corporation has made no representation to Executive as to the tax treatment of the compensation and benefits provided pursuant to this Agreement and that Executive is solely responsible for all taxes due with respect to such compensation and benefits.

[THE SIGNATURE PAGE FOLLOWS}

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date set forth above.

/s/ Thomas J. Hook

Thomas J. Hook

INTEGER HOLDINGS CORPORATION

/s/ Bill R. Sanford

Bill R. Sanford, Chairman of the Board

and

/s/ Peter H. Soderberg

Peter H. Soderberg
Chair, Compensation and Organization Committee

APPENDIX A

Thomas J. Hook Employment Agreement

Integer Holdings Corporation Incentive and Equity-Based Awards
In Effect as of August 5, 2016

I. Incentive Plans

Short Term Cash Incentive Plan @100% level (at target).

The stock options, SARs, restricted stock and other equity-based awards granted to the Executive as of January 1, 2016 are set forth on pages 10 and 30-31 of the Corporation's Proxy Statement dated April 18, 2016.

LTI Program @ 430% level (maximum)

INTEGER HOLDINGS CORPORATION

AMENDED AND RESTATED
CHANGE OF CONTROL AGREEMENT

This AMENDED AND RESTATED CHANGE OF CONTROL AGREEMENT is by and between Integer Holdings Corporation, a Delaware corporation (the "Company"), and Thomas J. Hook (the "Executive"), and dated as of the 5 th day of August, 2016.

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below). The Board believes it is imperative to (1) diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control; (2) encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control; (3) to enable the Executive, without being influenced by the uncertainties of the Executive's own situation, to assess and advise the Company whether proposals concerning any potential change of control of the Company are in the best interests of the Company and its shareholders and to take other action regarding these proposals as the Company might determine appropriate; and (4) provide the Executive with compensation and benefits arrangements on a Change of Control that ensure that the compensation and benefits expectations of the Executive will be satisfied and that are competitive with those of other corporations. Therefore, to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions

(a) An "Affiliate" of, or a Person "Affiliated" with, a Specified Person, means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under current control with, the Person specified.

(b) "Effective Date" means the first date during the Change of Control Period on which a Change of Control occurs; provided that the Executive is employed by the Company on that date.

(c) "Change of Control Period" means the period beginning on the effective date of this Agreement, (as noted in the first 3 lines at the top of this page) and ending on the third anniversary of that date. However, beginning on the first anniversary of that date, and on each successive anniversary of that date (the first and each successive anniversary each is referred to as a "Renewal Date"), the Change of Control Period will be automatically extended so it terminates 36 months from the Renewal Date, unless, at least 60 days prior to that Renewal Date, the Company notifies the Executive that the Change of Control Period will not be so extended.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) “Company” means, collectively, the Company and its Subsidiaries except for purposes of Section 2 or where the context clearly requires otherwise.

(f) “Person” has the meaning given that term in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) but excluding any Person described in and satisfying the conditions of Rule 13d-1(b)(1) of Section 13.

(g) “Specified Employee” means an employee who is a “specified employee,” as defined in Section 409A of the Code on the date of his termination of employment.

(h) “Subsidiary” means any corporation, limited liability company, partnership or other entity that is an Affiliate of the Company.

(i) “Termination of employment,” “separation from service” and terms of similar import mean a “separation from service” within the meaning of Section 409A(a)(2)(A)(i) of the Code.

2. Change of Control .

“Change of Control” means:

(a) Any acquisition or series of acquisitions by any Person other than the Company, any of the subsidiaries of the Company , any employee benefit plan of the Company, or any of their subsidiaries, or any Person holding common shares of the Company for or pursuant to the terms of such employee benefit plan, that results in that Person becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of either the then outstanding shares of the common stock of the Company ("Outstanding Company Common Stock") or the combined voting power of the Company's then outstanding securities entitled to then vote generally in the election of directors of the Company ("Outstanding Company Voting Securities"), except that any such acquisition of Outstanding Company Common Stock or Outstanding Company Voting Securities will not constitute a Change of Control while such Person does not exercise the voting power of its Outstanding Company Common Stock or otherwise exercise control with respect to any matter concerning or affecting the Company, or Outstanding Company Voting Securities, and promptly sells, transfers, assigns or otherwise disposes of that number of shares of Outstanding Company Common Stock necessary to reduce its beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of the Outstanding Company Common Stock to below 20%.

