Securities and Exchange Commission
Washington, D.C.
20549

Form 10-K

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

For the fiscal year ended December 29, 1995 Commission file number 0-16093

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

New York	16-0977505
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
310 Broad Street, Utica, New York	13501
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

The aggregate market value of the shares of the voting stock held by non-affiliates of the Registrant was approximately $335,243,098 based upon the average bid and asked prices of stock, which was $23.13 on March 22, 1996.

The number of shares of the Registrant's $0.01 par value common stock outstanding as of March 22, 1996 was 14,884,815.

Portions of the Definitive Proxy Statement, scheduled to be mailed on or about April 12, 1996 for the annual meeting of stockholders to be held May 21, 1996, are incorporated by reference into Part III.

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PART I

CONMED CORPORATION

Item 1: Business

General

CONMED Corporation ("CONMED" or the "Company") was incorporated on February 10, 1970 in the State of New York. The Company is a leading provider of advanced electrosurgical systems and ECG electrodes and accessories. The Company also manufactures and markets a line of instruments for use in MIS procedures, as well as products used for IV therapy. Eighty-five percent of the Company's revenues are derived from the sale of single-use, disposable products. The Company's products are used in a variety of clinical settings, such as operating rooms, physicians' offices and critical care areas of hospitals.

The Company is divided into three divisions: Electrosurgical Systems, Patient Care and Minimally-Invasive Surgery. Each division has its own dedicated salesforce. Through its Electrosurgical Systems Division, the Company develops, manufactures and markets a comprehensive range of electrosurgical generators, argon beam coagulation systems, electrosurgical ground pads and electrosurgical pencils. The Company's Patient Care Division develops, manufactures and markets a broad line of ECG electrodes (adult, infant, premie, stress test and diaphoretic), ECG cables and lead wires, IV stabilization dressings and IV fluid drip rate gravity controllers. As disclosed below, the Company's Patient Care Division will enter the wound care market with the NDM acquisition. The Company's Minimally-Invasive Surgery Division develops, manufactures and markets a line of minimally-invasive surgical ("MIS") products, including an electronic trocar system, suction-irrigation instruments, scissors and electrosurgical probes with suction/irrigation capability.

The Company has used strategic business acquisitions to increase its market share in certain product lines, broaden its product offerings and realize economies of scale. In July 1993, the Company acquired the business and certain assets of Medtronic Andover Medical, Inc., a manufacturer of ECG monitoring and diagnostic electrodes and ECG cables and lead wires, for a cash purchase price of approximately $21.8 million plus the assumption of approximately $1.2 million of liabilities. In November 1994, the Company purchased the assets associated with a product line involving the manufacture and sale of ECG electrodes from Becton Dickinson Vascular Access, Inc. for approximately $2.0 million. These

acquisitions expanded the ECG product offerings of the Company and have given the Company the additional market share necessary to become a leading supplier of ECG disposables to the domestic ECG disposables industry.

In March 1995, the Company acquired Birtcher Medical Systems, Inc. ("Birtcher") for approximately 1.6 million shares of common stock in a transaction valued at approximately $21.2 million. With the Birtcher acquisition, the Company added the argon beam coagulation technology to its existing lines of electrosurgical products and strengthened the Company's position as a leading supplier of electrosurgical systems to the medical industry. In May 1995, the Company acquired the business and certain assets and liabilities of The Master Medical Corporation ("Master Medical") for a cash purchase price of approximately $9.5 million plus the assumption of net liabilities totaling approximately $0.5 million. The Master Medical acquisition added a line of single-use IV fluid drip rate gravity controllers to the Company's product line. The completed acquisitions, together with internal growth, resulted in net sales growth of approximately 135% over the past three years.

In October 1995, the Company signed an asset purchase agreement whereby the Company will acquire substantially all the business and certain assets of New Dimensions in Medicine, Inc. ("NDM") for a cash purchase price of approximately $32.0 million plus the assumption of net liabilities of approximately $5.1 million. Through the NDM acquisition, which closed on February 23, 1996, the Company has acquired the business of NDM relating to the design, manufacture and marketing of a broad line of ECG electrode products, disposable electrosurgical products and a broad line of various Hydrogel wound care products.

Industry

The health care industry is undergoing significant and rapid change. Health care delivery costs have increased dramatically in recent years as compared to the overall rate of inflation. The growing influence of managed care has resulted in increasing pressure on participants in the health care industry to contain costs. Accordingly, health care providers have been purchasing medical devices which improve productivity and contain costs.

Health care providers continue to utilize low-cost, disposable medical devices, such as electrosurgical pencils and ground pads, ECG electrodes and other patient care products. Disposable devices improve health care professional productivity and, unlike reusable products, do not require costly, labor-intensive sterilization or reassembling. The risks of transmission of infectious diseases, such as AIDS, hepatitis and tuberculosis, and related concerns about occupational safety of health care professionals have also contributed to an increased demand for disposable, single-use products. In addition, the combination of medical cost containment pressures and patient-driven demands have resulted in greater use of minimally-invasive procedures as an alternative to traditional open surgery. MIS procedures reduce patient hospitalization and therapy, thereby reducing the cost to patients and health insurers.

According to the American Hospital Association and the American College of Surgeons, in 1993 more than 23 million surgical procedures were performed in the over 5,300 general hospitals in the United States, with another approximately three million procedures being performed in the approximately 1,800 free standing ambulatory surgery centers. The Company believes that a majority of these operations involved electrosurgery. The American Hospital Association data also show that of the hospitals in the United States, there are approximately 96,000 intensive care beds, including neonatal, pediatric, cardiac and medical/surgical intensive care. The Company believes that a majority of these beds are equipped for ECG monitoring. In addition, the Company believes that demographic trends, such as the aging of the U.S. population, also should have a favorable effect on the demand for the Company's disposable medical products, since older people generally require more medical care and undergo more surgical procedures.

In response to increased competitive pressures in the health care

industry, manufacturers of medical devices have been improving efficiency and productivity and consolidating. The Company believes that consolidations in the industry have increased primarily as a result of health care cost containment pressures. Consolidations can reduce costs from synergies in manufacturing, corporate overhead and research and development. The Company regards these developments as presenting opportunities for medical device companies seeking to increase sales in core product lines and expand into new product lines through acquisitions.

Electrosurgical Systems Division

The Company's electrosurgical products consist of electrosurgical pencils, electrosurgical ground pads and electrosurgical generators. The Company also distributes a wide range of accessories used with electrosurgical generators such as forceps, adapters and cables. Most accessories of other electrosurgical companies are compatible with the Company's generators, including specialty accessories used in urologic surgery. During 1993, 1994 and 1995, net sales attributable to the Electrosurgical Systems Division represented 43%, 54% and 53%, respectively, of the Company's net sales.

Electrosurgery

Electrosurgery is the technique of using a high-frequency electric current which, when applied to tissue through special instruments, can be used to cut tissue, coagulate, or cut and coagulate simultaneously. An electrosurgical system consists of a generator, an active electrode in the form of a pencil or other instrument which the surgeon uses to apply the current from the generator to the target tissue and a ground pad to safely return the current to the generator. Electrosurgery is routinely used in most forms of surgery, including dermatologic and thoracic, orthopedic, urologic, neurosurgical, gynecological, laparoscopic and other endoscopic procedures.

Argon Beam Coagulation ("ABC") is a special method of electrosurgery, which allows a faster and more complete coagulation of many tissues as compared to conventional electrosurgery. Unlike conventional electrosurgery, the current travels in a beam of ionized argon gas, allowing the current to be dispersed onto the bleeding tissue without the instrument touching the tissue. Clinicians have reported notable benefits of ABC in certain clinical situations including open-heart surgery, liver, spleen and trauma surgery and various other applications.

Electrosurgery Products

Electrosurgical Pencils. The Company manufactures and markets electrosurgical pencils, which are used by surgeons to introduce the electrosurgical current to the target tissue. The pencils can be either foot-controlled or hand-controlled; the majority of pencils sold by the Company are hand-controlled. The Company manufactures primarily disposable electrosurgical pencils, but also offers reusable pencils. In addition, the Company sells a line of disposable blades used with electrosurgical pencils for specific surgical applications, including cutting, coagulating and the resection of diseased tissue.

Electrosurgical Ground Pads. The Company manufactures and markets disposable ground pads in adult, pediatric and infant sizes as well as a ground pad specifically designed for prematurely born or low birth-weight infants (premies), the PREMIE Ground Pad. The Company believes that its PREMIE Ground Pad is the only disposable ground pad specifically made and marketed for these special patients. The Company also manufactures and markets ground pads specifically designed for use with its Aspen Return Monitor alarm system (A.R.M.), as well as alarm systems of competitive generators. Most of the Company's ground pads are made with its proprietary conductive adhesive polymer.

Electrosurgical Generators. The Company offers both conventional electrosurgical generators and the ABC(R), which combines conventional electrosurgical cutting and coagulation capabilities with the Company's patented argon gas electrocoagulation technology. Most models include a safety alarm, the A.R.M., which monitors the contact of the ground pad to the patient's skin

surface. Should the ground pad lose contact with the patient's skin, or a rise in electrical resistance occur, the monitor will disable the electrosurgical current until the problem is identified and corrected. Systems such as this provide an increased level of safety to the patient.

The Company's line of conventional electrosurgical generators features the EXCALIBUR(R) PLUS, which incorporates the A.R.M. and offers full-function capabilities for both monopolar and bipolar applications, including general surgery as well as thoracic, urologic, laparoscopic and neurosurgical procedures. In addition to the EXCALIBUR(R) PLUS, the conventional generators marketed by the Company include the SABRE(R) 2400, a full-feature generator suitable for routine use in most surgical procedures, and the SABRE(R) 180, a low-power generator for surgical procedures in a physician's office or clinic setting.

Hyfrecator Plus(R) is a low-power electrosurgical generator specifically designed for the physician's office based procedures, including dermatology, plastic surgery, dental and oral surgery and otolaryngology. The Hyfrecator Plus(R) is the latest model of Hyfrecator(R) generator that has been marketed to physicians for over 50 years, and was acquired in the Birtcher acquisition. The Company markets a line of accessories for the Hyfrecator Plus(R).

Argon Beam Coagulation System. The Company's ABC(R) products include specialized electrosurgical generators, specialized disposable handpieces and ground pads. The Company's proprietary ABC(R) devices provide non-contact argon gas electrocoagulation and conventional electrosurgical cutting and coagulation capabilities. The models 6000 and 6400 ABC(R) generators offer automatic gas-flow control as the power settings are increased or decreased, and a full-function electrosurgical generator with integrated argon beam coagulation capability. The Company's Beamer ABC(R) module is a gas cart which is used in conjunction with an existing electrosurgical generator and is a lower cost alternative to the fully featured ABC(R) system. The Beamer ABC(R) units work in conjunction with the hospital's present electrosurgery unit.

Patient Care Division

The Company's patient care products consist of ECG monitoring electrodes, intravenous flow controllers and catheter stabilization dressings, wound care products and other miscellaneous products. During 1993, 1994 and 1995, net sales attributable to the Patient Care Division represented 55%, 44% and 44%, respectively, of the Company's net sales.

ECG Monitoring

ECGs. An ECG is a representation of the electrical activity that stimulates the contraction of the heart muscle. This electrical activity can be detected by disposable electrodes which consist of a conductive element, a conductive gel for contact to the skin and an adhesive backing material that keeps the electrode adhered to the patient's skin for the required period of ECG monitoring. ECG monitoring is used to diagnose irregularities in heart function.

Disposable ECG electrodes are placed on the patient's skin in various patterns around the heart using 3, 5 or 10 electrodes per patient, depending upon the specific type of monitoring technique. The electrodes provide a direct contact to the skin surface by which the electrical activity of the heart can be sensed and relayed to a special ECG monitor by way of its lead wire and cable connections. ECG electrodes are used in the operating room and critical care areas of hospitals and for diagnostic tests, including exercise stress testing and ambulatory monitoring. Many ambulances and paramedic units have the capability to monitor the ECG in emergency situations outside of the hospital.

ECG Monitoring Products. The Company has developed and markets ECG electrodes for various patients and applications, including prematurely born infants, diaphoretic patients, stress test monitoring, ambulatory monitoring and special ECG electrodes for use in surgery. The strength of the product line lies in specific design features that provide those characteristics required to accurately detect the electrical signal and to remain in contact with the

patient's skin for extended periods of time. Several special monitoring situations require electrodes that will not show a visible image under x-ray. This will allow the patient to undergo special diagnostic or therapeutic procedures with the use of x-ray and still have continuous monitoring of the ECG. The Company has developed special electrodes for this purpose.

The Company also manufactures and markets ECG monitoring cables, lead wire products and accessories. ECG cables and lead wires are products designed to transmit ECG signals from the heart (converted into electrical signals by an electrode) to an ECG monitor or recorder. Lead wires connected directly to the electrodes are plugged into the patient end of the cable. Cables are designed to accept from three to fifteen lead wires depending on the level of monitoring required. The Company also manufactures and markets disposable defibrillation pads for use in cardio defibrillation.

