

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended June 30, 2001

Commission File Number 0-16093

CONMED CORPORATION

(Exact name of the registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

16-0977505
(I.R.S. Employer
Identification No.)

310 Broad Street, Utica, New York
(Address of principal executive offices)

13501
(Zip Code)

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

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

The number of shares outstanding of registrant's common stock, as of August 1, 2001 is 16,731,492 shares.

CONMED CORPORATION

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Item 1.

CONMED CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands except per share amounts)
(unaudited)

	Three Months Ended June		Six Months Ended June	
	2000	2001	2000	2001
	-----	-----	-----	-----
Net sales	\$ 97,878	\$104,171	\$200,689	\$210,080
Cost of sales	47,327	49,965	95,988	99,639
Selling and administrative ...	33,247	33,922	64,009	68,751
Research and development	3,572	3,476	6,978	7,172
	84,146	87,363	166,975	175,562
Income from operations	13,732	16,808	33,714	34,518
Interest expense, net	8,238	7,848	16,643	16,179
Income before income taxes ...	5,494	8,960	17,071	18,339
Provision for income taxes ...	1,978	3,226	6,146	6,602
Net income	\$ 3,516	\$ 5,734	\$ 10,925	\$ 11,737
	=====	=====	=====	=====
Per share data:				
Net Income				
Basic	\$.23	\$.37	\$.71	\$.76
Diluted23	.37	.70	.75
Weighted average common shares				
Basic	15,311	15,407	15,298	15,389
Diluted	15,551	15,599	15,535	15,568

See notes to consolidated condensed financial statements.

CONMED CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands except share amounts)

	December 2000	(unaudited) June 2001
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,470	\$ 924
Accounts receivable, net	78,626	84,657
Inventories	104,612	103,194
Deferred income taxes	1,761	1,761
Prepaid expenses and other current assets	3,562	3,848
	-----	-----
Total current assets	192,031	194,384
	-----	-----
Property, plant and equipment, net	62,450	66,758
Goodwill, net	225,801	222,595
Other intangible assets, net	195,008	193,742
Other assets	4,281	4,886
	-----	-----
Total assets	\$ 679,571	\$ 682,365
	=====	=====
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 36,068	\$ 37,665
Accounts payable	20,350	19,049
Accrued compensation	9,913	9,163
Income taxes payable	1,979	2,823
Accrued interest	5,130	5,192
Other current liabilities	4,836	4,468
	-----	-----
Total current liabilities	78,276	78,360
	-----	-----
Long-term debt	342,680	330,033
Deferred income taxes	12,154	16,118
Other long-term liabilities	15,858	17,335
	-----	-----
Total liabilities	448,968	441,846
	-----	-----
Shareholders' equity:		
Preferred stock, par value \$.01 per share; authorized 500,000 shares; none outstanding .	--	--
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 15,352,186 and 15,433,980 shares issued and outstanding in 2000 and 2001, respectively	153	154
Paid-in capital	128,062	128,568
Retained earnings	103,834	115,571
Accumulated other comprehensive loss	(1,027)	(3,355)
Less 25,000 shares of common stock in treasury, at cost	(419)	(419)
	-----	-----
Total shareholders' equity	230,603	240,519
	-----	-----
Total liabilities and shareholders' equity ..	\$ 679,571	\$ 682,365
	=====	=====

See notes to consolidated condensed financial statements.

CONMED CORPORATION
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
 Six Months Ended June 2000 and 2001
 (in thousands)
 (unaudited)

	2000	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 10,925	\$ 11,737
	-----	-----
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	4,612	4,345
Amortization	9,803	10,740
Increase (decrease) in cash flows from changes in assets and liabilities:		
Accounts receivable	(2,361)	(5,992)
Inventories	(8,786)	(991)
Prepaid expenses and other current assets	(1,308)	(311)
Accounts payable	6,893	(1,344)
Income taxes payable	2,753	844
Accrued compensation	(840)	(736)
Accrued interest	1,952	62
Other assets/liabilities, net	(2,177)	(785)
	-----	-----
	10,541	5,832
	-----	-----
Net cash provided by operating activities ..	21,466	17,569
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(7,602)	(8,655)
	-----	-----
Net cash used by investing activities	(7,602)	(8,655)
	-----	-----
Cash flows from financing activities:		
Borrowings under revolving credit facility	2,000	7,000
Proceeds from issuance of common stock	442	507
Payments on long-term debt	(16,459)	(18,050)
	-----	-----
Net cash used by financing activities	(14,017)	(10,543)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(241)	(917)
	-----	-----
Net decrease in cash and cash equivalents	(394)	(2,546)
Cash and cash equivalents at beginning of period ...	3,747	3,470
	-----	-----
Cash and cash equivalents at end of period	\$ 3,353	\$ 924
	=====	=====

See notes to consolidated condensed financial statements.

CONMED CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1 - Organization and operations

The consolidated condensed financial statements include the accounts of CONMED Corporation and its subsidiaries ("CONMED", the "Company", "we" or "us"). All intercompany accounts and transactions have been eliminated. CONMED Corporation is a medical technology company specializing in instruments and implants for arthroscopic sports medicine, and powered surgical instruments, for orthopaedic, ENT, neuro-surgery and other surgical specialties. We are also a leading developer, manufacturer and supplier of advanced medical devices, including RF electrosurgery systems used in all types of surgery, ECG electrodes for heart monitoring, and minimally invasive surgical devices. Our products are used in a variety of clinical settings, such as operating rooms, surgery centers, physicians' offices and critical care areas of hospitals. Our business is organized, managed and internally reported as a single segment, since our product offerings have similar economic, operating and other related characteristics.

Note 2 - Interim financial information

The statements for the three and six months ended June 2000 and 2001 are unaudited; in our opinion such unaudited statements include all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results for such periods. The consolidated condensed financial statements for the year ending December 2001 are subject to adjustment at the end of the year when they will be audited by independent accountants. The results of operations for the three and six months ended June 2001 are not necessarily indicative of the results of operations to be expected for any other quarter nor for the year ending December 2001. The consolidated condensed financial statements and notes thereto should be read in conjunction with the financial statements and notes for the year ended December 2000 included in our Annual Report to the Securities and Exchange Commission on Form 10-K. Certain prior year amounts have been reclassified to conform with the presentation used in 2001.

Note 3 - Other comprehensive income (loss)

Comprehensive income (loss) consists of the following:

	Three months ended June ----		Six months ended June ----	
	2000 -----	2001 -----	2000 -----	2001 -----
Net income	\$ 3,516	\$ 5,734	\$ 10,925	\$ 11,737
Other comprehensive income:				
Foreign currency translation adjustment	(99)	171	(262)	(892)
Cash flow hedging (net of income taxes) .	--	114	--	(1,436)
	-----	-----	-----	-----
Comprehensive income	\$ 3,417 =====	\$ 6,019 =====	\$ 10,663 =====	\$ 9,409 =====

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

	Cumulative Translation Adjustments -----	Cash Flow Hedges -----	Accumulated Other Comprehensive Income (loss) -----
Balance, December 2000	\$ (1,027) -----	\$ -- -----	\$ (1,027) -----
Foreign currency translation adjustments	(892)	--	(892)
Cash flow hedging (net of income taxes)	--	(1,436)	(1,436)
	-----	-----	-----
Balance, June 2001	\$ (1,919) =====	\$ (1,436) =====	\$ (3,355) =====

Note 4 - Inventories

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

	December 2000 ----	June 2001 ----
Raw materials	\$ 38,278	\$ 39,330
Work-in-process	12,612	10,465
Finished goods	53,722 -----	53,399 -----
Total	\$104,612 =====	\$103,194 =====

Note 5 - New accounting pronouncements

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") which are effective for us July 1, 2001 and January 1, 2002, respectively. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS 142, amortization of goodwill, including goodwill recorded in past business combinations, will discontinue upon adoption of this standard. In addition, goodwill recorded as a result of business combinations completed during the six-month period ending December 31, 2001 will not be amortized. All goodwill and intangible assets will be tested for impairment in accordance with the provisions of the Statement. We are currently reviewing the provisions of SFAS 141 and SFAS 142 and assessing the impact of adoption.