(b) During any period not longer than 24 consecutive months, individuals who at the beginning of such period constitute the Board cease to constitute at least a majority of the Board, unless the election, or the nomination for election by the Company's stockholders, of each new Board member was approved by a vote of at least 3/4ths of the Board members then still in office who were Board members at the beginning of such period (including for these purposes, new members whose election or nomination was so approved).

(c) Approval by the stockholders of the Company of:

(i) a dissolution or liquidation of the Company,

(ii) a sale of 50% or more of the assets of the Company, taken as a whole (with the stock or other ownership interests of the Company in any of its Subsidiaries constituting assets of the Company for this purpose) to a Person that is not an Affiliate of the Company (for purposes of this paragraph "sale" means any change of ownership), or

(iii) an agreement to merge or consolidate or otherwise reorganize, with or into one or more Persons that are not Affiliates of the Company, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after any such merger, consolidation or reorganization are, or will be, owned, directly or indirectly, by stockholders of the Company immediately before such merger, consolidation or reorganization (assuming for purposes of such determination that there is no change in the record ownership of the Company's securities from the record date for such approval until such merger, consolidation or reorganization and that such record owners hold no securities of the other parties to such merger, consolidation or reorganization), but including in such determination any securities of the other parties to such merger, consolidation or reorganization held by Affiliates of the Company.

3. Employment Period . The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company, for the period commencing on the Effective Date and ending at the end of the 24th month following the Effective Date (the "Employment Period").

4. Terms of Employment

(a) Position and Duties .

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures,

fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as these activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of these activities (or the conduct of activities similar in nature and scope) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), paid at a biweekly rate, at least equal to the highest annualized (for any fiscal year consisting of less than 12 full months or with respect to which the Executive has been employed by the Company for less than 12 full months) base salary paid or payable, including any Annual Base Salary that has been earned but deferred, to the Executive by the Company for any of the three fiscal years immediately preceding the fiscal year in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time as shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other peer executives of the Company. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term Annual Base Salary shall refer to the Annual Base Salary as so increased.

(ii) Annual Bonus. The Executive shall be awarded, for each fiscal year during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the higher of (A) the average annualized (for any fiscal year consisting of less than 12 full months or with respect to which the Executive has been employed by the Company for less than 12 full months) bonus paid or payable, including any Annual Base Salary that has been earned but deferred, for three fiscal years immediately preceding the fiscal year in which the Effective Date occurs, or (B) if the annual bonus paid for the fiscal year immediately preceding the fiscal year in which the Effective Date occurs was based upon a formula or plan in which the Executive participated, then such Annual Bonus shall be at least equal to the bonus which would be payable based on such formula or plan had the Executive's participation and level of participation remained in effect following the Effective Date. Each Annual Bonus shall be paid no later than the fifteenth day of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded. The Annual Bonus may be, but is not limited to, the bonus payable under the Company's Short Term Incentive Plan ("STIC") or any similar bonus or incentive program then in effect.

(iii) Incentive, Savings and Retirement Plans. The Executive shall be entitled to participate during the Employment Period in all incentive, savings and retirement plans, practices, policies and programs generally applicable to other peer executives of the Company, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities), savings opportunities and retirement benefits opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date. Incentive programs include, but are not limited to, the Company's Long Term Incentive Plan.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent generally applicable to other peer executives of the Company, but in no event shall such plans, practices, policies and programs provide benefits less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive and the Executive's family at any time during the 120-day period immediately preceding the Effective Date.

(v) Business Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect at any time thereafter generally with respect to other peer executives of the Company.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect at any time after generally with respect to other peer executives of the Company.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided at any time after generally with respect to other peer executives of the Company.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect at any time after that generally with respect to other peer executives of the Company.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Period, it may give to the Executive written notice of its intent to terminate the Executive's employment. The Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. "Disability" means the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent. Any question as to the date of or the existence, extent or potentiality of disability of the Executive on which the Executive and the Company cannot agree shall be determined by a qualified independent physician jointly selected by the Executive and the Company (or if the Executive is unable to make such a selection, it shall be made by an adult member of the Executive's immediate family). The determination of such physician, made in writing to the Company and to the Executive, shall be final and conclusive.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for "Cause." "Cause" means a material breach by the Executive of this Agreement, gross negligence or willful misconduct in the performance of the Executive's duties, dishonesty to the Company, a material violation of the Company's Code of Business Conduct and Ethics, or the commission of a felony that results in a conviction in a court of law. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of the resolution duly adopted by the affirmative vote of not less than 3/4ths of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in this section, and specifying the particulars in detail.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for "Good Reason." For purposes of this Agreement, "Good Reason" means:

(i) the assignment to the Executive of any responsibilities or duties inconsistent in any material respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section

4(a), or any other action by the Company that results in a material diminution in such position, authority, duties or responsibilities;

(ii) any material failure by the Company to comply with the provisions of Section 4(b);

(iii) the Company requiring the Executive to be based at any office or location other than that described in Section 4(a)(i), or requiring the Executive to travel away from the Executive's office in the course of discharging responsibilities or duties in a manner that is inappropriate for the performance of the Executive's duties and that is significantly more frequent (in terms of either consecutive days or aggregate days in any calendar year) than was required prior to the Change of Control;

(iv) any purported termination by the Company of the Executive's employment other than as expressly permitted by this Agreement; or

(v) any failure by any successor to the Company to comply with and satisfy Section 14(c), provided that such successor has received at least ten days prior written notice from the Company or the Executive of the requirements of Section 14(c).

For the purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive; provided, however, that "Good Reason" shall not be deemed to exist unless: (A) the Executive has provided a Notice of Termination to the Company of the existence of one or more of the conditions listed in (i) through (v) above within 90 days after the initial occurrence of such condition or conditions; and (B) such condition or conditions have not been cured by the Company within 30 days after receipt of such notice.

(d) Notice of Termination . Any termination by the Company for Cause or by the Executive for Good Reason shall be communicated by "Notice of Termination" to the other party. A "Notice of Termination" means notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which shall be not more than 15 days after the giving of such notice in all instances other than Good Reason, in which case it shall be at least 31 days after and no more than 90 days after the Notice of Termination). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstances that contributes to a showing of Good Reason or Cause, as the case may be, shall not waive any right of the Executive or the Company or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights.

(e) Date of Termination . "Date of Termination" means the date of receipt of the Notice of Termination or any later date specified in the Notice, provided, however, that (i) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination means the date on which the Company notifies the Executive of such termination, and (ii) if the Executive's employment is terminated by reason of death or Disability,

the Date of Termination means the date of death of the Executive or the Disability Effective Date, respectively.

6. Obligations of the Company upon Termination .

(a) Death . If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than the following obligations (the amounts described in clauses (i), (ii), and (iii) are "Accrued Obligations"):

(i) payment of the Executive's Annual Base Salary through the Date of Termination to the extent not paid,

(ii) payment of the product of (x) the Annual Bonus paid (and annualized for any fiscal year consisting of less than 12 full months or for which the Executive has been employed for less than 12 full months) to the Executive for the most recently completed fiscal year during the Employment Period, and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and

(iii) payment of any accrued vacation pay not yet paid.

All Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash 30 days of the Date of Termination. Anything in this Agreement to the contrary notwithstanding, the Executive's family shall be entitled to receive for 24 months benefits at least equal to the most favorable benefits provided generally by the Company to surviving families of peer executives of the Company under such plans, programs, practices and policies relating to family death benefits, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and the Executive's family as in effect on the date of the Executive's death generally with respect to other peer executives of the Company and their families.

(b) Disability . If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations. All Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. Anything in this Agreement to the contrary notwithstanding, the Executive shall be entitled after the Disability Effective Date to receive disability and other benefits at least equal to the most favorable of those provided by the Company to disabled peer executives and their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 30-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter through the Date of Termination generally with respect to other peer executives of the Company and their families. If the Executive dies within 24 months of the Disability Effective Date, the Executive's family shall be entitled to a continuation

of benefits as described in (a), through the period ending no sooner than 24 months after the Disability Effective Date.