Intravenous Therapy

IVs. A large percentage of patients admitted to hospitals will undergo some type of IV therapy where medical fluids or blood are introduced into the patient's bloodstream. As part of the nursing care to the patient, the catheter or needle must be stabilized onto the skin to prevent movement of the catheter, as well as be covered with a dressing to keep the entry site free from bacterial contamination. The volume and speed of fluids administered to the patient in surgery or medical units must be controlled for proper infusion of the fluids. Typically, the flow of these intravenous fluids is controlled either by an electronic pump or gravity controller or by a manually operated clamping mechanism.

Intravenous Therapy Products -- VENI-GARD(R) Catheter Stabilization Dressing. VENI-GARD(R) is a disposable, sterile product designed to hold and secure an IV needle or catheter in place. VENI-GARD(R) provides a protective, sterile barrier over the entry site by incorporating a transparent, semi-permeable membrane to allow an unobstructed view of the entry site with a patented foam border to provide stabilization of the catheter. This membrane also allows the evaporation of moisture vapor but is impermeable to outside fluids. The VENI-GARD(R) product line also includes specialized products for various applications in specialty segments of the IV therapy market including those used in conjunction with Total Parenteral Nutrition (intravenous feeding) and cardiovascular catheters, as well as NeoDerm(R) for use in stabilizing epidural catheters.

Disposable IV Fluid Drip Rate Gravity Controllers. With the Master Medical acquisition, the Company acquired Master Medical's line of disposable IV fluid drip rate gravity controllers. These disposable devices are a cost-effective alternative to electronic controllers or pumps. These devices are available as add-on extension sets which are attached to the primary IV tubing or as part of the full tubing set connecting the main IV bag to the patient's IV catheter.

Wound Care Management

Wound Care. Wounds to the skin are referred to as acute, such as surgical incisions and burns, or chronic, which are slow-healing conditions such as chronic venous ulcers, pressure ulcers, diabetic ulcers and wounds from various skin diseases. Traditionally, most open wounds have been treated with "dry" dressings such as gauze or covered with various ointments. A recent trend has been the use of occlusive dressings made from polymers called hydrocolloids and hydrogels. These occlusive dressings keep the wound "moist" or hydrated in order to promote healing. Wound care dressings are sold to hospitals as well as to alternate care sites such as nursing homes and skilled nursing facilities.

Wound Care Products. As part of the NDM acquisition, the Company expanded into the wound care market. NDM has developed a proprietary hydrogel technology, which is currently manufactured and marketed under the name ClearSite(R). It is a transparent wound dressing that consists of hydrogel and a flexible, continuous polyurethane film covering. Because ClearSite(R) is transparent, the health care provider is able to monitor the course of healing without removing the wound dressing. ClearSite(R) absorbs wound exudate and, as

the gel begins to saturate, moisture vapor transpires into the atmosphere. ClearSite(R) is able to absorb 2 1/2 times its weight in wound exudate and maintain its structural integrity and wound healing capabilities for up to seven days.

In 1994, NDM introduced its island dressing form of ClearSite(R). The island dressing has a clear, breathable, pliable, adhesive polyurethane film border. The Company also markets a wound care product called Hydrogauze(R), which is a gauze-like material that has been impregnated with dehydrated ClearSite(R) that hydrates upon contact with wound exudate. Hydrogauze(R) combines the look and feel of gauze bandages with the wound healing advantages of ClearSite(R) hydrogel.

Minimally-Invasive Surgery Division

Building on its expertise in electrosurgery, in 1991 the Company began marketing its line of MIS products, consisting of electronic trocars and multifunctional instruments. In 1993, 1994 and 1995, net sales attributable to the Minimally-Invasive Surgery Division represented 2%, 2% and 3%, respectively, of the Company's net sales.

Minimally-Invasive Surgery

MIS, or surgery performed without a major incision, results in less trauma for the patient and produces important cost savings as a result of reduced hospitalization and therapy. Laparoscopic surgery is an MIS procedure performed on organs in the abdominal cavity such as the gallbladder, appendix and female reproductive organs. During a laparoscopic procedure, devices called "trocars" are used to puncture the abdominal wall and then removed, leaving in place a trocar cannula. The trocar cannula provides access into the abdomen for the camera systems and surgical instruments. The recent trend toward minimally invasive surgery has led to the development of additional applications for laparoscopic surgery that can utilize electrosurgery systems.

Electrosurgical Products for Laparoscopic Surgery

TroGARD(R), a proprietary electronically controlled trocar system for laparoscopic surgery, incorporates a blunt-tipped version of a trocar (ordinarily a sharp pointed surgical instrument that punctures the abdominal wall) and an Electronic Trocar Monitor ("ETM") for making the puncture through the body wall. The TroGARD(R) cuts through the body wall with electrosurgical current rather than the sharp, pointed tips of conventional trocars. The ETM automatically and immediately deactivates the electrosurgical generator when the monitor senses that the trocar has entered the abdominal cavity. Simultaneously, it sounds an audible alarm for the surgeon upon entry into the abdominal cavity.

The Company also markets the UNIVERSAL S/I (suction/irrigation) and UNIVERSAL-PLUS laparoscopic instruments, specialized suction/irrigation electrosurgical instrument systems for use in laparoscopic surgery, which consist of a disposable handle and valve/control assembly with a system of interchangeable, single-use, disposable cannulae and instrument tips. The UNIVERSAL-PLUS offers the surgeon a choice of hand-control or foot-control of electrosurgery with suction/irrigation controls conveniently located on the handle of the instrument. The UNIVERSAL S/I laparoscopic instrument system provides high flow suction/irrigation, without electrosurgical capability, to fit the preferences of a wide range of surgeons and laparoscopic techniques. The Company also markets electrosurgical pencils, suction/irrigation accessories, laparoscopic scissors, active electrodes, insufflation needles and ABC(R) handpieces for use in laparoscopic surgery.

Marketing

The principal markets for the Company's products are the approximately 5,300 general hospitals and approximately 1,800 surgery centers in the United States. Certain of the Company's products are sold to others in the medical industry for private labeling. The total domestic sales and marketing force consists of approximately 100 persons. The Company's salespeople have been with the Company an average of five years.

The Company has located its salespeople (territory managers) in key metropolitan areas. They are supervised and supported by district managers and regional managers. Home office sales and marketing management provide the overall direction for the sales of the Company's products. The sales force is required to work closely with distributors where applicable and to maintain close relationships with end-users. Domestically, the Company's products are sold through approximately 20 national and regional hospital distributors, 150 to 250 local distributors, and directly to hospitals.

The Company's domestic salesforce is structured into three groups, Electrosurgical Systems, Patient Care and MIS. The Electrosurgical Systems salesforce is responsible for selling the Company's electrosurgical products which are typically used during surgical procedures. The Patient Care salesforce is responsible for selling the Company's products which are typically used by various patient care areas of a hospital. The primary patient care products are ECG electrodes and the IV therapy products. The MIS salesforce is responsible for selling the Company's laparoscopic products.

The Company's international sales efforts are conducted by five international marketing managers. International sales accounted for 15.5% of the Company's sales during 1995. Among the top foreign markets for the Company are Japan, Germany, Canada, China and Korea. International sales grew in 1994 in all regions and sales growth continued in 1995, with the strongest sales gains in China and the Far East.

The Company focuses on keeping its salespeople highly trained and educated in the applications for its products. The Company's salespeople call on key departments such as the surgery, intensive care, cardiac care and neonatal intensive care units and the emergency room. Therefore, it is essential that the sales force has the ability to train doctors and nursing staff on the techniques needed to take full advantage of the Company's products. A key element in the sale of any Company product is the initial and ongoing inservice training required of the end-user. The hiring criteria of the Company's salespeople include requiring them to have a background in the sale of medical devices. The field sales force is trained in the technical aspects of the Company's products and their uses, and provides hospital personnel and surgeons with information relating to the technical features and benefits of the Company's products.

Research and Development Activities

The Company's research and development department consists of approximately 35 employees. The Company's research and development programs are focused on the development of new products, as well as the enhancement of existing products through the updating of technology and design. Product development efforts include product extensions and improvements, electrosurgical applications in MIS procedures and other single use medical products. During the three years 1993, 1994 and 1995, the Company spent approximately $2,222,000, $2,352,000 and $2,832,000, respectively, for research and development.

The Company has approximately 146 U.S. patents and numerous corresponding foreign patents on its products expiring at various dates from 1996 through 2013 and has additional patents pending. Due to technological change, the Company does not solely rely on its patents, but believes that development of new products and improvement of existing ones is and will be generally more important than patent protection in maintaining its competitive position.

New Products

At the American College of Surgeons meeting in October 1995, the Company introduced four new products. The EXCALIBUR(R) PLUS/PC (Power Control) is the most recent generation of the Company's EXCALIBUR(R) generator and incorporates a unique feature not previously seen in electrosurgical generators. The EXCALIBUR(R) PLUS/PC has been designed with a special software program that allows the surgeon to use any standard hand-controlled pencil or instrument to directly increase or decrease the power settings of the generator. The Company believes this is the first technology of its kind applied to electrosurgery and

has applied for patent protection. The Company began marketing EXCALIBUR(R) PLUS/PC in January 1996.

The Company has extended its line of electrosurgical instruments for laparoscopic surgery with its SELECT ONE(R) Monopolar Laparoscopic Scissors. The laparoscopic scissors are single-use and disposable. The Company released this product in early November 1995.

The third product introduced at the College of Surgeons meeting was the disposable smoke evacuation pencil. This electrosurgical pencil has specially designed channels to remove the smoke plume, generated by the cutting and coagulation of tissue, from the surgical field. This feature addresses the concerns of health care givers toward certain potential health hazards from prolonged exposure to possible contaminants carried by the smoke plume generated by the use of electrosurgery and lasers. The Company began the marketing of this product in January 1996.

The BEAMER PLUS ABC(R) module is an updated design of the Company's current stand-alone ABC(R) module, the BEAMER(R). The BEAMER PLUS adds increased flow capabilities and flow control for use in laparoscopic surgery. The BEAMER PLUS is a more economical unit for providing argon beam coagulation capability to most electrosurgical generators. The Company began marketing the BEAMER PLUS in January 1996.

Manufacturing and Supply Arrangements

The Company manufactures or assembles most of its products at its own facilities. The Company's vertically integrated manufacturing process allows it to (i) obtain cost efficiencies by purchasing raw materials for its disposable products in bulk and converting those materials into the parts and pieces used in final assembly and (ii) react quickly to changes in demand for the Company's products. The Company believes that its manufacturing capabilities are significant in terms of cost control, quality control and security of proprietary processes. The Company uses various manual, semi-automated and automated equipment for fabrication and assembly of its products and is continuing to further automate its facilities to remain competitive.

The Company believes its production and inventory practices are generally reflective of conditions in the industry. The Company's products are not generally made to order or to individual customer specifications. Accordingly, the Company schedules production and stocks inventory on the basis of experience and its knowledge of customer order patterns, and its judgment as to anticipated demand. Since customer orders must generally be filled promptly for immediate shipment, backlog is not significant to an understanding of the Company's business.

In connection with the NDM acquisition, the Company agreed to assume all of NDM's obligations under NDM's distribution agreement with Baxter Healthcare Corporation ("Baxter"). Under the distribution agreement, which Baxter has assigned to the Company, Baxter has the non-exclusive right to sell and distribute NDM's critical care products and patient care products throughout the United States. The agreement is effective until December 31, 1996 and is subject to renewal, unless terminated by either party. Baxter is the largest distributor of NDM's products, accounting for approximately 95% of NDM's sales to U.S. hospitals.

Competition

The market for the Company's products is competitive. The Company faces competition from other manufacturers and from suppliers of products employing other technologies. Competitive pricing pressures or the introduction of new products by the Company's competitors could have an adverse effect on the Company's revenues and profitability. In addition, the Company operates in an industry that engages in extensive research efforts. Some of the companies with which the Company now competes or may compete in the future have or may have more extensive research, marketing and manufacturing capabilities and significantly greater technical and personnel resources than the Company, and may be better positioned to continue to improve their technology in order to

compete in an evolving industry. The major competitors of the Company include ValleyLab (a division of Pfizer), 3M Corporation, Johnson & Johnson and U.S. Surgical Corporation.

The Company believes that product design, development and improvement, customer acceptance, marketing strategy, customer service and price are critical elements to compete in the industry. Demand for and use of the Company's electrosurgical equipment may fluctuate as a result of changes in surgeon preferences, the introduction of new electrosurgery products or new features to existing products, the introduction of alternative surgical technology and advances in surgical procedures and discoveries or developments in the health care industry. In addition, the growing trend toward managed care has increased cost-containment efforts of hospital purchasing departments. There can be no assurances that demand for the Company's products will not be adversely affected by such fluctuations and trends.