Note 6 - Earnings per share

Basic earnings per share (EPS) is computed based on the weighted average number of common shares outstanding for the period. Diluted EPS gives effect to all dilutive potential shares outstanding (ie., options and warrants) during the period. The following is a reconciliation of the weighted average shares used in the calculation of basic and diluted EPS (in thousands):

	Three months ended June ----		Six months ended June ----	
	2000 -----	2001 -----	2000 -----	2001 -----
Shares used in the calculation of Basic EPS (weighted average shares outstanding)	15,311 -----	15,407 -----	15,298 -----	15,389 -----
Effect of dilutive potential securities	240 -----	192 -----	237 -----	179 -----
Shares used in the calculation of Diluted EPS	15,551 -----	15,599 -----	15,535 -----	15,568 -----

The shares used in the calculation of diluted EPS exclude warrants and options to purchase shares where the exercise price was greater than the average market price of common shares for the period. Such shares aggregated 1,515,000 and 2,129,000 for the three months ended June 2000 and 2001, respectively, and 1,485,000 and 2,297,000 for the six months ended June 2000 and 2001, respectively.

Note 7 - Business acquisitions

On November 20, 2000 we acquired certain assets of the disposable minimally invasive surgical business of Imagyn Medical Technologies, Inc. (the "Imagyn acquisition") for a purchase price of \$6,000,000. The acquisition was funded through borrowings under our revolving credit facility. Annual sales of the acquired product lines were approximately \$6.5 million. The results of operations of the acquired business are included in our consolidated results from the date of acquisition.

On July 6, 2001 we acquired the remaining assets of the minimally invasive surgical business of Imagyn Medical Technologies Inc. that we did not acquire in November 2000 (the "second Imagyn acquisition"). Under the terms of the acquisition agreement, we issued Imagyn 1.3 million shares of CONMED common stock, valuing the transaction at \$33.9 million based on the closing share price on July 6, 2001. The issued stock is subject to a 90-day lock-up restriction and certain other sales restrictions. Annual sales of the acquired product lines were approximately \$18.0 million. The results of operations of the acquired business will be included in our consolidated results beginning in the third quarter.

Note 8 - Nonrecurring severance charge

During the quarter ended June 2000, we announced we would replace our arthroscopy direct sales force with non-stocking, exclusive sales agent groups in certain geographic regions of the United States. As a result, we incurred a severance charge of \$1,509,000, before income taxes, or \$.06 per diluted share, in the second quarter of 2000. This nonrecurring charge is included in selling and administrative expense.

Note 9 - Guarantor financial statements

Our credit facility and subordinated notes (the "Notes") are guaranteed (the "Subsidiary Guarantees") by our subsidiaries (the "Subsidiary Guarantors"). The Subsidiary Guarantees provide that each Subsidiary Guarantor will fully and unconditionally guarantee our obligations under the credit facility and the

Notes on a joint and several basis. Each Subsidiary Guarantor is wholly-owned by CONMED Corporation. The following supplemental financial information sets forth on a condensed consolidating basis, consolidating balance sheet, statement of income and statement of cash flows for the Parent Company Only, Subsidiary Guarantors and for the Company as of December 2000 and June 2001 and for the three and six months ended June 2000 and 2001.

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CONMED CORPORATION
CONSOLIDATING CONDENSED BALANCE SHEET
December 2000
(in thousands)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ -	\$ 3,470	\$ -	\$ 3,470
Accounts receivable, net.....	35,218	43,408	-	78,626
Inventories.....	20,174	84,438	-	104,612
Deferred income taxes.....	1,761	-	-	1,761
Prepaid expenses and other current assets.....	598	2,964	-	3,562
Total current assets.....	57,751	134,280	-	192,031
Property, plant and equipment, net.....	38,275	24,175	-	62,450
Goodwill, net.....	61,651	164,150	-	225,801
Other intangible assets, net.....	7,498	187,510	-	195,008
Other assets.....	473,408	5,217	(474,344)	4,281
Total assets.....	\$638,583	\$515,332	\$(474,344)	\$679,571
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt.....	\$ 36,068	\$ -	\$ -	\$ 36,068
Accounts payable.....	4,398	15,952	-	20,350
Accrued compensation.....	2,147	7,766	-	9,913
Income taxes payable.....	1,338	641	-	1,979
Accrued interest.....	5,130	-	-	5,130
Other current liabilities.....	1,890	2,946	-	4,836
Total current liabilities.....	50,971	27,305	-	78,276
Long-term debt.....	342,680	-	-	342,680
Deferred income taxes.....	12,154	-	-	12,154
Other long-term liabilities.....	2,175	349,295	(335,612)	15,858
Total liabilities.....	407,980	376,600	(335,612)	448,968
Shareholders' equity:				
Preferred stock.....	-	-	-	-
Common stock.....	153	1	(1)	153
Paid-in capital.....	128,062	-	-	128,062
Retained earnings.....	103,834	139,758	(139,758)	103,834
Accumulated other comprehensive loss.....	(1,027)	(1,027)	1,027	(1,027)
Less common stock in treasury, at cost.....	(419)	-	-	(419)
Total shareholders' equity.....	230,603	138,732	(138,732)	230,603
Total liabilities and shareholders' equity.....	\$638,583	\$515,332	\$(474,344)	\$679,571

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CONMED CORPORATION
CONSOLIDATING CONDENSED BALANCE SHEET
June 2001
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ -	\$ 924	\$ -	\$ 924

Accounts receivable, net.....	35,019	49,638	-	84,657
Inventories.....	19,377	83,817	-	103,194
Deferred income taxes.....	1,761	-	-	1,761
Prepaid expenses and other current assets.....	724	3,124	-	3,848
	-----	-----	-----	-----
Total current assets.....	56,881	137,503	-	194,384
Property, plant and equipment, net.....	43,993	22,765	-	66,758
Goodwill, net.....	60,669	161,926	-	222,595
Other intangible assets, net.....	7,627	186,115	-	193,742
Other assets.....	475,442	40,814	(511,370)	4,886
	-----	-----	-----	-----
Total assets.....	\$644,612	\$549,123	\$(511,370)	\$682,365
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt.....	\$ 37,665	\$ -	\$ -	\$ 37,665
Accounts payable.....	3,492	15,557	-	19,049
Accrued compensation.....	1,791	7,372	-	9,163
Income taxes payable.....	2,520	303	-	2,823
Accrued interest.....	5,192	-	-	5,192
Other current liabilities.....	2,605	1,863	-	4,468
	-----	-----	-----	-----
Total current liabilities.....	53,265	25,095	-	78,360
Long-term debt.....	330,033	-	-	330,033
Deferred income taxes.....	16,118	-	-	16,118
Other long-term liabilities.....	4,677	376,868	(364,210)	17,335
	-----	-----	-----	-----
Total liabilities.....	404,093	401,963	(364,210)	441,846
	-----	-----	-----	-----
Shareholders' equity:				
Preferred stock.....	-	-	-	-
Common stock.....	154	1	(1)	154
Paid-in capital.....	128,568	-	-	128,568
Retained earnings.....	115,571	149,078	(149,078)	115,571
Accumulated other comprehensive loss.....	(3,355)	(1,919)	1,919	(3,355)
Less common stock in treasury, at cost.....	(419)	-	-	(419)
	-----	-----	-----	-----
Total shareholders' equity.....	240,519	147,160	(147,160)	240,519
	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$644,612	\$549,123	\$(511,370)	\$682,365
	=====	=====	=====	=====