(c) Cause; Voluntary Termination . If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive the Annual Base Salary through the Date of Termination to the extent unpaid. If the Executive terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

(d) Other Termination; Good Reason . If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability, or the Executive shall terminate employment under this Agreement for Good Reason:

(i) the Company shall pay to the Executive the aggregate of the following amounts, such amounts to be payable by the Company in a lump sum in cash within 30 days:

A. all Accrued Obligations;

B. two times the sum of the Executive's Annual Base Salary and the higher of (i) the average annualized (for any fiscal year consisting of less than 12 full months or with respect to which the Executive has been employed by the Company for less than 12 full months) bonus paid for the three fiscal years immediately preceding the fiscal year in which the Effective Date occurs, or (ii) the targeted annual bonus payable to the Executive pursuant to the STIC for the fiscal year in which the Date of Termination occurs or, under any other annual bonus or incentive plan or program in effect at the time, assuming 100% achievement of the Company performance factor and 100% achievement of the Executive's personal performance factor;

C. a separate lump sum supplemental retirement benefit equal to two times the Company's total contributions to the Company's 401(k) Plan or any other similar plans in effect at the time, for the year preceding the termination. This payment will be made in cash and will not eliminate the obligation of the Company to make all scheduled contributions to the Company's 401(k) Plan or similar plans; and

(ii) the Company shall pay the Executive up to $25,000 for executive outplacement services utilized by the Executive; provided however, that such expenses shall be paid or reimbursed to the Executive by the Company on a regular, periodic basis no later than 30 days after presentation by the Executive of a statement or statements prepared by such counsel in accordance with its customary practices, up to a maximum of $15,000 in the first year (and up to a maximum of $10,000 in the second year) following the year in which the Executive has a termination of employment, and further provided that the Executive presents such statement(s) no later than 30 days prior to the end of the Executive's taxable year following the year in which such expenses were incurred;

(iii) to the extent permissible, for 24 months or such longer period as any plan, program, practice or policy may provide, the Company shall continue benefits (other than health and medical benefits) to the Executive and, where applicable, the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) if the Executive's employment had not been terminated, in accordance with the most favorable plans, programs, practices or policies of the Company generally applicable to other peer executives and their families during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect at any time after that generally with respect to other peer executives of the Company and their families; provided, however, that if the Executive becomes employed elsewhere during the Employment Period and is thereby afforded comparable insurance and welfare benefits to those described in Section 4(b)(iv), the Company's obligation to continue providing the Executive with such benefits shall cease or be correspondingly reduced, as the case may be. The Company will make a lump sum payment to the Executive within 30 days of the Date of Termination in an amount equal to the Company's contributions for 24 months towards health and medical benefits and any other benefits described in Section 4(b)(iv) for which benefits could not be continued following the Date of Termination (in each case, at the contribution rate then in effect on the Date of Termination). Notwithstanding the foregoing, in accordance with Part 6 of Title I of ERISA, the Executive and the Executive's qualified beneficiaries will be eligible to elect COBRA continuation coverage in the Company's group health plans in connection with the Executive's termination of employment from the Company. For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, programs, practices and policies, the Executive shall be considered to have remained employed until the end of the Employment Period and to have retired on the last day of such period;

(iv) all outstanding stock options, stock appreciation rights (SARs), restricted stock and other similar incentive awards held by the Executive pursuant to any Company stock option, SAR and stock incentive plans shall immediately become vested (except as hereinafter stated) exercisable, and freely transferable, as the case may be, as to all or any part of the shares or awards covered by those plans, with the Executive being able to exercise his or her stock options, SARs or other awards within a period of 12 months following the Date of Termination or such longer period as may be permitted under the plans and the Executive's stock option, SAR or other award agreements. Notwithstanding the aforementioned, all outstanding stock options, stock appreciation rights (SARs), restricted stock and other similar incentive awards made under a long-term incentive plan of the Company will vest, if at all, in accordance with the terms of applicable award agreement and long-term incentive plan. Notwithstanding the foregoing, (i) no option or SAR shall be exercisable after the expiration of its term, and (ii) if it is determined that the extension of the right to exercise an option or SAR for a given period of time would violate Section 409A of the Code, the exercise period for the affected options or SARs will be extended only for the maximum period that would not be deemed an extension of a stock right under Section 409A of the Code and related guidance;

(v) the total value of the annual Long Term Incentive Plan award, or any similar long term incentive plan in effect at the time, scheduled for the year of termination will be converted to a cash payment payable within 30 days of the Date of Termination; and

(vi) if, in the calendar year immediately preceding the Date of Termination, the Executive had relocated the Executive's primary residence from one location (the "Point of Origin") to its location at the Date of Termination at the request of the Company, then the Company shall reimburse the Executive in cash within 14 days following receipt of substantiating written receipts for any relocation expenses actually incurred in the 12 months immediately following the Date of Termination by the Executive in moving the Executive's primary residence to any location, to the extent such expenses do not exceed the cost of relocating the Executive's primary residence to the Point of Origin. The cost of relocating the Executive's primary residence to the Point of Origin shall be determined by averaging estimates obtained by the Company in writing from three reputable moving companies, selected by the Company in good faith. It shall be the obligation of the Executive to notify the Company in advance of any such relocation so that such estimates may be obtained.