Government Regulation

All the Company's products are classified as medical devices subject to regulation by the FDA. The Company's new products require FDA clearance under a procedure known as 510(k) premarketing notification. A 510(k) premarketing notification clearance indicates FDA agreement with an applicant's determination that the product for which clearance has been sought is substantially equivalent to another medical device that was on the market prior to 1976 or that has received 510(k) premarketing notification clearance. Some products have been continuously produced, marketed and sold since May 1976 and require no 510(k) premarketing clearance. The Company's products are all either Class I or Class II products with the FDA, meaning that the Company's products must meet certain FDA standards and are subject to the 510(k) premarketing notification clearance discussed above, but are not required to be approved by the FDA. FDA clearance is subject to continual review, and later discovery of previously unknown problems may result in restrictions on a product's marketing or withdrawal of the product from the market.

The Company markets its products in a number of foreign markets. Requirements pertaining to its products vary widely from country to country, ranging from simple product registrations to detailed submissions such as those required by the FDA. The Company's European Community sales are subject to government regulations known as the "CE" mark certification. The Company's electronic devices (electrosurgical generators, Hyfrecators(R) and ABC(R) units) have received a "CE" mark certification. The Company believes that its products currently meet all applicable standards for the countries in which they are marketed.

As a manufacturer of medical devices, the Company's manufacturing processes and facilities are subject to periodic on-site inspections and continuing review by the FDA to insure compliance with "Good Manufacturing Practices." Many of the Company's products are subject to industry-set standards. Industry standards relating to the Company's products are generally formulated by committees of the Association for the Advancement of Medical Instrumentation. The Company believes that its products presently meet applicable standards.

The Company is subject to product recall. In March 1993, the Company voluntarily recalled certain lots of its TechSwitch electrosurgical pencils due to a production matter which caused a small percentage of the pencils in the affected lots to function in an inconsistent manner. The production matter was resolved and did not have a material effect on the Company's financial condition.

Any change in existing federal, state or foreign laws or regulations, or in the interpretation or enforcement thereof, or the promulgation or any additional laws or regulations could have an adverse effect on the Company's financial condition or results of operations.

Employees

As of December 29, 1995 the Company had 876 full-time employees, of

whom 631 were in manufacturing, 35 were in research and development, and the balance were in sales, marketing, executive and administrative positions. None of the Company's employees is represented by a union, and the Company considers its employee relations to be excellent. The Company has never experienced any strikes or work stoppages.

Item 2. Properties

The Company operates in Utica, New York from an owned facility of approximately 130,000 square feet and in Rome, New York from a leased facility of approximately 120,000 square feet. Additionally, the Aspen subsidiary operates from an owned facility of approximately 65,000 square feet of space in Englewood, Colorado; the Birtcher subsidiary leases a 15,000 square foot warehouse and distribution center in El Paso, Texas pursuant to a lease that expires in May 1997 and a 25,000 square foot manufacturing facility in Juarez, Mexico pursuant to a lease that expires in June 1998; and the NDM business is operated from an owned facility of approximately 100,000 square feet in Dayton, Ohio. The Company believes its facilities are adequate in terms of space and suitability for its needs over the next several years.

Item 3. Legal Proceedings

From time to time the Company is a defendant in certain lawsuits alleging product liability or other claims incurred in the ordinary course of business. These claims are generally covered by various insurance policies, subject to certain deductible amounts and maximum policy limits.

The Company's Birtcher subsidiary is voluntarily participating in an environmental investigation at its former facility in El Monte, California. The former facility is located in the El Monte Operable Unit of the San Gabriel Valley Superfund Site. The Environmental Protection Agency has not named Birtcher as a Potentially Responsible Party in this matter. In connection with its accounting for the Birtcher acquisition, the Company has established what it believes is an appropriate reserve for this matter. Such reserve is the subject of an adjustment in the purchase accounting for the Birtcher acquisition. The Company does not expect that the resolution of the environmental investigation will have a material adverse effect on the Company's financial condition and results of operations.

The Company's ABC(R) technology is protected by patents in the United States, Canada, United Kingdom, Germany and Japan. Three separate companies have filed challenges to the validity of the United Kingdom, German and Japanese patents. The Company is vigorously defending the validity of these patents in those jurisdictions.

Manufacturers of medical products may face exposure to significant product liability claims. To date, the Company has not experienced any material product liability claims, but any such claims arising in the future could have a material adverse effect on the Company's business or results of operations. The Company currently maintains commercial product liability insurance of $10,000,000 per incident and $10,000,000 in the aggregate annually, which the Company, based on its experience, believes is adequate. This coverage is on a claims-made basis. There can be no assurance that claims will not exceed insurance coverage or that such insurance will be available in the future at a reasonable cost to the Company.

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

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 29, 1995.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

The Company's Common Stock, par value $.01 per share, is traded on the

Nasdaq National Market System (symbol - CNMD). At December 29, 1995, there were 1,365 owners of record of the Company's Common Stock.

The following table show the high-low last sales prices for the years ended December 30, 1994 and December 29 1995, as reported by the Nasdaq National Market. The sales prices have been adjusted to give retroactive effect to the three-for-two stock splits in the form of stock dividends paid on December 27, 1994 and November 30, 1995.

1994		
Period	High	Low
First Quarter	$ 6.89	$ 4.44
Second Quarter	6.44	5.11
Third Quarter	8.44	5.56
Fourth Quarter	13.67	8.00

1995		
Period	High	Low
First Quarter	$15.17	$11.17
Second Quarter	16.67	9.67
Third Quarter	23.33	15.67
Fourth Quarter	25.00	20.25

The Company did not pay cash dividends on its Common Stock during 1994 and 1995. The Board of Directors presently intends to retain future earnings to finance the development of the Company's business and does not presently intend to declare cash dividends. Should this policy change, the declaration of dividends will be determined by the Board in light of conditions then existing, including the Company's financial requirements and condition and provisions affecting the declaration and payment of dividends contained in debt agreements.

Item 6. Selected Financial Data

FIVE - YEAR SUMMARY OF SELECTED FINANCIAL DATA
(In thousands, except per share data)

	1991	1992	1993(2)	1994	1995
Consolidated Statements of Income (Loss)(1)					
Net sales	$ 38,458	$ 42,602	$ 53,641	$ 71,064	$ 99,558
Net income (loss)	3,945	4,106	(1,396)	5,416	10,863
Earnings (loss) per share(3)	.46	.42	(.15)	.56	.94
Weighted average number of shares and equivalents outstanding(3)	8,526	9,702	9,426	9,624	11,613
Consolidated Balance Sheet(1)					
Working capital	$ 22,094	$ 23,827	$ 15,399	$ 18,159	$ 37,350
Total assets	38,338	41,939	57,338	62,104	119,403
Long-term debt (less current portion)	107	30	9,375	6,875	26,340
Shareholders' equity	33,951	38,669	37,490	43,061	75,002

(1) Includes the results of (i) CONMED Andover Medical from July 12, 1993; (ii) Birtcher from March 14, 1995; and Master Medical from May 22, 1995, in each such case from the date of acquisition.

(2) Includes litigation charge of $5,000 relating to a patent infringement case involving CONMED's line of coated electrosurgical accessory blades and a product restructure charge of $675 for the write-off of obsolete inventory, net of related tax benefit of $1,930.

(3) Share and per share information have been adjusted to give retroactive effect to the three-for-two stock splits the form of stock dividends paid to shareholders on December 27, 1994 and November 30, 1995.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Results of Operations

The following table presents, as a percent of net sales, certain categories included in the Company's consolidated statements of income for the periods indicated:

	Years Ended		
	December 31, 1993	December 30, 1994	December 29, 1995
Net sales	100.0%	100.0%	100.0%
Operating expense:			
Cost of sales	56.3	54.6	52.6
Selling and administrative expense	32.4	29.5	25.7
Litigation and product restructure	10.6	--	--
Research and development expense	4.2	3.3	2.9
Income (loss) from operations	(3.5)	12.6	18.8
Interest income (expense), net	(0.4)	(0.9)	(2.0)
Income (loss) before income taxes	(3.9)	11.7	16.8
Net income (loss)	(2.6)	7.6	10.9

Years Ended December 29, 1995 and December 30, 1994

The Company had net sales of $99,558,000 for 1995 as compared to $71,064,000 in 1994, an increase of $28,494,000 or 40.1%. The increase was substantially a result of the effects of the Birtcher and Master Medical acquisitions.

The Company's gross margin percentage was 47.4% in 1995 as compared to 45.4% in 1994. This increase was primarily a result of manufacturing efficiencies and economies of scale realized through the Birtcher and Master Medical acquisitions. On a quarterly basis, gross margin percentage for the first quarter of 1995 was 45.7% and approximated 47.8% for each of the remaining three quarters of 1995.

Selling and administrative expense increased to $25,570,000 during 1995 compared to $20,979,000 in 1994, an increase of $4,591,000 or 21.9%, due primarily to the effects of the Birtcher and Master Medical acquisitions. However, as a percentage of net sales, selling and administrative expense declined to 25.7% in 1995 as compared to 29.5% in 1994, due to the economies of scale resulting from the acquisitions of Birtcher and Medical Medical.

Research and development expense increased 20.4% to $2,832,000 in 1995 as compared to $2,352,000 in 1994. Research and development expenditures for 1995 reflect increased activities relative to integration and further development of Birtcher products, as well as the continued emphasis on the development of surgical products for MIS procedures.

The Company incurred $1,991,000 in interest expense in 1995 compared to $628,000 in 1994. This increase reflects the incremental debt incurred as a result of the Birtcher and Master Medical acquisition.

The Company's effective tax rate for 1995 was 35.2% as compared to 34.8% in 1994.

Years Ended December 30, 1994 and December 31, 1993

Net sales in 1994 increased to $71,064,000 compared to $53,641,000 in 1993, an increase of 32.5%. Approximately 75% of the total increase was a function of the Andover Medical acquisition that occurred on July 12, 1993. Net sales of CONMED Andover Medical's products are included with the Company's consolidated sales for all of 1994 but for only one-half of 1993. The remainder of the increase was a result of increased volumes of product sold.

The gross margin percentage increased to 45.4% in 1994 compared to 43.7% in 1993. This increase in gross margin is a result of increasing economies of scale and manufacturing efficiencies. During 1994, the Company consolidated its ECG wire and plastic molding operations in one location, and this reduced manufacturing expense as a percentage of net sales.

Selling and administrative expense increased 20.6% to $20,979,000 from $17,402,000 as a result of increased sales activity. However, as a percentage of net sales, selling and administrative expense declined to 29.5% in 1994 compared to 32.4% in 1993. This improvement in selling and administrative expense as compared to net sales was a result of economies of scale resulting from the increased level of net sales and cost improvement programs including consolidation of customer service and realignment of sales territories after the Andover Medical acquisition.

During 1993, the Company recorded a pre-tax charge of $5,700,000 for litigation and product restructure costs. No such costs were incurred in 1994.

Research and development expense increased 5.9% in 1994 compared to 1993. The Company continues to conduct research activities in all of its product lines, with a particular emphasis on surgical products for MIS procedures.

Net interest expense increased to $628,000 in 1994 from $214,000 in 1993. The increase was primarily a result of the Andover Medical acquisition indebtedness being outstanding for an entire year in 1994 and only approximately one-half year in 1993. Further, 1993 had higher interest income amounts than 1994 as the Company had higher invested cash balances in the first half of 1993 prior to the Andover Medical acquisition.

The Company's effective tax rate in 1994 was 34.8% reflecting the federal statutory rate of 34%, the effect of state income taxes and the tax benefit of a foreign sales corporation.

Liquidity and Capital Resources

Cash flow from operations was $5,059,000 for 1995 as compared to $8,260,000 provided from operations in 1994. Operating cash flows for 1995 were aided by higher net income as compared to 1994. Additionally, depreciation and amortization in 1995 increased due to the effects of the Birtcher and Master Medical acquisitions. Cash flows from operations in 1995 were negatively impacted by increases in accounts receivable and inventories, and the timing of payments for income taxes. The increases in accounts receivable and inventories relate primarily to working capital requirements associated with the Birtcher and Master Medical acquisitions. Additionally, payment of the patent litigation award also adversely impacted 1995 operating cash flows.

Cash flows from operations were $8,260,000 for 1994 compared to $5,673,000 for 1993. Operating cash flows in 1994 were impacted by higher net income as well as increased depreciation expense and amortization caused by the Andover Medical acquisition. Additionally, accruals for payroll and withholding increased $1,327,000, causing a positive addition to operating cash flows for 1994. Accounts receivable increases of $1,684,000 and inventory increases of $619,000 partially offset increases in cash flow from operations in 1994, and are due to increased working capital requirements of the Company's expanded business.