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CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF INCOME
Three Months Ended June 2000
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
	-----	-----	-----	-----
Net sales.....	\$ 18,927	\$ 78,951	\$ -	\$ 97,878
	-----	-----	-----	-----
Cost of sales.....	10,919	36,408	-	47,327
Selling and administrative expense.....	5,412	27,835	-	33,247
Research and development expense.....	470	3,102	-	3,572
	-----	-----	-----	-----
Income from operations.....	16,801	67,345	-	84,146
Interest expense, net.....	-	8,238	-	8,238
	-----	-----	-----	-----
Income before income taxes.....	2,126	3,368	-	5,494
Provision for income taxes.....	765	1,213	-	1,978
	-----	-----	-----	-----
Income before equity in earnings of unconsolidated subsidiaries.....	1,361	2,155	-	3,516
Equity in earnings of unconsolidated subsidiaries.....	2,155	-	(2,155)	-
	-----	-----	-----	-----
Net income.....	\$ 3,516	\$ 2,155	\$ (2,155)	\$ 3,516
	=====	=====	=====	=====

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF INCOME
Three Months Ended June 2001
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
Net sales.....	\$ 20,503	\$ 83,668	\$ -	\$104,171
Cost of sales.....	11,816	38,149	-	49,965
Selling and administrative expense.....	6,067	27,855	-	33,922
Research and development expense.....	350	3,126	-	3,476
	18,233	69,130	-	87,363
Income from operations.....	2,270	14,538	-	16,808
Interest expense, net.....	-	7,848	-	7,848
Income before income taxes.....	2,270	6,690	-	8,960
Provision for income taxes.....	817	2,409	-	3,226
Income before equity in earnings of unconsolidated subsidiaries.....	1,453	4,281	-	5,734
Equity in earnings of unconsolidated subsidiaries.....	4,281	-	(4,281)	-
Net income.....	\$ 5,734	\$ 4,281	\$ (4,281)	\$ 5,734

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF INCOME
Six Months Ended June 2000
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
Net sales.....	\$ 39,547	\$161,142	\$ -	\$200,689
Cost of sales.....	21,972	74,016	-	95,988
Selling and administrative expense.....	10,657	53,352	-	64,009
Research and development expense.....	957	6,021	-	6,978
	33,586	133,389	-	166,975
Income from operations.....	5,961	27,753	-	33,714
Interest expense, net.....	-	16,643	-	16,643
Income before income taxes.....	5,961	11,110	-	17,071
Provision for income taxes.....	2,146	4,000	-	6,146
Income before equity in earnings of unconsolidated subsidiaries.....	3,815	7,110	-	10,925
Equity in earnings of unconsolidated subsidiaries.....	7,110	-	(7,110)	-
Net income.....	\$ 10,925	\$ 7,110	\$ (7,110)	\$ 10,925

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF INCOME
Six Months Ended June 2001
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
Net sales.....	\$ 40,973	\$169,107	\$ -	\$210,080
Cost of sales.....	24,299	75,340	-	99,639
Selling and administrative expense.....	12,165	56,586	-	68,751
Research and development expense.....	732	6,440	-	7,172
	37,196	138,366	-	175,562
Income from operations.....	3,777	30,741	-	34,518
Interest expense, net.....	-	16,179	-	16,179
Income before income taxes.....	3,777	14,562	-	18,339
Provision for income taxes.....	1,360	5,242	-	6,602
Income before equity in earnings of unconsolidated subsidiaries.....	2,417	9,320	-	11,737
Equity in earnings of unconsolidated subsidiaries.....	9,320	-	(9,320)	-
Net income.....	\$ 11,737	\$ 9,320	\$ (9,320)	\$ 11,737

CONMED CORPORATION
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
Six Months Ended June 2000
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
Net cash flows from operating activities.....	\$ 8,881	\$12,585	\$ -	\$ 21,466
Cash flows from investing activities:				
Distributions from subsidiaries.....	10,138	-	(10,138)	-
Purchases of property, plant and equipment.....	(5,600)	(2,002)	-	(7,602)
Net cash provided (used) by investing activities.....	4,538	(2,002)	(10,138)	(7,602)
Cash flows from financing:				
Distributions to parent.....	-	(10,138)	10,138	-
Borrowings under revolving credit facility.....	2,000	-	-	2,000
Proceeds from issuance of common stock.....	442	-	-	442
Payments on long-term debt.....	(16,459)	-	-	(16,459)
Net cash provided (used) by financing activities.....	(14,017)	(10,138)	10,138	(14,017)
Effect of exchange rate changes on cash and cash equivalents.....	-	(241)	-	(241)
Net increase (decrease) in cash and cash equivalents.....	(598)	204	-	(394)
Cash and cash equivalents at				

beginning of period.....	598	3,149	-	3,747
	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 0	\$ 3,353	\$ -	\$ 3,353
	=====	=====	=====	=====

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CONMED CORPORATION
CONSOLIDATING STATEMENT OF CASH FLOWS
Six Months Ended June 2001
(in thousands)
(unaudited)

	Parent Company Only	Subsidiary Guarantors	Eliminations	Company Total
	-----	-----	-----	-----
Net cash flows from operating activities.....	\$ 7,037	\$10,532	\$ -	\$ 17,569
	-----	-----	-----	-----
Cash flows from investing activities:				
Distributions from subsidiaries.....	10,689	-	(10,689)	-
Purchases of property, plant and equipment.....	(7,183)	(1,472)	-	(8,655)
Net cash provided (used) by investing activities.....	3,506	(1,472)	(10,689)	(8,655)
	-----	-----	-----	-----
Cash flows from financing:				
Distributions to parent.....	-	(10,689)	10,689	-
Borrowings under revolving credit facility.....	7,000	-	-	7,000
Proceeds from issuance of common stock.....	507	-	-	507
Payments on long-term debt.....	(18,050)	-	-	(18,050)
Net cash provided (used)by financing activities.....	(10,543)	(10,689)	10,689	(10,543)
	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents.....	-	(917)	-	(917)
	-----	-----	-----	-----
Net decrease in cash and cash equivalents.....	-	(2,546)	-	(2,546)
	-----	-----	-----	-----
Cash and cash equivalents at beginning of period.....	-	3,470	-	3,470
	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ -	\$ 924	\$ -	\$ 924
	=====	=====	=====	=====

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

This Quarterly Report on Form 10-Q contains certain forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information that is based on the beliefs of management, as well as assumptions made by and information currently available to management.

When used in this Form 10-Q, the words "estimate", "project", "believe", "anticipate", "intend", "expect", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those discussed in our Annual Report on Form 10-K for the year ended December 2000, that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; changes in customer preferences; competition; changes in technology; the introduction of new products; the integration of any acquisition; changes in business strategy; the possibility that United States or foreign regulatory and/or administrative agencies might initiate enforcement actions against us or our distributors; our indebtedness; quality of our management and business abilities and the judgment

of our personnel; the availability, terms and deployment of capital; the risk of litigation, especially patent litigation as well as the cost associated with patent and other litigation and changes in regulatory requirements.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

Three months ended June 2001 compared to three months ended June 2000

Sales for the quarter ended June 2001 were \$104.2 million, an increase of 6.4% compared to sales of \$97.9 million in the same quarter a year ago.

Sales in our orthopaedic businesses grew 5.9% to \$66.4 million from \$62.7 million in the comparable quarter last year. Arthroscopy sales, which represent approximately 57.2% of total orthopaedic revenues, grew 5.3% to \$38.0 million from \$36.1 million in the same period a year ago. Powered surgical instrument sales, which represent approximately 42.8% of orthopaedic revenues, grew 6.8% to \$28.4 million from \$26.6 million in the same quarter last year. Adjusted for constant foreign currency exchange rates, orthopaedic sales growth in the second quarter of 2001 would have been approximately 7.7% compared with the second quarter of 2000.

Patient care sales for the three months ended June 2001 were \$17.6 million, a 4.8% increase from \$16.8 million in the same period a year ago, as sales of our surgical suction product lines have stabilized compared to the same period a year ago.

Electrosurgery sales for the three months ended June 2001 were \$17.1 million, an increase of 1.8% from \$16.8 million in the second quarter of last year, reflecting increased disposable product sales.

Sales of minimally invasive surgery (MIS) products increased 87.5% to \$3.0 million in the three months ended June 2001 from \$1.6 million in the same period a year ago. Substantially all of the increase in MIS sales is a result of our November 2000 Imagyn acquisition (Note 7 to the condensed consolidated financial statements).