7. Non-exclusivity of Rights . Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plans, programs, policies or practices provided by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other agreements with the Company. Amounts that are vested benefits or that the Executive otherwise is entitled to receive under any plan, policy, practice or program of the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, except as explicitly modified by this Agreement.

8. Full Settlement; Legal Fees . The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations, except as specifically provided otherwise in this Agreement, shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action the Company may have against the Executive or others. The amounts payable to the Executive will not be subject to any requirement of mitigation, nor, except as specifically provided otherwise in this Agreement, will they be offset or otherwise reduced by reason of the Executive's receipt of compensation from any source other than the Company. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses the Executive reasonably may incur, including the costs and expenses of any arbitration proceeding, as a result of any contest (regardless of the outcome) by the Executive, the Company or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided that the Executive's claim is not determined by a court of competent jurisdiction or an arbitrator to be frivolous or otherwise entirely without merit.

9. General Release and Waiver . In exchange for the consideration provided under this Agreement, the Executive agrees to sign a General Release and Waiver of age and other discrimination claims on a form provided by the Company at the time of separation; provided, however, that if the Executive is required to execute, submit and not revoke a release of claims

against the Company in order to receive the payment of benefits hereunder as a result of the terms of this Agreement and the period in which to execute, submit and not revoke the release begins in a first taxable year and ends in a second taxable year, any payment to which Executive would be entitled hereunder will be paid in the second taxable year, but no later than the end of the payment period specified in this Agreement.

10. Certain Additional Payments by the Company .

(a) Anything in this Agreement to the contrary notwithstanding, if it is determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code because the Payment is considered a "parachute payment" under Section 280G of the Code, or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect to them) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay Federal income taxes at the highest applicable marginal rate of Federal income taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes which could be obtained from the deduction of such state or local taxes if paid in such year (determined without regard to limitations on deductions based upon the amount of adjusted gross income), and to have otherwise allowable deductions for Federal, state and local income tax purposes at least equal to those disallowed because of the inclusion of the Gross-Up Payment in adjusted gross income. Notwithstanding the foregoing provisions of this Section, if it is determined that the Executive is entitled to a Gross-Up Payment, but that the present values as of the date of the Change of Control, determined in accordance with Sections 280G(b)(2)(ii) and 280G(d)(4) of the Code (the "Present Value"), of the Payments does not exceed 110% of the greatest Present Value of Payments (the "Safe Harbor Cap") that could be paid to the Executive such that the receipt would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the amounts payable to Executive shall be reduced to the maximum amount that could be paid to the Executive such that the Present Value of the Payment does not exceed the Safe Harbor Cap. The Payments shall be reduced in a manner that maximizes the Executive's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

(b) Subject to the provisions of subsection (c), all determinations required to be made under this Section 9, including whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be used in arriving that such determination, shall be made by a nationally recognized certified public accounting firm designated by the Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is required by the Company. If the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required (which accounting firm then shall be referred to as the Accounting Firm). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding on the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm, it is possible the Gross-Up Payments will not have been made by the Company that should have been made ("Underpayment"), consistent with the calculations required to be made. If the Company exhausts its remedies pursuant to subsection (c) and the Executive then is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid promptly by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 20 business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is required to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this subsection (c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and, at its sole option, may either direct the Executive to pay the tax claimed and sue for a refund, or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income with respect to such advance, and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to subsection (c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of subsection (c)) promptly pay the Company the amount of such refund (together with any interest paid or credited after applicable taxes). If, after the receipt by the Executive of an amount advanced by the Company pursuant to subsection (c), a determination is made that the Executive is not entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid, and the amount of such advance shall offset, to the extent of that amount, the amount of Gross-Up Payment required to be paid.