Net cash used by investing activities was $14,695,000 in 1995 compared to $4,190,000 in 1994. The Master Medical acquisition utilized $9,500,000 of cash. Additions to property, plant and equipment for 1995 totaled $5,195,000. Included in this amount was the purchase of land and a building for the

relocation of CONMED Andover Medical to Rome, New York, for $1,200,000 for manufacturing purposes.

The Company purchased $2,190,000 of new plant and equipment, and invested $2,000,000 to purchase an ECG product line from Becton Dickinson Vascular Access Inc. during 1994, resulting in a net use of cash for investing activities. Financing activities resulted in a net use of cash as the Company repaid $2,530,000 in long-term debt during 1994.

Cash flows provided by financing activities were $7,560,000 for 1995. The Company refinanced its existing bank debt and received $26,590,000 in additional proceeds. Payments on debt and other obligations included $4,371,000 on the Company's debt, $5,846,000 to Birtcher's bank to liquidate debt assumed in connection with the Birtcher acquisition and $12,141,000 to liquidate other Birtcher liabilities assumed in connection with the acquisition.

Prior to the equity offering discussed below, the Company's credit facility consisted of a $65,000,000 secured term loan and secured revolving line of credit of $15,000,000. As of December 29, 1995, an aggregate of $32,340,000 was outstanding under this facility. In connection with the NDM acquisition on February 23, 1996, the Company borrowed $32,660,000 bringing aggregate borrowings under the credit facility to $65,000,000. In March 1996, the Company consummated an equity offering of common stock and used the proceeds to eliminate the indebtedness of the Company. Upon the closing of this equity offering, the Company's credit facility was amended to consist of a $60,000,000 secured revolving line of credit. This revolving line of credit terminates in March 2001 and carries an interest rate of 0.5% - 1.25% over LIBOR depending on defined cash flow performance ratios. As of March 20, 1996, the Company had no borrowings under this facility.

Management believes that cash generated from operations, its current cash resources and funds available under its banking agreement will provide sufficient liquidity to ensure continued working capital for operations and funding of capital expenditures.

Inflation

Management does not believe that inflation has had or is likely to have any significant impact on the Company's operations.

Item 8. Financial Statements and Supplementary Data

The Company's 1995 Financial Statements, together with the report thereon of Price Waterhouse LLP dated January 29, 1996, included elsewhere herein. See Item 14 for a list of Financial Statements and Financial Statement Schedules.

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

The Company and Price Waterhouse LLP have had no disagreements which would be required to be reported under this Item 9.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to the Directors and Executive Officers of the Company is incorporated herein by reference to the sections captioned "Proposal One: Election of Directors" and "Directors and Executive Officers" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 12, 1996 for the annual meeting of shareholders to be held on May 21, 1996.

Item 11. Executive Compensation

Information with respect to Executive Compensation is incorporated herein by reference to the sections captioned "Compensation of Executive Officers", "Stock Option Plans", and "Pension Plans" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 12, 1996 for the annual meeting of shareholders to be held on May 21, 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to Security Ownership of Certain Beneficial Owners and Management is incorporated herein by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 12, 1996 for the annual meeting of shareholders to be held on May 21, 1996.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is incorporated herein by reference to the section captioned "Certain Relationships and Related Transactions" in CONMED Corporation's definitive Proxy Statement to be mailed on or about April 12, 1996 for the annual meeting of shareholders to be held on May 21, 1996.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

Index to Financial Statements:

(a)(1) List of Financial Statements Form 10-K Page

Report of Independent Accountants

Consolidated Balance Sheets at December 30, 1994 and December 29, 1995

Consolidated Statements of Income for the years ended December 31, 1993, December 30, 1994, and December 29, 1995

Consolidated Statements of Shareholders' Equity for each of the years ended December 31, 1993, December 30, 1994, and December 29, 1995

Consolidated Statements of Cash Flows for each of the years ended December 31, 1993, December 30, 1994, and December 29, 1995

Notes to Consolidated Financial Statements

(2) List of Financial Statement Schedules

Valuation and Qualifying Accounts (Schedule VIII)

All other schedules have been omitted because they are not applicable, or the required information is shown in the financial statements or notes thereto.

(3) List of Exhibits

The exhibits listed on the accompanying Exhibit Index on pages 20-21 below are filed as part of this Form 10-K.

(b) Reports on Form 8-K

(1) On October 20, 1995, the Company filed a report on Form 8-K regarding a press release issued in connection with the anticipated acquisition of a business.

(2) On December 21, 1995 and February 16, 1996, the Company filed reports on Form 8-K which included the historic financial statements of a business

being acquired.

(3) On February 16, 1996 (as amended on February 26, 1996), the Company filed a report on Form 8-K which included the consolidated financial statements of the Company for the three years ended December 29, 1995 and the Company's amended credit agreements.

(4) On March 8, 1996, the Company filed a report on Form 8-K which included pro forma financial information for a business acquired.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the date indicated below.

CONMED CORPORATION

March 28, 1996

By: /s/ EUGENE R. CORASANTI

Eugene R. Corasanti
(Chairman of the Board,
Chief Executive Officer
and President)

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

Signature	Title	Date
/s/ EUGENE R. CORASANTI Eugene R. Corasanti	Chairman of the Board, Chief Executive Officer, President (Principal Executive Officer) and Director	March 28, 1996
/s/ ROBERT D. SHALLISH, JR. Robert D. Shallish, Jr.	Vice President-Finance and Chief Financial Officer (Principal Financial Officer)	March 28, 1996
/s/ JOSEPH J. CORASANTI Joseph J. Corasanti	Vice President-Legal Affairs, General Counsel and Director	March 28, 1996
/s/ LUKE A. POMILIO Luke A. Pomilio	Controller (Principal Accounting Officer)	March 28, 1996
/s/ HARRY CONE Harry Cone	Director	March 28, 1996
/s/ BRUCE F. DANIELS Bruce F. Daniels	Director	March 28,1996
/s/ ROBERT E. REMMELL Robert E. Remmell	Director	March 28, 1996

List of Exhibits

Exhibit No. Description of Instrument

3.1 - Amended and Restated By-Laws, as adopted by the Board of Directors on December 26, 1990 -- incorporated herein by reference to the exhibit in the Company's Current Report

on Form 8-K, dated March 7, 1991 (File No. 0-16093).

3.2 - 1992 Amendment to Certificate of Incorporation and Restated Certificate of Incorporation of CONMED Corporation -- incorporated herein by reference to the exhibit in the Company's Annual Report on Form 10-K for the year ended December 25, 1992.

4.1 - See Exhibit 3.1.

4.2 - See Exhibit 3.2.

4.3 - Warrant to Purchase Common Stock, dated August 31, 1989, issued by the Company to Zimmer, Inc. covering 300,000 shares of Common Stock -- incorporated herein by reference to Exhibit 4.6 of the Company's Registration Statement on Form S-2 (File No. 33-40455).

4.4 - Credit Agreement-Term Loan Facility dated as of December 29, 1995 among CONMED Corporation, the Banks signatory thereto, and The Chase Manhattan Bank, N.A., as agent - incorporated herein by reference to Exhibit 99.1 of the Company's current report on Form 8-K filed February 16, 1996.

4.5 - Credit Agreement-Revolving Credit Facility dated as of December 29, 1995 among CONMED Corporation, the Banks signatory thereto, and The Chase Manhattan Bank, N.A., as agent - incorporated herein by reference to Exhibit 99.2 of the Company's current report on Form 8-K filed February 16, 1996.

10.1 - Asset Purchase Agreement dated June 10, 1993 among Medtronic Andover Medical, Inc. and Medtronic, Inc. and CONMED Acq. Inc. and CONMED Corporation -- incorporated herein by reference to Exhibit 2 to Form 8-K dated June 11, 1993.

10.2 - Employment Agreement between the Company and Eugene R. Corasanti, dated October 17, 1991, and Amendment thereto dated March 6, 1992 -- incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 27, 1991.

10.3 - Amended and Restated Employee Stock Option Plan (including form of Stock Option Agreement)--incorporated herein by reference to the exhibit in the Company's Annual Report on Form 10- K for the year ended December 25, 1992.

10.4 - (a) Eugene R. Corasanti disability income plans with Northwestern Mutual Life Insurance Company, dated January 14, 1980 and March 7, 1981 -- policy specification sheets -- incorporated herein by reference to Exhibit 10.9(a) of the Company's Registration Statement on Form S-2 (File No. 33-40455).

(b) William W. Abraham disability income plan with Northwestern Mutual Life Insurance Company, dated March 24, 1981 -- policy specification sheet -- incorporated herein by reference to Exhibit 10.9(b) of the Company's Registration Statement on Form S-2 (File No. 33-40455).

(c) Eugene R. Corasanti life insurance plan with Northwestern Mutual Life Insurance Company, dated October 6, 1979 --

policy specification sheet -- incorporated herein by reference to Exhibit 10.9(c) of the Company's Registration Statement on Form S-2 (File No. 33-40455).

(d) Eugene R. Corasanti life insurance plans with Northwestern Mutual Life Insurance Company dated August 25, 1991 -- Statements of Policy Cost and Benefit Information, Benefits and Premiums, Assignment of Life Insurance Policy as Collateral -- incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 27, 1991.

10.5 - 1992 Stock Option Plan (including form of Stock Option Agreement). -- incorporated herein by reference to the exhibit in the Company's Annual Report on Form 10-K for the year ended December 25, 1992.

10.6 - Plan and Agreement of Merger dated as of December 5, 1994 among the Company, CONMED Acquisition Corporation and Birtcher Medical Systems, Inc. - incorporated herein by reference to appendix A of the Company's registration statement on S-4 (File No. 33-87746)

10.7 - Asset Purchase Agreement by and between New Dimensions In Medicine, Inc. and CONMED Corporation dated as of the 18th day of October 1995 - incorporated herein by reference to New Dimensions In Medicine, Inc's. (Commission File No. 1-09156) Report on Form 8-K dated October 18, 1995.

10.8 - Non-Exclusive Distribution Agreement effective as of January 1, 1995 between New Dimensions In Medicine, Inc. (NDM) and Baxter Healthcare Corporation, as assigned by NDM to CONMED Corporation on February 23, 1996.

11 - Statement regarding computation of per share earnings.

21 - Subsidiaries of the registrant.

23 - Consent of Independent Accountants.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of CONMED Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) and (2) on page 18 of the Annual Report on Form 10-K present fairly, in all material respects, the financial position of CONMED Corporation and its subsidiaries at December 29, 1995 and December 30, 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Syracuse, New York
January 29, 1996

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands except share amounts)

ASSETS	1994	1995
Current assets:		
Cash and cash equivalents	$ 3,615	$ 1,539
Accounts receivable less allowance for doubtful accounts of $343 in 1994 and $400 in 1995	13,141	22,649
Income taxes receivable (Note 6)		961
Inventories (Notes 1 and 2)	9,620	20,943
Deferred income taxes (Note 6)	1,494	2,678
Prepaid expenses and other current assets	451	476
Total current assets	28,321	49,246
Property, plant and equipment, net (Notes 1 and 3)	16,227	19,728
Deferred income taxes (Note 6)	--	2,907
Covenant not to compete, net (Note 1)	1,530	1,153
Goodwill, net (Notes 1 and 10)	13,920	41,438
Patents, trademarks and other assets (Note 1)	2,106	4,931
Total assets	$ 62,104	$119,403
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 4)	$ 2,500	$ 6,000
Accounts payable	1,539	2,351
Income taxes payable (Note 6)	455	--
Accrued payroll and withholdings	2,571	2,282
Accrued pension (Note 9)	307	274
Accrued patent litigation (Note 11)	2,360	--
Other current liabilities	430	989
Total current liabilities	10,162	11,896
Long-term debt (Note 4)	6,875	26,340
Deferred income taxes (Note 6)	1,011	
Accrued pension (Note 9)	276	276
Deferred compensation	719	868
Long-term leases (Note 5)		3,521
Other long-term liabilities (Note 5)		1,500
Total liabilities	19,043	44,401

CONMED CORPORATION
CONSOLIDATED BALANCE SHEETS -- Continued
(In thousands except share amounts)

	1994	1995
Commitments (Notes 3, 5, 7, 9, 10 and 11)		
Shareholders' equity (Notes 1 and 7):		

Preferred stock, par value $.01 per share; authorized 500,000 shares; none outstanding		
Common stock, par value $.01 per share; 20,000,000 authorized; 9,057,321 and 11,000,105, issued and outstanding in 1994 and 1995, respectively	90	110
Paid-in capital	23,502	44,560
Retained earnings	19,469	30,332
Total shareholders' equity	43,061	75,002
Total liabilities and shareholders' equity	$ 62,104	$119,403