Cost of sales increased to \$49,965,000 in the current quarter as compared to \$47,327,000 in the same quarter a year ago as a result of the increased sales volumes described above. Gross margin percentage improved to 52.0% in the second

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quarter of 2001 compared to 51.6% in the second quarter of 2000, primarily as a result of increased sales volumes in our orthopaedic product lines which carry higher gross margins than certain of our other product lines.

Selling and administrative expenses increased to \$33,922,000 in the second quarter of 2001 as compared to \$33,247,000 in the second quarter of 2000. As a percentage of sales, selling and administrative expenses totaled 32.6% in the second quarter of 2001 compared to 34.0% in the second quarter of 2000. In the second quarter of 2000, we announced a plan to replace our arthroscopy direct sales force with non-stocking exclusive sales agent groups in certain geographic regions of the United States (Note 8 to the condensed consolidated financial statements). As a result, we incurred a nonrecurring severance charge of \$1,509,000, before income taxes, which is included in selling administrative expense. Excluding this nonrecurring charge, selling and administrative expenses in the second quarter of 2000 totals approximately 32.4% which is consistent with the second quarter of 2001.

Research and development expense decreased slightly to \$3,476,000 in the second quarter of 2001 as compared to \$3,572,000 in the second quarter of 2000. As a percentage of sales, research and development expense decreased to 3.3% in the current quarter compared to 3.6% in the same quarter a year ago.

Interest expense in the second quarter of 2001 was \$7,848,000 compared to \$8,238,000 in the second quarter of 2000. The decrease in interest expense is a result of lower total borrowings during the current quarter as compared to the same period a year ago, as total current and long-term debt outstanding decreased to approximately \$367,698,000 at June 2001 compared to \$380,210,000 at

June 2000. Additionally, the weighted average interest rates on our term loans and revolving credit facility have declined (6.23% and 6.01%, respectively at June 2001 as compared to 8.26% and 8.27%, respectively at June 2000) resulting in decreased interest expense. (See Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations).

Six months ended June 2001 compared to six months ended June 2000

Sales for the six months ended June 2001 were \$210.1 million, an increase of 4.7% compared to sales of \$200.7 million in the same quarter a year ago.

Sales in our orthopaedic businesses grew 4.3% to \$137.2 million from \$131.5 million in the comparable period last year. Arthroscopy sales, which represent approximately 57.0% of total orthopaedic revenues, grew 3.6% to \$78.2 million from \$75.5 million in the same period a year ago. Powered surgical instrument sales, which represent approximately 43.0% of orthopaedic revenues, grew 5.4% to \$59.0 million from \$56.0 million in the same period last year. Adjusted for constant foreign currency exchange rates, orthopaedic sales growth in the first half of 2001 would have been approximately 6.2% compared with the first half of 2000.

Patient care sales for the six months ended June 2001 were \$35.2 million, a 0.8% decline from \$35.5 million in the same period a year ago, reflecting expected declines in sales of our surgical suction product lines as a result of increased competition and pricing pressures.

Electrosurgery sales for the six months ended June 2001 were \$32.1 million, an increase of 4.6% from \$30.7 million in the first half of last year, reflecting improved generator and disposable product sales.

Sales of MIS products increased 89.7% to \$5.5 million in the six months ended June 2001 from \$2.9 million in the same period a year ago. Approximately 82.8% of the total increase in MIS sales is a result of our November 2000 Imagyn acquisition (Note 7 to the condensed consolidated financial statements), while 6.9% is a result of internal growth.

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Cost of sales increased to \$99,639,000 in the first half as compared to \$95,988,000 in the same period a year ago as a result of the increased sales volumes described above. Gross margin percentage improved to 52.6% in the first half of 2001 compared to 52.2% in the first half of 2000, primarily as a result of increased sales volumes in our orthopaedic product lines which carry higher gross margins than certain of our other product lines.

Selling and administrative expenses increased to \$68,751,000 in the first half of 2001 as compared to \$64,009,000 in the first half of 2000. As a percentage of sales, selling and administrative expenses totaled 32.7% in the first half of 2001 compared to 31.8% in the first half of 2000. In the second quarter of 2000, we announced a plan to replace our arthroscopy direct sales force with non-stocking exclusive sales agent groups in certain geographic regions of the United States (Note 8 to the condensed consolidated financial statements). This plan resulted in greater sales force coverage in the affected geographic regions. The increase in selling and administrative expense is a result of higher commission and other costs in the first half of 2001 as compared to 2000 associated with the change to exclusive sales agent groups as well as increased spending on sales and marketing programs.

Research and development expense increased to \$7,172,000 in the first half of 2001 as compared to \$6,978,000 in the first half of 2000. As a percentage of sales, research and development expense decreased to 3.4% in the current period compared to 3.5% in the same period a year ago.

Interest expense in the first half of 2001 was \$16,179,000 compared to \$16,643,000 in the first half of 2000. The decrease in interest expense is a result of lower total borrowings during the current quarter as compared to the same period a year ago, as total current and long-term debt outstanding decreased to approximately \$367,698,000 at June 2001 as compared to \$380,210,000 at June 2000. Additionally, the weighted average interest rates on our term loans and revolving credit facility have declined (6.23% and 6.01%, respectively, at June 2001 as compared to 8.26% and 8.27%, respectively, at June

2001) resulting in decreased interest expense. (See Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations).

Liquidity and Capital Resources

Our net working capital position increased to \$116,024,000 at June 2001 compared to \$113,755,000 at December 2000. Net cash provided by operations was \$17,569,000 for the first six months of 2001 compared to \$21,466,000 for the same period a year ago. Operating cash flow in the first half of 2001 was positively impacted by depreciation, amortization and an increase in income taxes payable. Operating cash flow in the first half of 2001 was negatively impacted primarily by an increase in accounts receivable.

Net cash used by investing activities for the six months ended June 2001 and 2000 consisted of \$8,655,000 and \$7,602,000, respectively, in capital expenditures.

Financing activities during the six months ended June 2001 consisted primarily of scheduled payments of \$18,050,000 on our term loans and \$7,000,000 in borrowings on our revolving credit facility. Financing activities during the six months ended June 2000 consisted primarily of scheduled payments of \$16,459,000 on our term loans and \$2,000,000 in borrowings on our revolving credit facility.

Our term loans under our credit facility at June 2001 aggregate \$182,893,000. Our term loans are repayable quarterly over remaining terms of approximately four years. Our credit facility also includes a \$100,000,000 revolving credit facility which expires and is expected to be renegotiated prior to December 2002, of which \$46,000,000 was available at June 2001. The borrowings under the credit facility carry interest rates based on a spread over LIBOR or an

alternative base interest rate. The covenants of the credit facility provide for increase and decrease to this interest rate spread based on our operating results. The weighted average interest rates at June 2001 under the term loans and the revolving credit facility were 6.23% and 6.01%, respectively. Additionally, we are obligated to pay a fee of .375% per annum on the unused portion of the revolving credit facility.

We use an interest rate swap, a form of derivative financial instrument, to manage interest rate risk. We have designated as a cash-flow hedge, an interest rate swap which effectively converts \$50,000,000 of LIBOR-based floating rate debt under our credit facility into fixed rate debt with a base interest rate of 7.01%. The interest rate swap expires in June 2003 and is included in liabilities on the balance sheet with a fair value approximating \$2,243,000. There were no material changes in our market risk during the quarter ended June 2001. For a detailed discussion of market risk, see our Annual Report on Form 10-K for the year ended December 2000, Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk.

The credit facility is collateralized by all of our personal property. The credit facility contains covenants and restrictions which, among other things, require maintenance of certain working capital levels and financial ratios, prohibit dividend payments and restrict the incurrence of certain indebtedness and other activities, including acquisitions and dispositions. We are also required to make mandatory prepayments from net cash proceeds from any issue of equity and asset sales. Mandatory prepayments are to be applied first to the prepayment of the term loans and then to reduce borrowings under the revolving credit facility.