(e) Any tax gross up under this Section shall be paid to the Executive no later than the end of the Executive's taxable year next following the Executive's taxable year in which the Executive remits the related taxes. For purposes of this Agreement, the term "tax gross-up" payment refers to a payment to reimburse the Executive in an amount equal to all or a designated portion of the Federal, state, local, or foreign taxes imposed upon the Executive as a result of compensation paid or made available to the Executive by the Company, including the amount of additional taxes imposed upon the Executive due to the Company's payment of the initial taxes on such compensation.

11. Confidential Information; Non-Compete .

(a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In addition, to the extent that the Executive is a party to any other agreement relating to non-competition, confidential information, inventions or similar matters with the Company, the Executive shall continue to comply with the provisions of such agreements. In addition to the obligations under this Section, the Executive shall execute any documents relating to the subject of those sections as required generally by the Company of its executive officers, and such documents already executed or executed after the effective date of this Agreement shall thereby become part of this Agreement. Nothing in this Agreement shall be construed as modifying any provisions of such agreements or documents. In the case of any inconsistency between such agreements and documents and this Agreement, the broader provision shall prevail. In no event shall an asserted violation of the provisions of this Section constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement, except if the Executive materially breaches this section or a covenant not to compete or confidentiality provision in any such agreement or document, that breach shall be considered a material breach of this Agreement. If the breach occurs after termination of employment, the Executive shall forfeit a pro rata portion of benefits under Section 6(d). The pro rata amount in the case of Section 6(d)(i)(B), (C), (ii), (iii) (but only with respect to amounts paid in a lump sum payment), (v) and (vi) shall be determined by multiplying the payments under those paragraphs by a fraction, the numerator of which is the number of months remaining to the end of the covenant not to compete or, in the case of a confidentiality agreement that has no term, 36 minus the number of months elapsed from the Executive's termination of employment to the date of breach, and the denominator of which is the number of total months in the covenant not to compete, or, in the case of breach of a confidentiality obligation that has no term, 36. If there are not sufficient payments remaining to be paid to the Executive under Section 6(d) to cover the forfeited amount, the Executive agrees to pay promptly to the Company an amount that, with any amounts otherwise remaining to be paid, constitutes the forfeiture amount. With respect to benefits being continued under Section (6)(d)(iii), those benefits shall terminate at the date of the breach. If the breach is determined retroactively, the Executive shall pay promptly to the Company the amount the Company incurred to provide benefits after the date of the breach. With respect to Section 6(d)(iv), the Executive shall not be entitled to any accelerated vesting and exercise after the date of the breach. If the breach is determined retroactively, the Executive shall pay promptly to the Company the amount of any value received as a result of that accelerated vesting and exercise.

(b) The Executive acknowledges that the Company will suffer damages incapable of ascertainment if any of the provisions of subsection (a) are breached and that the Company will be irreparably damaged if the provisions of subsection (a) are not enforced. Therefore

should any dispute arise with respect to the breach or threatened breach of subsection (a), the Executive agrees and consents that in addition to any remedies available to the Company, an injunction or restraining order or other equitable relief may be issued or ordered by a court of competent jurisdiction restraining any breach or threatened breach of subsection (a). The Executive agrees not to urge in any such action that an adequate remedy exists at law.

12. Public Announcements . The Executive shall consult with the Company before issuing any press release or otherwise making any public statement with respect to the Company, this Agreement or the transactions contemplated, and the Executive shall not issue any such press release or make any such public statement without prior written approval of the Company, except as may be required by applicable law, rule or regulation or any self regulatory agency requirements, in which event the Company shall have the right to review and comment upon any such press release or public statement prior to its issuance.

13. Arbitration . Any dispute, controversy or claim arising out of or relating to this Agreement, or any breach thereof, shall be determined and settled by arbitration to be held in Erie County, New York, pursuant to the commercial rules of the American Arbitration Association or any successor organization and before a panel of three arbitrators. Any award rendered shall be final, conclusive and binding on the parties.

14. Successors .

(a) This Agreement is personal to the Executive and shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company and any successor to its business or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

15. Miscellaneous .

(a) All notices and other communications given pursuant to this Agreement shall be in writing and shall be deemed given only when (a) delivered by hand, (b) transmitted by telex, telecopier or other form of electronic transmission (provided that a copy is sent at approximately the same time by first class mail), or (c) received by the addressee, if sent by registered or certified mail, return receipt requested, or by Express Mail, Federal Express or other overnight delivery service, to the appropriate party at the address given below for such party (or to

such other address designated by the party in writing and delivered to the other party pursuant to this Section).