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

	For the Years Ended		
	Dec. 31, 1993	Dec. 30, 1994	Dec. 29, 1995
Net sales (Note 8)	$ 53,641	$ 71,064	$ 99,558
Cost of sales	30,218	38,799	52,402
Selling and administrative expense	17,402	20,979	25,570
Litigation and product restructure (Note 11)	5,700	--	--
Research and development expense	2,222	2,352	2,832
	55,542	62,130	80,804
Income (loss) from operations	(1,901)	8,934	18,754
Interest expense, net (Note 4)	(214)	(628)	(1,991)
Income (loss) before income taxes	(2,115)	8,306	16,763
Provision (benefit) for income taxes (Notes 1 and 6)	(719)	2,890	5,900
Net income (loss)	$ (1,396)	$ 5,416	$ 10,863
Weighted average number of common shares and equivalents outstanding (Note 1)	9,426	9,624	11,613
Earnings (loss) per common and common equivalent share	$ (.15)	$ .56	$ .94

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 1993, December 30, 1994 and December 29, 1995
(In thousands)

	Common Shares		Paid-in	Retained
	Number	Amount	Capital	Earnings
Balance at December 25, 1992	8,947	$ 90	$ 23,129	$ 15,450
Exercise of stock options	80	--	203	--
Tax benefit arising from exercise of stock options	--	--	14	--
Net loss	--	--	--	(1,396)
Balance at December 31, 1993	9,027	90	23,346	14,054
Exercise of stock options	30	--	97	--
Tax benefit arising from exercise of stock options	--	--	59	--
Cash payment in lieu of fractional shares for stock split in the form of a stock dividend	--	--	--	(1)
Net income	--	--	--	5,416

Balance at December 30, 1994	9,057	90	23,502	19,469
Exercise of stock options	353	4	2,096	--
Tax benefit arising from exercise of stock options	--	--	1,223	--
Stock issued in connection with Birtcher acquisition (Note 10)	1,590	16	17,739	--
Net income	--	--	--	10,863
Balance at December 29, 1995	11,000	$ 110	$ 44,560	$ 30,332

See notes to consolidated financial statements.

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Years Ended		
	Dec. 31, 1993	Dec. 30, 1994	Dec. 29, 1995
Cash flows from operating activities:			
Net income (loss)	$ (1,396)	$ 5,416	$ 10,863
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	2,209	2,457	2,861
Amortization	1,053	1,421	2,154
Increase (decrease) in cash flows from changes in assets and liabilities, net of effects from acquisitions (Note 10):			
Accounts receivable	(100)	(1,684)	(3,943)
Inventories	1,634	(619)	(4,311)
Prepaid expenses and other current assets	143	58	(25)
Accounts payable	397	274	452
Income tax payable	(25)	394	(2,659)
Income tax benefit of stock option exercises	14	59	1,233
Accrued payroll and withholdings	226	1,327	(487)
Accrued pension	342	(147)	(33)
Accrued patent litigation	2,715	(355)	(2,360)
Other current liabilities	(345)	(210)	559
Deferred income taxes	(1,236)	182	1,398
Other assets/liabilities (net)	42	(313)	(643)
	7,069	2,844	(5,804)
Net cash provided by operations	5,673	8,260	5,059
Cash flows from investing activities:			
Acquisitions (Note 10)	(21,800)	(2,000)	(9,500)
Acquisition of property, plant and equipment	(1,506)	(2,190)	(5,195)
Net cash used in investing activities	(23,306)	(4,190)	(14,695)
Cash flows from financing activities:			
Proceeds of long term debt	13,500	--	26,590
Proceeds from issuance of common stock	203	97	3,328
Payments on long-term debt and other obligations	(1,702)	(2,530)	(22,358)
Net cash provided (used) by financing activities	12,001	(2,433)	7,560
Net increase (decrease) in cash and cash equivalents	(5,632)	1,637	(2,076)
Cash and cash equivalents at beginning of year	7,610	1,978	3,615
Cash and cash equivalents at end of year	$ 1,978	$ 3,615	$ 1,539

CONMED CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(In thousands)

	For the Years Ended		
	Dec. 31, 1993	Dec. 30, 1994	Dec. 29, 1995
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 294	$ 641	$ 1,876
Income taxes	682	2,470	2,466

Supplemental non-cash investing and financing activities:
As more fully discussed in Note 10, the Company acquired a business in 1995 through the exchange of 1,590,000 shares of the Company's common stock and the assumption of $3,500,000 of net liabilities.

See notes to consolidated financial statements.

CONMED CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The consolidated financial statements include the accounts of CONMED Corporation and its subsidiaries (the Company). All intercompany transactions have been eliminated. The Company is primarily engaged in the development, manufacturing and marketing of disposable medical products and related devices for various medical applications.

Statement of cash flows

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fiscal year end

The Company's fiscal year ends on the last Friday in December.

Inventories

The inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, which range from four to forty years. Expenditures for repairs and maintenance are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resultant gain or loss is recognized.

Patents and Trademarks

Patents and trademarks are amortized over their expected useful lives of 3 to 17 years. Accumulated amortization of patents and trademarks was $504,000 and $867,000 at December 30, 1994 and December 29, 1995, respectively.

Goodwill

Goodwill is amortized over periods ranging from 13 to 40 years. Accumulated amortization of goodwill amounted to $894,000 and $2,171,000 at December 30, 1994 and December 29, 1995, respectively.

Covenant not to compete

Covenant not to compete is amortized over a 5 year period. Accumulated amortization related to this asset amounted to $2,750,000 and $3,047,000 at December 30, 1994 and December 29, 1995, respectively.

Earnings per common and common equivalent share

Earnings per common and common equivalent share was computed by dividing net income (loss) by the weighted average number of shares of common stock and common stock equivalents outstanding during the year.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts previously reported have been reclassified to conform to current year classifications.

NOTE 2 - INVENTORIES

The components of inventory are as follows (in thousands):

	Dec. 30, 1994	Dec. 29, 1995
Raw materials	$ 4,154	$ 7,209
Work in process	1,851	5,680
Finished goods	3,615	8,054
	$ 9,620	$20,943

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are as follows (in thousands):

	Dec. 30, 1994	Dec. 29, 1995
Land and improvements	$ 370	$ 495
Building and improvements	9,720	12,285
Machinery and equipment	18,191	20,460
Construction in progress	95	702
	28,376	33,942
Less: Accumulated depreciation	12,149	14,214
	$16,227	$19,728

Rental expense on operating leases was approximately $392,000, $441,000, and $445,000 for the years ended December 1993, 1994, and 1995, respectively. The aggregate future minimum lease commitments for operating leases at December 29, 1995 amounted to approximately $233,000 and $31,000 payable in 1996 and 1997, respectively.

NOTE 4 - LONG-TERM DEBT

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

	Dec. 30, 1994	Dec. 29, 1995
Term loan	$ 9,375	$27,000
Revolving line of credit	--	5,340
	9,375	32,340
Less: current portion	2,500	6,000
	$ 6,875	$26,340

The Company's credit facility consists of a $30,000,000 term loan and a $10,000,000 revolving line of credit. The existing term loan is payable in

quarterly installments of $1,500,000 at an interest rate of 1.625% over LIBOR (7.60% at December 29, 1995). The existing revolving line of credit expires on April 1, 1998 and carries an interest rate of 1.50% over LIBOR (7.47% at December 29, 1995). The credit facility, which is secured by substantially all of the assets of the Company, contains minimum requirements for working capital, cash flow and net worth. The Company has met these requirements.

In anticipation of the proposed acquisition of NDM (Note 10), the Company has obtained a commitment from existing lenders to increase its aggregate credit facility to $80,000,000. Under terms of this commitment which will become effective upon consummation of the NDM acquisition, the Company will have a term loan of $65,000,000 and an available revolving line of credit of $15,000,000. The term loan will be payable in quarterly installments over five years while the revolving credit facility will initially be outstanding for a period of three years. Under this commitment, the Company will have interest rate options equal to a base rate (the higher of prime or a federal funds rate) or 1.25% over LIBOR.

Total interest costs in 1993 and 1994 were $306,000 and $628,000, respectively, all of which was expensed. Interest cost during 1995 was $2,119,000 of which $73,000 was capitalized as interest during construction.

NOTE 5 - LEASES AND OTHER LONG-TERM LIABILITIES

Upon the Company's acquisition of Birtcher (Note 10), use of certain manufacturing and administrative facilities previously occupied by Birtcher was discontinued. A liability of approximately $4,407,000 was established in connection with Birtcher purchase accounting representing the aggregate future rental payments net of committed sublease income at the date of acquisition.

Future minimum rental commitments, net of sublease income, for such leases at December 29, 1995 are as follows (in thousands):

	Minimum Rental Payments	Minimum Rental Income	Net
1996	$1,404	$ 946	$ 458
1997	1,444	895	549
1998	1,474	590	884
1999	1,534	590	944
2000	1,081	395	686
	$6,937	$3,416	$3,521

Prior to its acquisition by the Company, Birtcher voluntarily began participation in an environmental investigation at a former facility located in El Monte, California. The former facility is located in the El Monte Operable Unit of the San Gabriel Valley Superfund Site. The Environmental Protection Agency has not named Birtcher as a Potentially Responsible Party in this matter. Based on estimates prepared by the Company's environmental consultants, the Company established a liability for site clean-up of $1,500,000 in connection with purchase accounting for Birtcher.

NOTE 6 - FEDERAL AND STATE INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	For the year ended,		
	Dec. 31,	Dec. 30,	Dec. 29,

	1993	1994	1995
Current tax expense:			
Federal	$ 404	$ 2,416	$ 4,493
State	113	292	356
	517	2,708	4,849
Deferred income tax expense (benefit)	(1,236)	182	1,051
Provision (benefit) for income taxes	$ (719)	$ 2,890	$ 5,900

A reconciliation between income taxes computed at the statutory federal rate and the provision for income taxes follows:

	For the year ended, Dec. 31, 1993	Dec. 30, 1994	Dec. 29, 1995
Tax provision (benefit) at statutory rate based on income before taxes	(34.0)%	34.0%	34.7%
Foreign sales corporation	(3.0)	(1.5)	(1.7)
State taxes	3.2	2.3	1.4
Other, net	(.2)	--	.8
	(34.0)%	34.8%	35.2%

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities are as follows (in thousands):

	Dec. 30, 1994	Dec. 29, 1995
Assets		
- ------		
Accrued litigation costs	$ 800	$ --
Receivables	138	617
Inventory	412	1,860
Deferred compensation	244	295
Employee benefits	178	201
Other	87	258
Leases	--	1,650
Goodwill	--	1,406
Birtcher net operating losses	--	6,084
Valuation allowance for deferred tax assets	--	(5,417)
	1,859	6,954
Liabilities		
- -----------		
Depreciation	957	1,017
Intangible asset amortization	283	102
Interest charge DISC	136	109
Other	--	141
	1,376	1,369
	$ 483	$ 5,585

Birtcher net operating losses are subject to certain limitations and expire over the period 2008 to 2010. Management has established a valuation allowance of $5,417,000 to reflect the uncertainty of realizing the benefit of certain of these carryforwards. Utilization of Birtcher operating loss carryforwards in excess of the net amount recorded at December 29, 1995 of $667,000 will serve to decrease Goodwill associated with the Birtcher acquisition.

NOTE 7 - SHAREHOLDERS' EQUITY

On November 22, 1994 and October 31, 1995, the Board of Directors of the Company declared three-for-two splits of the Company's common stock to be effected in the form of stock dividends. Such dividends were payable on December 27, 1994 and November 30, 1995 to shareholders of record on December 8, 1994 and November 13, 1995, respectively. Accordingly, common stock, retained earnings, earnings (loss) per share, the number of shares outstanding, the weighted average number of shares and equivalents outstanding and stock option data have been restated to retroactively reflect the split.

On December 22, 1995, the Company filed a Registration Statement with the Securities and Exchange Commission in anticipation of a public offering of 2,800,000 shares of the Company's common stock. Proceeds of this offering, which is expected to occur in the first quarter of 1996, will be used to repay outstanding debt under the Company's credit facility (Note 4).

In 1983, the shareholders authorized 500,000 shares of preferred stock, par value $.01 per share, which may be issued in one or more series by the Board of Directors without further action by the shareholders. As of December 29, 1995, no preferred stock had been issued.

The Company has reserved shares of common stock for issuance to employees and directors under three Stock Option Plans (the "Plans"). As of December 29, 1995, a total of 1,682,470 of these options had been granted at $.89 to $25.00 per share. The option price on all outstanding options is equal to the estimated fair market value of the stock at the date of grant. Stock options are non-transferable other than on death and are exercisable one year from date of grant but for not more than ten years from date of grant. As of December 29, 1995, 1,263,000 stock options were exercisable.