The Notes are in aggregate principal amount of \$130,000,000 and have a maturity date of March 15, 2008. The Notes bear interest at 9.0% per annum which is payable semi-annually. The indenture governing the Notes has certain restrictive covenants and provides for, among other things, mandatory and optional redemptions by us.

The credit facility and Notes are guaranteed by each of our subsidiaries. The Subsidiary Guarantees provide that each Subsidiary Guarantor will fully and unconditionally guarantee our obligations on a joint and several basis. Each Subsidiary Guarantor is wholly-owned by CONMED Corporation. Under the credit facility and Note indenture, our subsidiaries are subject to the same covenants and restrictions that apply to us (except that the Subsidiary Guarantors are

permitted to make dividend payments and distributions, including cash dividend payments, to us or another Subsidiary Guarantor).

As discussed in Note 7, we completed a second Imagyn acquisition in the third quarter of 2001. We expect to record a nonrecurring charge to expense totaling approximately \$1.2 million in the second half of 2001 for incremental transition costs associated with the acquisition.

As of August 3, 2001, we effectively purchased the Largo, Florida property which our Linvatec subsidiary had been leasing from a third party for an aggregate purchase price of approximately \$23.0 million. We assumed the current debt on the property for the majority of the purchase price and financed the remainder with the seller.

In the third quarter of 2001, through a newly formed special-purpose subsidiary, we expect to enter into a sales agreement that provides us with a five-year \$50 million revolving accounts receivable securitization facility. The proceeds will be used to repay a portion of our term loans.

We believe that cash generated from operations, our current cash resources and funds available under our credit facility will provide sufficient liquidity to ensure continued working capital for operations, debt service and funding of capital expenditures in the foreseeable future.

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Foreign Operations

Our foreign operations are subject to special risks inherent in doing business outside the United States, including governmental instability, war and other international conflicts, civil and labor disturbances, requirements of local ownership, partial or total expropriation, nationalization, currency devaluation, foreign exchange controls and foreign laws and policies, each of which may limit the movement of assets or funds or result in the deprivation of contract rights or the taking of property without fair compensation.

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Item 6. Exhibits and Reports on Form 8-K

List of Exhibits

Exhibit No.	Description of Instrument
-----	-----
10.1	The Asset Purchase Agreement, dated as of June 11, 2001 by and between CONMED Corporation and Imagyn Medical, Inc., et al. (included in EDGAR filing only)
10.2	The Agreement of Purchase and Sale, dated as of February 5, 2001 by and between Linvatec Corporation and Largo Lakes I, II and IV, Inc., et al. (included in EDGAR filing only)

Reports on Form 8-K

None

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SIGNATURES

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

CONMED CORPORATION
(Registrant)

Date: August 8, 2001

/s/ Robert D. Shallish, Jr.

Robert D. Shallish, Jr.
Vice President - Finance
(Principal Financial Officer)

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Exhibit Index

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 11th day of June, 2001 by and between CONMED Corporation, a New York corporation (the "Buyer" or "CONMED"), and Imagyn Medical, Inc., a Delaware corporation, Imagyn Medical Technologies California, Inc., a California corporation, Imagyn Medical Technologies, Inc., a Delaware corporation, Microsurge, Inc., a Delaware corporation, and Dacomed Corporation, a Minnesota Corporation, individually and as successor by merger to Advanced Surgical, Inc., formerly a Delaware corporation, (collectively the "Seller" or "Imagyn");

WHEREAS, Imagyn engages in the business of the development, manufacture and sale of disposable, reposable and/or reusable minimally invasive surgical ("MIS") products, certain of which disposable products were sold to CONMED pursuant to an Asset Purchase Agreement dated as of October 30, 2000;

WHEREAS Imagyn retained the rights to develop, manufacture and sell disposable, reposable and/or reusable products including certain other surgical products, not sold to CONMED (or to any third party), with such retained products known as the Imagyn Products (as hereinafter defined) (the design, development, manufacture, distribution and sale of such Imagyn Products being herein called the "Business");

WHEREAS, Imagyn now desires to exit the Business and Buyer desires to purchase and acquire the assets of the Business, in a manner that causes as little disruption as possible to customers of, and the profitability of, the Business, all on the terms and conditions set forth in this Agreement; and

WHEREAS, Imagyn either owns, or holds licenses to, the patents and other Intellectual Property (as hereinafter defined) necessary for the manufacture, distribution and sale of the Products (as hereinafter defined), and intends to convey or assign all of its right, title and interest in such Intellectual Property (as hereinafter defined) in connection with this Agreement, all on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, agreements and conditions contained herein, the parties agree as follows:

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Article 1

Definitions

1.01 Assumed Liabilities.

The term "Assumed Liabilities", or any variation thereof as used in this Agreement, shall mean the liabilities and obligations, if any, to be assumed by the Buyer pursuant to Article IV hereof.

1.02 Excluded Assets.

The term "Excluded Assets", or any variation thereof as used in this Agreement, shall mean the assets specified in Schedule 2.01(a)(ii) or Section 2.02 as not to be sold, assigned, transferred and conveyed by Imagyn to the Buyer pursuant to Article II hereof.

1.03 Imagyn Products.

The term "Imagyn Products" or "Imagyn Product Line", or any variation thereof as used in this Agreement, shall mean those Imagyn products related to the Business, manufactured or sold through Imagyn, or any of its Affiliates (as hereinafter defined), relating to Imagyn's disposable, reposable and/or reusable laparoscopic devices, including products employing similar or related technology, including any improvement or modification to the Imagyn Technologies (as hereinafter defined), including those products described in the attached Schedule 1.03.

1.04 Imagyn Technologies.

The term "Imagyn Technologies" shall refer to any know-how, Intellectual Property (as hereinafter defined), including United States and the corresponding foreign patents, patent applications, reissues, continuations or extensions, trade secrets, manufacturing or design processes owned by or otherwise licensed to Imagyn relating to the Imagyn Products, including any improvement or modification to the aforementioned know-how and Intellectual Property (as hereinafter defined).

1.05 Intellectual Property.

The term "Intellectual Property" means patents, patent applications, utility model registrations, design patents, trademarks trade secrets and know-how relating to the Business as of the Closing Date (as hereinafter defined), including those that are listed in

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Schedule 1.05, including any improvements or modifications thereto that are discovered before or after the Closing Date.

1.06 Intellectual Property Agreements.

The term "Intellectual Property Agreements" shall mean those agreements listed in Schedule 1.06.

1.07 Inventors.

The term "Inventor" shall refer to each individual who, or corporation which, other than Imagyn, owns the rights to any Intellectual Property Agreements.

1.08 Inventory.

The term "Inventory" shall refer to Raw Material (as hereinafter defined), and current, non-obsolete work-in-process and finished goods of the Business in quantities required, for each product, to ensure a smooth transition and, with respect to the Imagyn Products, in the aggregate to be valued in an amount specified in Sections 2.01(b), 5.01(q) and 7.09.

1.09 Key Employees.

The term "Key Employees" shall refer to employees to be identified by CONMED, with Imagyn's assistance, after the execution of this Agreement and up until Closing (as hereinafter defined), who are, in CONMED's reasonable estimation, important to the research and development, manufacture, marketing sale, or design of products used in, manufactured in, or under development in, the Business.

1.10 Material Adverse Effect.

The term "Material Adverse Effect" shall mean any event, including any action by a regulatory agency, customer or other person or entity, that presents a reasonable probability of an adverse impact on the operations or profitability of the Business such that a reasonable buyer could consider the event to be material.

1.11 Purchased Assets.

The term "Purchased Assets", or any variation thereof as used in this Agreement, shall mean the assets to be sold, assigned, transferred and conveyed by Imagyn to the Buyer pursuant to Article II hereof.

1.12 Raw Material.

The term "Raw Material" shall mean all current, non-obsolete supplies and raw materials used in manufacturing the Imagyn Products, including any allocated share of raw materials used in manufacturing, on one hand, the Imagyn Products or in the Business and also used, on the other hand, in the manufacture by Imagyn of other products unrelated to the Business.