If to the Executive:

Thomas J. Hook
at address on file with the Company

If to the Company:

Integer Holdings Corporation
10000 Wehrle Drive
Clarence, NY 14031
(Attn: Secretary)

(b) The Company shall deduct or withhold from salary payments, and from all other payments made to the Executive pursuant to this Agreement, all amounts that may be required to be deducted or withheld under any applicable law now in effect or that may become effective during the term of this Agreement (including, but not limited to social security contributions and income tax withholdings).

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws. The Executive consents to jurisdiction in New York and venue in Erie County for purposes of all claims arising under this Agreement. The captions of this Agreement are not part of the provisions and shall have no force or effect. Except as specifically referenced in this Agreement (including agreements referenced in (c) treated as specifically referenced in this Agreement), no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter, have been made by either party that are not expressly set forth in this Agreement. No provision of this Agreement may be waived, modified or amended, orally or by any course of conduct, unless such waiver, modification or amendment is set forth in a written agreement duly executed by the parties or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. The Executive's or the Company's failure to insist on strict compliance with any provision in any particular instance shall not be deemed to be a waiver of that provision or any other provision.

16. Section 409A of the Internal Revenue Code .

(a) Notwithstanding anything to the contrary in the foregoing, but to the extent not specified previously above, if an amount hereunder is subject to, and not exempt from, Section 409A and the Executive is a Specified Employee on the date of separation from service, the Executive shall not receive a distribution due to separation from service before the date which is the later of (i) eighteen (18) months following August 6, 2011 or (ii) six months after the date of separation from service, or, if earlier, the Executive's death after separation from service. In the

event a distribution must be deferred, the first payment shall include an amount equal to the sum of the payments which would have been paid to the Executive but for the payment deferral mandated pursuant to Section 409A(a)(2)(B)(i) of the Code on the first day of the month following the mandated deferral period. In no event will the mandatory deferral period extend beyond a death after separation from service.

(b) Any reimbursement of expenses or in-kind benefits provided under this Agreement subject to, and not exempt from, Section 409A of the Code shall be subject to the following additional rules: (a) any reimbursement of eligible expenses shall be paid as they are incurred (but not prior to the end of the six-month delay period set forth above, if applicable) and shall always be paid on or before the last day of the Executive's taxable year following the taxable year in which the expenses were incurred; provided that the Executive first provides documentation of such expenses in reasonable detail not later than sixty (60) days following the end of the calendar year in which the eligible expenses were incurred; (b) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, during any other calendar year; and (c) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(c) To the extent applicable, it is intended that this Agreement and any deferrals of compensation made hereunder comply with the provisions of Section 409A of the Code. This Agreement and any deferrals or compensation made hereunder shall be administrated in a manner consistent with this intent, and any provisions that would cause this Agreement or any benefit hereunder to fail to satisfy Section 409A shall have no force and effect until amended to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A). Any reference in this Agreement to Section 409A will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to Section 409A by the U.S. Department of the Treasury or the Internal Revenue Service.

[THE SIGNATURE PAGE FOLLOWS}

IN WITNESS WHEREOF, the Executive has set his or her hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above.

INTEGER HOLDINGS CORPORATION:

By: /s/ Timothy G. McEvoy
Timothy G. McEvoy
Senior Vice President, General Counsel & Secretary

EXECUTIVE:

By: /s/ Thomas J. Hook
Thomas J. Hook

Exhibit 31.1

CERTIFICATION

I, Thomas J. Hook, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2016 of Integer Holdings Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2016

/s/ Thomas J. Hook

Thomas J. Hook
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael Dinkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended July 1, 2016 of Integer Holdings Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 9, 2016

/s/ Michael Dinkins

Michael Dinkins

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Greatbatch, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended July 1, 2016 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2016

/s/ Thomas J. Hook

Thomas J. Hook
President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 9, 2016

/s/ Michael Dinkins

Michael Dinkins
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification is being furnished solely to accompany this Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and is not to be deemed incorporated by reference into any filing of the Company except to the extent the Company specifically incorporates it by reference therein.