The following is a summary of incentive stock option activity under the Plans (in thousands except per share amounts):

	Number of Shares	Price per Share	Total
Outstanding at December 25,1992	1,123	$ 0.75-15.00	$ 7,543
Granted during fiscal 1993	147	5.11- 8.77	832
Forfeited	(35)	5.11-15.00	(259)
Exercised	(80)	0.75- 3.33	(203)
Outstanding at December 31,1993	1,155	0.89-15.00	7,913
Granted during fiscal 1994	137	5.11-10.67	1,275
Forfeited	(8)	5.11-12.22	(108)
Exercised	(30)	0.89- 6.22	(97)
Outstanding at December 30, 1994	1,254	0.89-15.00	8,983
Granted during fiscal 1995	251	11.67-25.00	4,968
Forfeited	(12)	7.67-21.75	(104)
Exercised	(253)	0.89-12.22	(1,299)
Outstanding at December 29,1995	1,240	$ 0.89-25.00	$12,548

Through the Company's 1989 acquisition of Aspen Laboratories, Inc.,

Bristol-Myers Squibb Company received a warrant dated as of August 31, 1989 to purchase at $4.29 per share 698,470 shares of the Company's common stock subject to adjustment for certain stock transactions. The warrant is currently exercisable and expires on August 31, 2000.

In connection with the acquisition of Birtcher (Note 10), Birtcher incentive stock options outstanding as of the acquisition were exchanged for options to purchase common stock of CONMED Corporation. Such options were exercisable for a period of six months from the date of the acquisition. Proceeds resulting from the exercise of options of 100,000 shares for $797,000 have been recorded as an increase to common stock and paid-in capital.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation". SFAS 123 defines a fair value based method of accounting for an employee stock option. Under the fair value based method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period. A company may elect to adopt SFAS 123 or elect to continue accounting for its stock option or similar equity awards using the intrinsic method, where compensation cost is measured at the date of grant based on the excess of the market value of the underlying stock over the exercise price. If a company elects not to adopt the fair value method defined by SFAS 123, then it must provide pro forma disclosure of net income and earnings per share, as if the fair value based method had been applied. SFAS No. 123 is effective for transactions entered into for fiscal years that begin after December 15, 1995. It is currently anticipated that the Company will continue to account for stock-based compensation plans under the intrinsic method and therefore, SFAS 123 will have no effect on the Company's consolidated financial position or results of operations.

NOTE 8 - EXPORT SALES AND MAJOR CUSTOMERS

Sales outside of the United States accounted for approximately 12.8% of the Company's total sales in 1993, 13.6% in 1994 and 15.5% in 1995. The Company's products are provided to medical professionals and facilities directly and through medical supply distributors. Sales to one distributor totaled 12.3% of the Company's sales in 1995 and 10.7% of 1994 sales. Sales to another distributor totaled 10.0% of the Company's sales in 1994.

NOTE 9 - PENSION PLANS

The Company maintains defined benefit plans covering substantially all employees. The Company makes annual contributions to the plans equal to the maximum deduction allowed for federal income tax purposes.

Net pension cost for 1993, 1994, and 1995 included the following components (in thousands):

	1993	1994	1995
Service cost - benefits earned during the period	$ 591	$ 583	$ 758
Interest cost on projected benefit obligation	262	286	353
Actual (gain) loss on plan assets	(179)	(327)	(959)
Net amortization and deferral	2	86	685
Net pension cost	$ 676	$ 628	$ 837

The following tables set forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheet at December 30, 1994, and December 29, 1995 (in thousands):

	1994	1995
Actuarial present value of accumulated benefit obligation		
Vested benefits	$ 3,404	$ 3,811
Non-vested benefits	129	216
Accumulated benefits obligations	3,533	4,027
Additional amounts related to projected pay increases	1,272	661
Projected benefit obligations for service rendered to date	4,805	4,688
Plan assets at fair value, consisting of debt and equity securities	3,675	4,014
Plan benefit obligations in excess of plan assets	1,130	674
Unrecognized net obligation of CONMED plan at December 26, 1986 being recognized over 25 years	(84)	(80)
Unrecognized prior service cost	(217)	(206)
Unrecognized net gain (loss) from past experience different from that assumed and effects of changes in assumptions	(246)	162
Accrued pension costs recognized in the balance sheet	$ 583	$ 550

For actuarial calculation purposes, the weighted average discount rate was 7.0% in 1993, 1994 and 1995. The expected long term rate of return was 8.0% in 1993, 1994 and 1995. The rate of increase in future compensation levels was 4.0% in 1993, 1994 and 1995. Common stock of the Company included in plan assets, at fair value, was approximately $462,000 at December 30, 1994 and $459,000 at December 29, 1995.

NOTE 10 - BUSINESS ACQUISITIONS

In July 1993 the Company acquired certain assets and the business of Medtronic Andover Medical, Inc., a manufacturer of cardiac monitoring disposable products, from Medtronic, Inc. in a purchase transaction for approximately $21,800,000 in cash. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. The transaction was accounted for using the purchase method of accounting. Goodwill is being amortized on a straight-line basis over a 40 year period while a covenant not to compete and other intangible assets related to the acquisition are being amortized on a straight-line basis over periods ranging from five to eight years.

In November 1994, the Company acquired a specialty ECG monitoring product line from Becton Dickinson Vascular Access Company in a purchase transaction amounting to $2,000,000 in cash. The product line's operations have been included with the Company's financial results since the acquisition date. Goodwill is being amortized on a straight-line basis over a 40 year period and a covenant not to compete is amortized over a five year period.

On March 14, 1995, the Company acquired Birtcher Medical Systems, Inc. ("Birtcher") through an exchange of the Company's common stock for all of the outstanding common and preferred stock of Birtcher. In connection with this transaction, the Company issued 1,590,000 shares of common stock valued at $17,750,000 and assumed approximately $3,500,000 of net liabilities. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. The acquisition was accounted for using the purchase method of accounting. Goodwill associated with the acquisition is being amortized on a straight-line basis over a 40 year period.

On May 22, 1995, the Company acquired the business and certain assets of the Master Medical Corporation ("Master Medical") for a cash purchase price of approximately $9,500,000 and assumption of $500,000 of liabilities. Accordingly, the results of operations of the acquired business are included in the consolidated results of the Company from the date of acquisition. The acquisition was accounted for using the purchase method of accounting. Goodwill associated with the acquisition is being amortized on a straight-line basis over a 15 year period.

On an unaudited pro forma basis, assuming the Birtcher and Master

Medical acquisitions had occurred as of the beginning of the periods presented, the consolidated results of the Company would have been as follows (in thousands, except per share amounts):

	For the years ended December	
	1994	1995
Pro forma revenues	$107,336	$107,425
Pro forma net income	$ 7,956	$ 11,713
Pro forma earnings per common and common equivalent share	$ .71	$ .99

In October 1995, the Company signed an asset purchase agreement whereby the Company will acquire substantially all the business and certain assets of New Dimensions in Medicine, Inc. ("NDM") for a cash purchase price of approximately $32.0 million plus the assumption of net liabilities of approximately $5.1 million. Through this acquisition, which is expected to close in the first quarter of 1996 and which is subject to the approval of the shareholders of NDM, the Company will acquire the business of NDM relating to the design, manufacture and marketing of a broad line of ECG electrode products, disposable electrosurgical products and various Hydrogel wound care products.

On an unaudited pro forma basis, assuming the Birtcher, Master Medical and NDM acquisitions had occurred as of the beginning of the periods presented, the consolidated results of the Company would have been as follows (in thousands, except per share amounts):

	For the years ended December	
	1994	1995
Pro forma revenues	$135,357	$132,927
Pro forma net income	$ 8,790	$ 13,323
Pro forma earnings per common and common equivalent share	$ .78	$ 1.12

The unaudited pro forma financial information presented above gives effect to purchase accounting adjustments which have resulted or are expected to result from the acquisitions, and in the case of the NDM acquisition to the elimination of certain overhead costs which are not expected to be incurred by the combined entity. This pro forma information is not necessarily indicative of the results that would actually have been obtained had the companies been combined for the periods presented.

NOTE 11 - LEGAL MATTERS AND PRODUCT RESTRUCTURE

On October 13, 1993, a jury in a U.S. District Court trial in Salt Lake City, Utah found that the Company's line of coated electrosurgical accessory blades infringed a patent held by a competitor. Subsequently, the District Court trial Judge fixed the damage award at $2,100,000 and issued an injunction prohibiting CONMED from selling the affected products. During 1993, the Company

recorded a $5,000,000 charge related to this infringement, which included the court awarded damages, legal fees and writedown of related inventory. The $2,100,000 damage award was paid in 1995 after the award was affirmed.

Additionally, during 1993 management determined that approximately $675,000 of inventory, primarily in the electrosurgical pencil product line, had become obsolete due to product modifications. Accordingly, these obsolete items were charged to product restructure expense.

From time to time, the Company has been named as a defendant in certain lawsuits alleging product liability or other claims incurred in the ordinary course of business. These claims are generally covered by various insurance policies, subject to deductible amounts and maximum policy limits. Ultimate liability with respect to these contingencies, if any, is not considered to be material to the consolidated financial statements of the Company.

NOTE 12 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data for the years ended December 30, 1994 and December 29, 1995 are follows (in thousands, except per share amounts):

	Three Months Ended			
1994	March	June	September	December
Net sales	$17,838	$17,547	$17,264	$18,415
Gross profit	7,834	7,949	7,964	8,518
Net income	1,147	1,263	1,357	1,649
Earnings per share	.12	.13	.14	.17

1994	March	June	September	December
Net sales	$19,753	$25,875	$26,258	$27,672
Gross profit	9,028	12,377	12,521	13,230
Net income	1,840	2,818	2,889	3,316
Earnings per share	.18	.24	.24	.27

SCHEDULE VIII - Valuation and Qualifying Accounts (In thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts	Deductions	Balance at End of Period
1995					
Allowance for bad debts	$343	$ 85	--	$ (28)	$ 400
Inventory reserves	$703	$245	--	$(444)	$ 504
Deferred tax asset valuation allowance	$ --	--	$5,417	--	$5,417
1994					
Allowance for					

bad debts	$347	--	--	$ (4)	$ 343
Inventory reserves	$559	$144	--	--	$ 703
1993 - ----					
Allowance for bad debts	$303	$ 44	--	--	$ 347
Inventory reserves	$324	$235	--	--	$ 559

NON-EXCLUSIVE DISTRIBUTION AGREEMENT

This Agreement (the "Agreement") effective as of January 1, 1995 is between NEW DIMENSIONS IN MEDICINE, INC., a Delaware corporation with offices at 3040 East River Road, Dayton, Ohio 45439 ("Supplier") and BAXTER HEALTHCARE CORPORATION, a Delaware corporation, with offices at One Baxter Parkway, Deerfield, Illinois 60015 ("Baxter").

WHEREAS, Supplier and Baxter entered into a Distribution Agreement effective October 31, 1989 (the "Original Agreement"); and

WHEREAS, Supplier and Baxter amended and restated the Original Agreement in an Amended and Restated Distribution Agreement dated January 1, 1992 (the "Amended Distribution Agreement") which Amended Distribution Agreement expires December 31, 1994; and

WHEREAS, Supplier and Baxter desire to enter into a new Non-exclusive Distribution Agreement.

NOW, THEREFORE, Supplier and Baxter agree as follows:

SECTION 1. PRODUCTS

a. The products covered by this Agreement are those products and accessories manufactured and/or distributed by Supplier set forth in Schedules A and B (which are incorporated herein), together with the parts and components necessary for the repair and replacement thereof, and all modifications and improvements pertaining to such products, accessories and components, all of which are hereinafter referred to as "Products." However, Supplier reserves the right to change, enhance or discontinue the products it Supplies to Baxter under this Non-Exclusive Distribution Agreement. "Products" include, but are not limited to, "Best Value Products."

b. "Best Value Products" are those electrodes, cables and leadwires sold by Baxter under this Agreement and set forth in Schedule B. The products identified on Schedule B are a subset of those identified on Schedule A.

c. "Acute Care Hospitals" means acute care hospitals and surgicenters whose products are purchased through an acute care hospital's materials management function.

SECTION 2. GRANT OF DISTRIBUTORSHIP

Supplier hereby grants to Baxter the non-exclusive right to sell and distribute the Products throughout the Territory and Baxter accepts such grant for the term and on the conditions stated in this Agreement. The term "Territory" shall mean the United States of America, but excluding its territories and possessions.

SECTION 3. EXCLUDED BUSINESS

The following shall be excluded in all respects from this Agreement:

a. Sales by Baxter Custom Steriles packing business to the hospital market;

b. All sales by Baxter's Specialized Distribution Division.

SECTION 4. TERM AND RENEWAL

The initial term of this Agreement shall be for two (2) years, beginning January 1, 1995 and ending December 31, 1996. Thereafter, this Agreement shall be automatically renewed for additional 3 successive terms of one (1) year each, unless and until either party

terminates this Agreement, with or without cause, effective the end of the initial term or any renewal term upon ninety (90) days prior written notice.