1.13 Transfer Period.

The term "Transfer Period" shall mean that period of time, which shall extend until three (3) months after the termination of the Supply Agreement (as hereinafter defined) and in no event beyond nine (9) months after the Closing (as hereinafter defined), during which CONMED may request, and will receive, assistance from Imagyn with warehousing, regulatory matters such as CE marking, establishing validation protocols, investigation of complaints, and product registrations, invoicing and processing orders, sales and sales reports with respect to the Business, as well as the design, manufacture and distribution of the Imagyn Products

1.14 U.S. Surgical Settlement.

The term "U.S. Surgical Counterclaims" shall refer to any and all claims that were or could have been asserted by U.S. Surgical with respect to certain Imagyn Products, that were the subject of a certain lawsuit between U.S. Surgical and Imagyn, namely the lawsuit initially captioned Imagyn Medical Technologies California, Inc. v. United States Surgical Corp., initially pending in the United States District Court of the Eastern District of Virginia (No. 97-1644-A), involving claims and/or counterclaims, including (without limitation) those relating to patents 5,336,206; 5,304,143; 5,104,383; 5,144,942; 5,611,780; 5,327,318; and 5,423,835.

Article 2

Sale of Assets
-----2.01 Purchased Assets.

Subject to the terms and conditions hereof, Imagyn agrees to sell, assign, transfer and convey to the Buyer, and the Buyer agrees to purchase and acquire from Imagyn, at

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the Closing (as hereinafter defined), all of Imagyn's right, title and interest in and to the following assets, wherever located:

(a) fixed assets, machinery, manufacturing equipment (including manufacturing and inspection equipment), laboratory and test equipment, tooling, computers, work stations, molds, vehicles, furniture, Imagyn Product specifications, drawings and manufacturing processes documents and office equipment used in the Business, wherever located, including, without limitation, those listed on Schedule 2.01(a)(i), but excluding those specified in Schedule 2.01(a)(ii);

(b) the Inventory and parts relating to the Imagyn Products, which shall be in amount valued at no less than \$8.394 million, subject to and including reserves for obsolete, slow-moving and any other impairments of value with such reserves valued at \$4.161 million, as provided for in Section 5.01(q) and Section 7.09, and product prototypes and developments, samples, demonstration units, product labels and packaging materials, as well as obsolete inventory and raw material;

(c) the technology and know-how related to the manufacture of the Imagyn Products, including documents reflecting the current manufacturing

process;

(d) the records related to the Imagyn Products and the Purchased Assets;

(e) the patents, applications for patents, utility model registrations, design patents, patent continuations and extensions that are related to the Business as conducted on the Closing Date, including the Intellectual Property identified on the attached Schedule 1.05;

(f) the customer purchase orders to the extent related to the Imagyn Products, the Purchased Assets or the Business issued to Imagyn in the ordinary course of business;

(g) the rights of Imagyn relating to the leases, contracts and written agreements related to the sales and manufacture of the Imagyn Products, the Purchased Assets or the Business as conducted on the Closing Date, including customer lists and sales tracings, to the extent transferable (all non-assignable contracts are identified in Schedule 2.01(g)), with Imagyn being required to undertake all commercially reasonable efforts, at its own expense, to secure the assignment or transfer of all such agreements;

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(h) any registered or unregistered trademarks including the Richard Allan name or mark, except

(i) with respect to certain products distributed domestically and in Europe by Aspen Surgical Products, Inc., and (ii) the trade name Richard Allan Scientific, in both cases as further specified on Schedule 2.01(h), (and the goodwill of the business in which any such trademarks are used and which is symbolized by said trademarks), copyrights, CE marks, patent licenses and trade secrets that are related to the Business as conducted on the Closing Date owned, licensed or used by Imagyn to the extent transferable by Imagyn, with Imagyn being required to undertake all commercially reasonable efforts, at its own expense, to secure the assignment or transfer of all such agreements, trademarks and other matters to Buyer following the Closing; (i) all documents or other tangible materials embodying technology or intellectual property rights owned by, licensed to or otherwise controlled by Imagyn and to the extent that they are used in connection with the Business, whether such properties are located on Imagyn's business premises or on the business premises of Imagyn's suppliers or customers, including, without limitation, all personal computers, work stations, terminals, software programs (including both source and object codes) and related documentation for software to the extent used in or developed for support of the Business and all master device records;

(j) All (i) patterns, plans, designs, research data, trade secrets and other proprietary know-how, formulae and manufacturing processes, commercially practiced processes and inventions, in each case whether or not patentable in any jurisdiction and (ii) operating manuals, drawings, technology, manuals, data, records, procedures and research and development records, and any right to use or exploit any of the foregoing, in each case to the extent that they relate to the Business on the Closing Date;

(k) Imagyn's warranty repair reserve, its reserve for product returns and/or allowances and amounts relating to prepaid sales and deposits related to sales;

(l) The release and covenant not to sue provided by United States Surgical Corporation to Imagyn Medical Technologies California, Inc., as well as the concurrent obligations and rights, as set forth in a Settlement Agreement dated as of September 29, 1999;

(m) All marketing, labelling, printed materials, including materials for displays at tradeshows;

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(n) All notebook or other computers used by the sales force or otherwise related to the Endocap Program or otherwise related to or used in the Business; and

(o) The website text, graphics and images relating to the Imagyn Products.

2.02 Excluded Assets.

The following assets of the Business are excluded from the Purchased Assets: (i) cash; (ii) accounts receivable; (iii) accounts payable; (iv) corporate minute books of Imagyn; and (v) any items listed in Schedule 2.01(a)(ii).

2.03 No Assumption of Liabilities.

Except as expressly set forth in Article IV and as contemplated by the indemnity provision set forth in Section 10.03 (a) (iv), it is understood and agreed that, other than the obligations for warranty claims relating to the Imagyn Products, CONMED assumes no liabilities as a result of this Agreement that existed prior to the Closing Date.

2.04 Trade Name and Trademark Restrictions.

It is understood and agreed that this Agreement does not constitute an agreement to transfer to the Buyer the right to use: (i) Imagyn names and/or marks, (ii) any Imagyn corporate logo alone, or (iii) any combination of any other mark or symbol with any of the marks in this section, except during the Transfer Period, or as provided for in this Section. Notwithstanding any other provision in this Agreement to the contrary, Buyer shall be entitled to continue to use the Imagyn corporate name, logo and any other mark for so long as such use may be required to maintain product registrations for the Imagyn Products, provided that CONMED shall have made reasonable efforts to obtain registrations for products without such trademark or trademarks, it being understood that reasonable efforts in any particular country shall require CONMED or its distributors to have filed for registration within six (6) months following Closing. In addition, with respect to Italy, CONMED shall be permitted to use the Imagyn trade name and mark, along with the Imagyn logo, for so long as the distribution agreement between CONMED and InnovaMedica srl remains in effect and to the extent reasonably necessary to maintain product registrations. Notwithstanding any other provision of this Agreement, CONMED agrees to indemnify Imagyn for any losses or claims as a result of Buyer's sale of products with the Imagyn mark, with CONMED's obligation to indemnify Imagyn

under this section to end six (6) months following Buyer's last sale of product with the Imagyn mark, unless Imagyn can demonstrate that the specific product involved in a particular claim was sold by CONMED.

2.05 Retention of Certain Records.

It is understood and agreed that Imagyn reserves the right to retain copies or written records for the purpose of defending any claims, losses, causes of action or lawsuits, including those related to the sale of the Imagyn Product Line and Articulating Technologies Products by Imagyn, and for the purpose of preparing any tax returns or financial statements or reports, provided that Imagyn shall maintain the confidentiality of such documents and shall promptly notify CONMED of any lawsuit or claim served upon Imagyn relating to the Business and/or records or documents.