SECTION 5. PRICING, COMMISSIONS AND REBATE

a. Supplier shall sell the Products described in Schedule A hereto at the currently existing initial invoice prices in effect on 1/1/95 (the "Supplier Sale Prices"), provided that Supplier may, upon ninety (90) days' written notice to Baxter, adjust the Supplier Sales Prices for such Products, and provided that such modifications may not be made more than once in any calendar year and shall be made effective on January 1 of each year.

b. Supplier shall sell the Best Value Products described in Schedule B hereto for the currently existing initial invoice prices. For each Best Value Product the following prices are listed on Schedule B: 1) the price which Baxter will pay Supplier for the Best Value Product (the "Initial Invoice Price"); and 2) the lowest price for resale by Baxter of the Best Value Product for which Supplier will guaranty Baxter a gross margin of 10% (the "Floor Price") when sold to an Acute Care Hospital. Under Section 5.d hereof, the Floor Price of a given Best Value Product may be adjusted. Schedule B(1) consists of the Supplier's Operating Room products. While not considered "Best Value Products", these products will be priced such that Baxter will receive a gross margin of 7% in the aggregate in a similar manner as described in Section 5b-5g on sales to Acute Care Hospitals.

c. If, because of market conditions or otherwise, Baxter in its sole discretion sells a Best Value Product to an Acute Care Hospital customer at a price which, absent a rebate from Supplier, -- would yield to Baxter less than a 10% margin, but which is above the Floor Price for that Best Value Product, then, for such sales, Supplier will rebate to Baxter an amount equal to: 1) the difference between the Initial Invoice Price and the price at which the Best Value Product was sold by Baxter; plus 2) 10% of the price at which the Best Value Product was sold by Baxter to the customer. If, because of market conditions or otherwise, Baxter in its sole discretion, and without prior approval from Supplier, sells a Best Value Product to a customer at a price which is below the Floor Price for that Best Value Product, then no rebate will be made under this Section 5.c by Supplier to Baxter for such sales.

For example, assume a Best Value Product has an Initial Invoice Price of $1. 35 and a Floor Price of 90(cent) . If the Best Value Product is sold by Baxter to a customer for $1. 50, Baxter would realize a 10% margin and no rebate would be due to Baxter under Section 5.c . ($1.50 - $1.35 = 15(cent); 15(cent) / 1.50 = 10%). However, if the same Best Value Product is sold by Baxter to a customer for 95(cent), Supplier would rebate to Baxter: 1) the Initial Invoice Price minus the price at which the Best Value Product was sold by Baxter ($1.35 - 95(cent) = 40(cent)); plus 2) 10% of the price at which the Best Value Product was sold by Baxter to the customer (95(cent) x 10% = 9.5(cent) (40(cent) + 9.5(cent) = 49.5(cent)) . If the same Best Value Product is sold (without prior approval from Supplier) by Baxter to a customer for 85(cent) (below the Floor Price of 90(cent)), then no rebate would be due from Supplier to Baxter.

It is also agreed that buying groups asking NDM to quote on a manufactures net pricing basis will be handled on a case by case basis between Baxter and NDM.

d. At Baxter's option, because of market conditions or otherwise, Baxter may petition Supplier for a customer specific adjustment to the Floor Price of a given Best Value Product. Supplier may in its discretion adjust such floor price and shall respond in writing to such petitions within ten (10) business days.

e. On the 15th day of each month, Baxter will provide Supplier with a report for the preceding month showing sales of Best Value Products (and Schedule B1 Products) made during that month to Acute Care Hospitals at prices which, absent a rebate from supplier, would yield to Baxter less than a 10% margin (7% on Schedule B1 Products) and a calculation of the price rebate due Baxter. Baxter may deduct non-disputed rebates owed from amounts due Supplier.

f. Schedule C sets forth regional sales targets for Best Value Products for each Baxter region for each calendar quarter of 1995 and 1996. At the end of each quarter, the total sales of Best Value Products will be calculated for each region. For each region that has exceeded its sales target, Supplier will refund two percent (2%) of the excess over the target net of rebates. Refunds under this Section 5.f shall be paid 30 days after the end of each calendar quarter for the calendar quarter just ended. Baxter may deduct such non-disputed amounts owed from amounts due Supplier.

g. For Contracts-In-Place, or actual pricing in place (purchase order) in addition to payment of the Initial Invoice Price, Baxter will make a payment to Supplier or Supplier will make a payment to Baxter so that the gross margin to Baxter for the Best Value Products sold under the Contracts in Place to Acute Care Hospitals is equal to ten percent (10%). "Contracts in Place" are defined as:

i. Contracts or purchase orders in place as of January 1, 1995 between Baxter and Acute Care Hospital customers to sell Best Value Products; and

ii. Renewals after January 1, 1995 of contracts listed in Section 5.g.i, above.

SECTION 6. CHOICE PLAN AGREEMENTS

Supplier may, at its option, enter into "Choice Plan Agreements directly with the customers to which Baxter distributes Products under this Agreement. Under such Choice Plan Agreements with customers, Supplier may provide customers with capital equipment that is used in conjunction with some of the Products listed on Schedules A and B hereto. For a customer with whom Supplier has entered into a Choice Plan Agreement, Supplier may request that Baxter invoice the customer for and pay to Supplier amounts that compensate Supplier for supplying the customer with capital equipment under the Choice Plan Agreement. The procedure for Baxter's participation in such invoicing and payment shall be agreed to in writing by Supplier and Baxter on a customer-by-customer basis.

SECTION 7. PAYMENT TERMS

Baxter shall pay for orders on terms of net forty-five (45) days.

SECTION 8. BAXTER'S DUTIES

During the term of this Agreement, Baxter shall:

a. Include the Products in its computerized order entry system;

b. Each month provide Supplier with a vendor trace sales report

detailing all product sales made during the previous month including individual customer prices. Additionally, the sales detail will provide buying group affiliation for each individual customer, such affiliation to be the buying group selection by the customer for Baxter invoicing purposes;

c. Include the Best Value Products in the list of products for which Baxter pays commissions to its Distribution Representatives;

d. Advertise and promote the Products by such methods which in Baxter's judgment are best suited for the sale of such Products; and

e. Provide Supplier with reports and forecasts of Baxter's need for Products. Until December 31, 1995, such reports shall include quarterly forecasts for demand of Products and a monthly inventory of the Products held by Baxter. After December 31, 1995, Baxter will provide Supplier with the 852 EDI transaction of daily inventory balances.

f. After reasonable written notice to Baxter, Supplier shall have the right to inspect Baxter's books and records at reasonable times to confirm Baxter's compliance with and the accuracy of reports and claims under Sections 5c, 5e, 5f, 5g, and compliance with Sections 8a-c.

SECTION 9. SUPPLIER'S DUTIES

Supplier shall:

a. Ship promptly Baxter's orders for Products. All Products will be shipped F.O.B. NDM's Dock, Dayton, Ohio;

b. Package and label the Products;

c. Provide to Baxter's designated personnel, at no cost, instruction and training in the use of the Products at such times and places as the parties may agree;

d. Furnish Baxter, at no cost, reasonable quantities of Supplier's sales literature, customer instruction manuals and service manuals relating to the Products and furnish Baxter, upon written request and at no cost, suitable copy and camera ready art work for use by Baxter in advertising and cataloging it being recognized, however, that Supplier maintains and reserves its copyrights to any such materials supplied to Baxter and any such materials developed by Baxter under this agreement;

e. Provide Baxter, at no cost, reasonable quantities of sample Products for the purpose of evaluating the Products;

f. Provide Baxter with or on the Product packages complete instructions for assembly and use (including line diagrams or pictures as needed);

g. Provide Baxter copies of all written complaints received from Baxter's customers; and

h. Maintain a finished goods inventory of Products sufficient to meet Baxter's forecasted demand as initially determined by Supplier and Baxter and as revised by them from time to time.

SECTION 10. PRODUCT WARRANTIES

Supplier warrants (1) for a period of one year from the date of each shipment that all Products shipped are free from defects in workmanship

and materials, are as described in Schedules A and B, are fit for their intended purposes, and meet Supplier's specifications (or conform to any samples provided to Baxter), and (2) that the Products are, as of the date of delivery to Baxter hereunder, in compliance with all applicable federal, state and local laws, ordinances, regulations, and rules. THE WARRANTIES SET FORTH IN THIS SECTION 10(b) ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WHICH ARE HEREBY DISCLAIMED AND EXCLUDED BY SUPPLIER, INCLUDING WITH OUT LIMITATION ANY WARRANTY OR MERCHANTABILITY. Supplier shall have no obligation under this warranty if:

(i) repair or replacement of the Products is required as a result of normal wear and tear or necessitated in whole or in part by catastrophe or causes external to the Products;

(ii) the Products have been altered or modified after delivery; or

(iii) the Products have not been properly used or maintained in accordance with the applicable operating instructions supplied with the Products.

Furthermore, Supplier shall not be liable for any incidental or consequential damages for any breach of this warranty.

SECTION 11. PRODUCT LIABILITY

a. Indemnification. Supplier shall indemnify and hold harmless Baxter against all claims, liabilities, losses and expenses (including attorneys' fees) arising out of the use of any Product or allegedly caused by any Product, except to the extent such personal injury, death or property damage arose from any negligence of Baxter in the handling of the Product or any misrepresentation by Baxter concerning the Product's characteristics, performance or proper manner of usage; provided that Baxter gives Supplier prompt notice in writing of any such product liability claim and permits Supplier through Supplier's counsel to defend the same and gives Supplier all reasonably available information, assistance and authority to enable Supplier to assume such defense. Supplier shall have control of the defense of any such suit, including appeals from any judgment therein and any negotiations for the settlement or compromise thereof with full authority to enter into a binding settlement or compromise unless such action would impose cost or any other obligation on Baxter.

b. Insurance. Supplier shall take out and maintain general comprehensive liability insurance covering each occurrence of bodily injury and property damage in an amount of not less than Three Million Dollars ($3,000,000) combined single limit with endorsements for (i) products and completed operations, (ii) blanket contractual liability (deleting any exclusion for products and completed operations liability), and (iii) broad form vendor's liability. Supplier will promptly furnish to Baxter a certificate of insurance issued by the carrier evidencing the foregoing endorsements, coverages and limits, and stating that such insurance shall not be cancelable without at least thirty (30) days prior written notice to Baxter.

SECTION 12. REGULATORY MATTERS

a. Continuing Guaranty. Supplier warrants and guarantees that all Products shall be in compliance with all federal, state and local laws, ordinances, regulations, and rules. Supplier agrees to execute and comply with the provision of the Baxter Continuing Guaranty, a copy of which is attached hereto as Schedule D, the terms and conditions of which are made a part hereof to the extent consistent with the terms set out in the

body of this Agreement.

b. Product Recall. In the event Supplier recalls any of the Products sold or distributed by Baxter because the Products are believed to violate any provisions of applicable law, Supplier shall bear all costs and expenses of such recall, including, without limitation, expenses or obligations to third parties, the cost of notifying customers and costs associated with the shipment of recalled Product from customers to Baxter or Supplier. Baxter shall maintain complete and accurate records for such periods as may be required by applicable law, of all the Products sold by it. The parties will cooperate fully with each other in effecting any recall of the Products, including communications with any purchasers or users.

c. Customer Complaint Reporting. Supplier and Baxter to the extent it is required by law shall be responsible for notifying the appropriate federal, state and local authorities of any customer complaints or other occurrences regarding the Products which are required to be so reported. However, in all events, Baxter promptly shall provide Supplier with any information it receives regarding such complaints or occurrences.

d. Access. Supplier agrees to permit a duly authorized representative of Baxter to enter and inspect, during normal business hours, the establishments in which any of the Products are manufactured, packaged, labeled or held in order to determine whether said Products are being manufactured, packaged, labeled or held in conformity with the terms of this Agreement, and further agrees to provide Baxter with such documents as it may reasonably require to determine whether the Products are being manufactured, packaged, labeled or held in accordance with the provisions of this Agreement.

SECTION 13. PATENTS AND TRADEMARKS

a. Supplier hereby grants to Baxter a non-exclusive, non-transferable and royalty-free right and license to use the Supplier trademarks specified in Schedule E attached hereto, as such Schedule may be modified from to time during the term of this Agreement, in connection with the distribution, promotion, advertising and maintenance of the Products for so long as such trademarks are used by Baxter in accordance with Supplier's standards, specifications and instructions, but in no event beyond the term of this Agreement. Baxter shall utilize such Supplier trademarks with respect to all of its activities in connection with the distribution, promotion or advertising of the Products. Baxter shall afford Supplier reasonable opportunities during the term hereof to inspect and monitor the activities of Baxter in order to ensure Baxter's use of the trademarks in accordance with Supplier's standards and instructions. Baxter shall acquire no right, title or interest in such Supplier trademarks other than the foregoing limited license, and Baxter shall not use any Supplier trademarks as part of Baxter's corporate or trade name or permit any third party to do so without the prior written consent of Supplier.

b. Supplier shall use its best efforts to register the Supplier trademarks specified in Schedule E, as such Schedule may be modified during the term of this Agreement, in such jurisdictions in which Supplier determines that registration is necessary or useful to the successful distribution of the Products. In addition, in the event Supplier believes that it is advisable to effect any filing or obtain any governmental approval or sanction for the use by Baxter of any of

Supplier's trademarks pursuant to this Agreement, the parties shall fully cooperate in order to do so. All expenses relating to the registration of Supplier's trademarks, as well as the making of any filing or obtaining governmental approval for the use by Baxter or Supplier's trademarks, shall be borne by Supplier.

c. Baxter shall promptly notify Supplier of any use by any third party of Supplier's trademarks or any use by such third parties of similar marks which may constitute and infringement or passing off of Supplier's trademarks. Supplier reserves the right, in its sole discretion, to institute any proceedings against such third party infringers and Baxter shall refrain from doing so. Baxter agrees to cooperate fully with Supplier in any action taken against such third parties, provided that all expenses of such action shall be borne by Supplier and all damages which may be awarded or agreed upon in settlement of such action shall accrue to Supplier.

d. Baxter acknowledges Supplier's proprietary rights in and to the Supplier trademarks and any trade names regularly applied by Supplier to the Products, and Baxter hereby waives in favor of Supplier all rights to any trademarks, trade names and logotypes now or hereafter originated by Supplier that do not infringe on existing trademarks, trade names and logotypes. Baxter shall not adopt, use or register any words, phrases or symbols which are identical, or confusingly similar, to any of the Supplier trademarks in any manner. In addition, Baxter hereby empowers Supplier and agrees to assist Supplier, if requested, to cancel, revoke or withdraw any governmental registration or authorization permitting Baxter to use Supplier trademarks.

e. Supplier shall, at its own expense, defend any suit instituted against Baxter which is based on an allegation that the use by Baxter of any Supplier trademark as provided in this Section 13 constitutes an infringement of any trademark of any third party and shall indemnify Baxter against any award of damage or costs made against Baxter by a final judgment of a court of last resort if it is determined therein that any such Supplier trademark constitutes an infringement of any third party trademark, or any settlement of such claim, provided that Baxter gives Supplier prompt notice in writing of any notice of claims of infringement and permits Supplier through Supplier's counsel to defend the same and gives Supplier all reasonably available information, assistance and authority to enable Supplier to assume such defense. Supplier shall have control of the defense of any such suit, including appeals from any judgment therein and any negotiations for the settlement or compromise thereof with full authority to enter in a binding settlement or compromise so long as such settlement or compromise imposes no cost to Baxter. In the event that the use by Baxter of any Supplier trademark as provided hereunder is held to infringe and its use is enjoined, Supplier, shall, at its option and expense, replace or modify such Supplier trademark so that it no longer infringes.

f. Notwithstanding the provisions of Section 13.e hereof, Supplier shall have no liability whatsoever to Baxter with respect to any trademark infringement claim thereof which is based upon or arises out of: (i) the use by Baxter of any Supplier trademark in combination with any other trademark or trade name, if such combination causes or contributes to the infringement, (ii) the use by Baxter of any Supplier trademark in a manner for which it was neither designed nor contemplated, or (iii) use inconsistent with Supplier's trademark by Baxter or any third party which causes such

trademark to become infringing. Section 13.e hereof states the entire liability of Supplier for or arising out of any trademark infringement or claim thereof with respect to the Supplier trademarks licensed to Baxter under this Agreement.

g. Supplier shall, at its own expense, defend any suit instituted against Baxter which is based on an allegation that any product sold to Baxter hereunder constitutes an infringement of any United States patent and shall indemnify Baxter against any award of damage and costs made against Baxter by a final judgment of court of last resort if it is determined therein that any such product constitutes an infringement of any United States patent, provided that Baxter gives Supplier immediate notice in writing of any notice of claims of infringement and permits Supplier through Supplier's counsel to defend the same and gives Supplier all available information, assistance and authority to enable Supplier to assume such defense. Supplier shall have control of the defense of any such suit, including appeals from any judgment therein and any negotiations for the settlement or compromise thereof with full authority to enter into a binding settlement or compromise so long as such settlement or compromise imposes no cost or any other obligation on Baxter. In the event that any Product is held to infringe and its sale or use is enjoined, Supplier shall, at its option and expense, (i) obtain for Baxter the right to continue providing such Product consistent with the terms of this Agreement, (ii) replace or modify such Product so that it no longer infringes but has the same features and functions, or (iii) grant Baxter a credit for such Product upon its return to Supplier, allowing for reasonable use and obsolescence.

h. Notwithstanding the provisions of Section 13.g hereof, Supplier shall have no liability whatsoever to Baxter with respect to any patent infringement claim thereof which is based upon or arises out of (i) the use of any Product in combination with any other product not supplied by Supplier, if such combination causes or contributed to the infringement, (ii) the use of any Product in a manner for which it was neither designed nor contemplated, or (iii) any modification of any Product by Baxter or any third party which causes the Product to become infringing. Section 13.g hereof states the entire liability of Supplier for or arising out of any patent infringement or claim thereof with respect to Products furnished to Baxter under this Agreement.

i. Supplier shall, at its own expense, defend any suit instituted against Baxter which is based on an allegation that any product sold to Baxter hereunder constitutes an misappropriation of any trade secret or other intellectual property and shall indemnify Baxter against any award of damage and costs made against Baxter by a final judgment of court of last resort if it is determined therein that any such product constitutes a misappropriation of any trade secret or other intellectual property, provided that Baxter gives Supplier immediate notice in writing of any notice of claims of misappropriation and permits Supplier through Supplier's counsel to defend the same and gives Supplier all available information, assistance and authority to enable Supplier to assume such defense. Supplier shall have control of the defense of any such suit, including appeals from any judgment therein and any negotiations for the settlement or compromise thereof with full authority to enter into a binding settlement or compromise so long as such settlement or compromise imposes no cost or other obligation on Baxter.

SECTION 14. RETURNS

a. Subject to the limitations of Section 11 hereof, Baxter may return defective or out-of-specification Products within one year of delivery to Baxter's customers. such returns may be made once each calendar quarter. Supplier will replace such products with conforming Products.

b. Should a Product become Excess or No Move despite Baxter's good faith efforts to sell inventory, the Supplier agrees to allow Baxter to return Product, at Baxter's freight expense, with no restocking charge; provided that any Excess or No Move inventory must be returned to Supplier within one (1) year of shipment to Baxter and must be free of damage, except any manufacturing defect warranted by Supplier under Section 11. For purposes of this Agreement, "Excess" inventory shall be defined as stock on hand above a one-year supply as determined by comparing system-wide on-hand quantity to a rolling calculation of annualized demand quantity. "No Move" inventory is defined as all stock on-hand for an item which has not experienced any demand in the past four (4) months.

SECTION 15. TERMINATION

Either party may terminate this Agreement for any material breach by the other party, if thirty (30) days after written notice containing details of the breach, the breach remains uncured. Either party may terminate this Agreement effective immediately with written notice if the other party shall file for bankruptcy, shall be adjudicated bankrupt, shall take advantage of applicable insolvency laws, shall make an assignment for the benefit of creditors, shall be dissolved or shall have a receiver appointed for its property. The indemnities provided in Sections 12.a, 14.e, 14.g, 14.h and 14.i shall survive the termination of this Agreement.

SECTION 16. PROCEDURES ON TERMINATION

On the termination of this Agreement, for whatever reason, Supplier shall continue to honor Baxter's orders for Products prior to the effective date of termination.

SECTION 17. FORCE MAJEURE

Except for the payment of money, the obligations of either party to perform under this Agreement shall be excused during each period of delay caused by matters such as strikes, shortages or raw material, government orders or acts of God, which are reasonably beyond the control of the party obligated to perform.

SECTION 18. MISCELLANEOUS

a. Notices. All notices required or permitted shall be in writing and shall be deemed given when delivered personally, by telefax, telex, or telegram, or if sent, three (3) business days after being mailed by registered or certified mail, postage prepaid, or by such other method (including air courier) which provides for a signed receipt upon delivery, addressed as follows, or to such other person or address as may be designated by notice to the other party;

If to Baxter	If to Supplier
Distribution Division	New Dimensions In Medicine, Inc.
1450 Waukegan Road	3040 East River Road
McGaw Park, Illinois 60085	Dayton, Ohio 45439
Attn.: Vice President, General Mgr.	Attn: President

b. Entire Agreement; Continuity of Claims Under Prior Agreement. As of the date hereof, this Agreement is the entire agreement between the parties hereto, there being no prior written or

oral promises or representations not incorporated herein.

HOWEVER, NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO RELEASE ANY CLAIMS, DEMANDS, CAUSES OF ACTION, OBLIGATIONS OR LIABILITIES FOR DAMAGES ARISING OUT OF THE PERFORMANCE OR NONPERFORMANCE OF THE RESPECTIVE RESPONSIBILITIES AND OBLIGATIONS OF BAXTER AND SUPPLIER UNDER THE AMENDED DISTRIBUTION AGREEMENT DURING THE PERIOD FROM JANUARY 1, 1992 THROUGH DECEMBER 31, 1994.

c. Applicable Law. This Agreement shall be governed by the laws of the State of Illinois, applicable to contracts made and to be performed in that state.

d. Amendments. No amendment or modification of the terms of this Agreement shall be binding on either party unless reduced to writing and signed by an authorized officer of the party to be bound.

e. Existing Obligations. Supplier and Baxter represent and warrant that the terms of this Agreement do not violate any existing obligations or contracts of Supplier and Baxter. Supplier and Baxter shall defend, indemnify and hold harmless each other from and against any and all claims, demands, actions or causes of action which are hereafter made or brought against Supplier and Baxter and which allege any such violations.

SECTION 19. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement shall be assignable by either party to an affiliated or successor corporation if such corporation agrees to be bound hereby, provided that if assigned by Baxter to an affiliate, such affiliate shall be Baxter's principal distributor of hospital supplies. This Agreement shall not otherwise be assignable by either party without the other's written consent.

SECTION 20. CONFIDENTIALITY

a. "Confidential Information" shall mean all information, other than information in published form or expressly designated by the disclosing party as non-confidential, which is directly or indirectly disclosed to either party hereunder or embodied in the Products provided hereunder, regardless of the form in which it is disclosed, relating in any way to the markets, customers, products, patents, inventions, procedures, methods, designs, strategies, plans, assets, liabilities, costs, revenues, profits, organization, employees, agents, distributors or business in general of the disclosing party.

b. Baxter and Supplier acknowledge and agree that all Confidential Information is confidential and proprietary to the disclosing party. Baxter and Supplier agree not to use any of such Confidential Information for the term of this Agreement and for a period of four (4) years from the termination of this Agreement (the "Non-disclosure Period") for any purpose other than as permitted or required for performance hereunder. Baxter and Supplier further agree not to disclose or provide any of such Confidential Information to any third party and to take all necessary measures to prevent any such disclosure by their employees, agents, contractors or consultants during the Non-disclosure Period.

c. Nothing herein shall prevent either party from using, disclosing or authorizing the disclosure of any information which is, or hereafter becomes, part of the public domain.

d. At the disclosing party's request, the recipient of any Confidential Information hereunder shall cooperate fully with the disclosing party in any and all legal actions taken by the disclosing party to protect its rights in its Confidential Information. The disclosing party shall bear all costs and expenses reasonably incurred by the recipient in the course of cooperating with the disclosing party in such legal action.

SECTION 21. COUNTERPARTS

For convenience of the parties hereto, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original for all purposes.

Baxter Healthcare Corporation		New Dimensions in Medicine Inc.	
By:	_____	By:	_____
Title:	_____	Title:	_____
Date:	_____	Date:	_____

EXHIBIT 11

Computation of Weighed Average Number of Shares of Common Stock

	Year ended December, (in thousands)		
	1993	1994	1995
Shares outstanding at beginning of period	8,947	9,027	9,057
Weighted average shares issued	36	5	1,460
Incremental shares of common stock outstanding giving effect to stock options and warrant	443	592	1,096
Weighted average shares for earnings per share	9,426	9,624	11,613

EXHIBIT 21

Subsidiaries of CONMED Corporation

Name	State of Incorporation
Aspen Laboratories, Inc.	Colorado
Consolidated Medical Equipment International, Inc.	New York
CONMED Andover Medical, Inc.	New York
Birtcher Medical Systems, Inc.	California
NDM, Inc.	New York

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-23514, 33-49422 and 33-49526) of CONMED Corporation of our report dated January 29, 1996 appearing on page F-1 of the 1995 Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Syracuse, New York
March 28, 1996

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