Article 3

Purchase Price and Other Payments

3.01 Purchase Price, Assignment and License Fee and Commission Payments.

In consideration for the Purchased Assets, the Buyer agrees to pay to Imagyn one million three hundred thousand (1,300,000) shares of Conmed Corporation common stock (the "Shares") (the "Purchase Price"), subject to adjustment as provided in Section 3.04, and further subject to the terms of this Agreement;

3.02 Allocation of Total Purchase Price.

It is understood and agreed by the parties that, except as hereinafter provided, the Purchase Price shall be allocated among the Purchased Assets in accordance with the attached Schedule 3.02, which Schedule is to be completed within 90 days after the Closing, and that said allocation will be used for state and federal tax purposes. Each party acknowledges that such allocation is consistent with the requirements of Section 1060 of the Internal Revenue Code 1986, as amended, and the regulations thereunder. Each party agrees (i) to jointly complete and separately file Form 8594 with its federal income tax return for the tax year in which the Closing Date occurs, and (ii) that such party will not take a position on any income, transfer or gains tax return before any governmental agency charged with the collection of any such tax or in any judicial proceeding, that is in any manner inconsistent with the terms of such allocation without the written consent of the

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other party. Notwithstanding anything to the contrary provided herein, neither party shall be bound by such allocation in the event the Internal Revenue Service or another tax authority successfully challenges the allocation.

In the event of any challenge to such allocation by the Internal Revenue Service or another tax authority, the parties will give each other notice of the challenge and advise each other periodically of the status of such challenge and reasonably cooperate with each other with respect to such challenge.

3.03 Sales, Use and Transfer Taxes.

The Seller shall be responsible for all sales, use and transfer taxes, deed taxes and recording fees, if any, in each case applicable to the sale and transfer of the Purchased Assets hereunder. If requested, the Buyer will furnish Imagyn at the Closing with properly executed exemption certificates, dated the Closing Date, relating to the Inventory, supplies and manufacturing equipment being transferred pursuant to this Agreement as to which Buyer is claiming an exemption from sales, use or other transfer taxes.

3.04 Purchase Price Adjustment - Inventory;

(a) In conjunction with the payment called for in Section 3.01, the Buyer shall be entitled to offset any other of its obligations owed to Imagyn in the transactions contemplated by this Agreement by an amount equal to the value by which the Inventory of Imagyn Products is at the Closing less than the amount provided for in Section 2.01(b), provided that any such shortage is greater than \$100,000 (any shortage less than \$100,000 is not subject to offset) but not greater than \$400,000 in value (in which case the parties will renegotiate) with Buyer being entitled to withhold such amount for a period of up to thirty (30) days following the Closing or until the Parties shall have completed an inventory reconciliation relating to the Inventory of Imagyn Products. Any amount withheld or to be paid under this Section shall correspond, to the dollar, the amount by which the Inventory is less than or more than the amount specified in Section 2.01(b), respectively.

(b) Any disputes as to the reconciliation of Inventory shall be resolved pursuant to Section 11.12, with Buyer being entitled to withhold payment until such dispute, if any, shall be resolved.

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3.05 Setoff Rights.

All payment terms under this Agreement or any related agreements are subject to setoff by CONMED and Imagyn.

Article 4

Assumption of Liabilities

4.01 Assumption of Liabilities.

Subject to the terms and conditions thereof, and other than the indemnification obligation set forth in Section 10.03 (a) (iv), at the Closing, the Buyer shall assume and agree to carry out and perform only the following liabilities and obligations which have not been paid, performed or discharged prior to the effective time of the Closing by Imagyn:

(a) Those obligations, and only those obligations, of Imagyn payable or performable after the Closing Date under any of the purchase orders for sales of Imagyn Products, leases, contracts, or written agreements included in the Purchased Assets and that are specified in Schedule 4.01(a);

(b) All warranty obligations of Imagyn with respect to Imagyn Products sold on or prior to the Closing Date, as set forth in Imagyn's Standard Warranty Agreement and

(c) Such other liabilities related to the Purchased Assets or the Business arising after the Closing.

(d) The language of Section 4.01(a)-(c) notwithstanding, Buyer shall not be responsible for any taxes, liens or claims upon the Purchased Assets that arise from pre-Closing facts or circumstances. If any third party asserts any right arising under lien laws and/or federal, state, local or other tax laws, Imagyn shall be responsible to pay to Buyer, or Buyer may claim as a setoff, an amount equal to the asserted lien or tax obligation, which payment shall also be reflected in the adjustment to the Purchase Price contemplated by Section 3.04. Imagyn also agrees to complete any other documents necessary to show that Buyer did not assume assets with liens or outstanding tax obligations.

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Article 5

Representations and Warranties

5.01 Imagyn Representations.

Imagyn hereby represents and warrants that, except as discussed in the attached disclosure schedules, as follows:

(a) Organization of Imagyn. Each of the individual corporations named as Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation.

(b) Authority of Seller. Imagyn has full corporate power and authority to execute, deliver and perform this Agreement and each of the Transaction Documents (as hereinafter defined) to be entered into by it at the Closing, and such execution, delivery and performance have been duly authorized by all necessary and proper corporate action of Imagyn. This Agreement has been duly executed and delivered by Imagyn, and (assuming due authorization, execution and delivery hereof by the Buyer) is the valid and binding obligation of Imagyn enforceable against Imagyn in accordance with its terms. Upon execution and delivery thereof by Imagyn at the Closing (and assuming due authorization, execution and delivery thereof by the Buyer, to the extent applicable), each of the Transaction Documents to be entered into by Imagyn at the Closing will be the valid and binding obligation of Imagyn enforceable against Imagyn in accordance with its terms.

(c) Title to Purchased Assets. Except as set forth in Schedule 5.01(c) or elsewhere in this Agreement, Imagyn has or will have at the Closing title to the Purchased Assets, free and clear of all mortgages, liens, security interests, claims, tax liabilities, charges and encumbrances.

(d) Contracts. The attached Schedule 5.01(d) lists, as of the date of this Agreement, all leases, contracts, agreements and commitments related to the Imagyn Products other than these IP agreements listed on Schedule 1.06, the Purchased Assets or the Business to which Imagyn is a party or by which Imagyn is bound and which involve payments of more than \$10,000 per annum, excluding purchase orders issued by or to Imagyn in the ordinary course of business.

(e) Brokers. With respect to the transactions contemplated by this Agreement, Imagyn has not dealt with or been contacted by any finder or broker and is not in any way obligated to compensate any such persons. To the extent that any broker or similar entity asserts any claim for fees, Imagyn agrees that it alone is liable for any commissions or other amounts that may be due as a result of this Agreement being consummated.

(f) Intellectual Property. Imagyn has title to the patents, patent applications and utility model registrations listed in Schedule 1.05, and, to its knowledge, such patents are valid. In addition, such title is subject to or encumbered by the agreements listed in Schedule 5.01(c). To its knowledge, neither the Imagyn Products nor Imagyn's operations of the Business infringe, misuse or misappropriate any intellectual property rights not owned by or licensed to Imagyn, no third party has accused or otherwise suggested that the Imagyn Products or Imagyn's operations of the Business infringe, misuse or misappropriate any intellectual property rights not owned by or licensed to Imagyn, and no third party is infringing any intellectual property rights of Imagyn used in connection with the Business.

(g) Compliance with Law. The Business is not in violation of any law, ordinance or regulation of any governmental entity, including, without limitation, environmental, occupational, employment, medical device, property or other laws and/or regulations, which violations reasonably could have a Material Adverse Effect. Moreover, Seller represents, warrants and agrees that this transaction has been negotiated at arms' length for fair market value. All governmental approvals, permits, licenses and other authorizations required in connection with the manufacture or sale of the Imagyn Products or in the conduct of any material aspect of the Business (collectively, "Authorizations") have been obtained and are in full force and effect and are being complied with in all material respects. Seller has not received any written notification of any asserted past or present violation, nor is it otherwise aware of violations, in connection with the conduct of the Business of any law, ordinance or regulation, which violation could have a Material Adverse Effect, or any written complaint, inquiry or request for information from any governmental entity relating thereto. Seller represents that none of the Products are currently subject to recall, none have been voluntarily recalled or removed, nor is Imagyn

aware of any facts that would require a recall or that could support a finding that the products do not comply with the requirements for medical devices.

(h) FDA and Foreign Regulatory Approval Status. Seller warrants that all Imagyn Products, including any accessories to be sold, are marketable, and currently are being marketed, in compliance with all material Food and Drug Act, Medical Device Directive and other legal requirements.

(i) Completeness of Purchased Assets; Condition of Purchase Assets. The Purchased Assets constitute all assets that were used in the conduct of, or necessary to, the Business, particularly the manufacture and sale of the Imagyn Products, except those assets identified on Schedule 2.01(a)(ii) as the Excluded Assets. The Purchased Assets are, in all material respects, suitable for the uses for which they are presently used by the Business, in normal operating condition and free from any known significant defects, excepting ordinary wear and tear. With respect to the manufacturing equipment and tooling, on the Closing, Seller will provide to Buyer its most current maintenance schedule.

(j) Financials. The financial statements provided by Seller and those attached hereto as schedule 5.01(j) are true and accurate in all material respects, have been derived from the books and records of Imagyn and have been prepared and maintained in accordance with Generally Accepted Accounting Principles ("GAAP")

(k) Claims Status. Seller is unaware of any pending or threatened material claims that are being asserted other than those already disclosed, with respect to product liability, intellectual property, regulatory or other claims related to the Business.

(l) Lender and Other Approval. Seller and each of the parties to this

Agreement have consulted all of their lenders and shareholders whose consent is required, or any other persons, entity or constituency whose consent is required, and said lenders, shareholders, persons, entities and/or constituencies have indicated that they consent to this transaction.

(m) Execution, Delivery; Valid and Binding Agreement. The execution, delivery and performance of this Agreement by Imagyn and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Imagyn, and no other proceedings on the part of Imagyn (including, without

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limitation, approval of the shareholders of Imagyn) are necessary to authorize the execution, delivery and performance of this Agreement.

(n) Authority; No Breach. The execution, delivery and performance of this Agreement by Imagyn and the consummation of the transactions contemplated hereby do not conflict with or result in any material breach of any of the provisions of, or constitute a default under, result in a violation of, result in the creation of a right of termination or acceleration or any lien, security interest, charge or authorization, consent, approval, exemption or other action by or notice to any court or other governmental body, under the provisions of the Certificate or Articles of Incorporation or by-laws of Imagyn or any indenture, mortgage, lease, loan agreement or other agreement or instrument by which Imagyn or the Purchased Assets are bound or affected, or any law, statute, rule or regulation or order, judgment or decree to which Imagyn, or the Assets, are subject.

(o) Governmental Authorities; Consents. Except as expressly contemplated by this Agreement, Imagyn is not required to submit any notice, report or other filing with any governmental authority in connection with the execution or delivery by it of this Agreement or the consummation of the transactions contemplated hereby. No consent, approval or authorization of any governmental or regulatory authority is required to be obtained by Imagyn in connection with its execution, delivery or performance of this Agreement or the transactions contemplated thereby.

(p) Absence of Certain Developments. Since the date of the financial statement attached as Schedule 5.01(j), Imagyn has not, in each case, with respect to the Assets or the Business: (a) borrowed any amount or incurred or become subject to any liability except (i) current liabilities incurred in the ordinary course of business of the Business and (ii) liabilities under contracts entered into in the ordinary course of business of the Business; (b) mortgaged, pledged or subjected to any lien, charge or any other encumbrance ("Liens"), any of the Purchased Assets; (c) discharged or satisfied any Liens or paid any liability, other than current liabilities paid in the ordinary course of business of the Business; (d) sold, assigned or transferred (including, without limitation, transfers to any employees, affiliates or shareholders) any tangible assets of the Business or canceled any debts or claims, other than in the ordinary course of business of the Business; (e) sold, assigned or transferred (including, without limitation, transfers to any employees, affiliates or shareholders) any patents, trademarks, trade names, copyrights, CE marks, trade

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secrets or other intangible assets used in or held for use in the Business; (f) disclosed, to any person other than Buyer and authorized representatives of Buyer, any proprietary confidential information of the Business or otherwise related to the Purchased Assets, other than pursuant to a confidentiality agreement or other obligation to maintain confidentiality prohibiting the use or further disclosure of such information, which agreement or other obligation either has been identified to Buyer and is in full force and effect on the date or will be enforced by Imagyn (at Buyer's cost) for up to two years following the Closing upon the reasonable request for such enforcement by Buyer notwithstanding any other time requirements imposed by this Agreement; (g) waived any rights of material value or suffered any extraordinary losses or adverse changes in collection loss experience, whether or not in the ordinary course of business or consistent with past practice; (h) taken any other action or entered into any other transaction other than in the ordinary course of business and in accordance with past custom and practice; (i) suffered any material theft, damage, destruction or loss of or to the Assets or any property or properties owned or used by it in connection with the Business, whether or not covered by insurance; (j) made any single capital expenditure or commitment

therefor in excess of \$10,000; (k) made any loans or advances to, or guarantees for the benefit of, any persons such that the aggregate amount of such loans, advances or guarantees at any time outstanding is in excess of \$10,000; or (l) agreed or committed to any of the actions referred to in clauses (a) through (k) above.

(q) Inventory. All Inventory, other than inventory to be conveyed to Buyer that is subject to reserves or inventory subject to material review board review in amounts which are consistent with past practices and the ordinary course of business, consists of items of a quality and quantity usable and, with respect to finished goods only, salable at Imagyn's normal profit levels, in each case, in the ordinary course of the business. Imagyn has on hand such quantities of finished goods sufficient to meet the normal demand and operational requirements for each of the Imagyn Products and in an amount not less than the amount reflected in the Imagyn Surgical Condensed Balance Sheet as of April 30, 2001, as adjusted to reflect assets not being transferred. Imagyn has on hand, or has ordered, and expects timely delivery prior to Closing of such quantities of Raw Materials as are reasonably required timely to fill current orders on hand with respect to each product sold by the Business that require delivery within 60 days and to

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maintain the manufacture and shipment of products at its normal level of operations. As of the date of the Imagyn Surgical Condensed Balance Sheet as of April 30, 2001, as adjusted to reflect assets not being transferred, attached hereto as Schedule 5.01(j), the values at which such inventory is carried on the Latest Balance Sheet have been determined in accordance with GAAP consistently applied.

(r) Contracts and Commitments. (a) Schedule 5.01(r) lists the following contracts, commitments or binding understandings, whether oral or written, to which Imagyn is a party, which are currently in effect and which relate to the operation of the Business or the Assets: (i) Each confidentiality agreement, non-compete agreement or any contract that would prohibit Imagyn or Buyer from freely engaging in Business or in the manufacture, sale or distribution of the Imagyn Products anywhere in the world; (ii) Each agreement not made in the ordinary course of the conduct of the Business; (iii) Each agreement not otherwise discussed to which Imagyn or any affiliate is a party or which has, or may have, a material effect on the Business; and (iv) Each agreement relating to the sale, license or development of any Purchased Asset, except for purchase orders, but including any and all EndoCap Agreements (b) Imagyn has performed all material obligations required to be performed by it in connection with the contracts or commitments listed on any of the Schedules to this Agreement or otherwise required to be disclosed and are not in receipt of any claim of default under any contract or commitment required to be disclosed under such caption; Imagyn has no present expectation or intention of not fully performing any material obligation pursuant to any such contract or commitment, and Imagyn has no knowledge of any breach or anticipated breach by any other party to any such contract or commitment. (c) Ten (10) days prior to the Closing of this Agreement, Buyer will have been supplied with a true and correct copy of each written contract or commitment, and a written description of each oral contract or commitment, listed on any of the Schedules to this Agreement, together with all amendments, waivers or other changes thereto.

(s) Litigation. Except as set forth in Schedule 5.01(s), there are no actions, suits, proceedings, orders or investigations pending or, to the best knowledge of Imagyn, threatened against Imagyn, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, court, agency or instrumentality, domestic or foreign, which (i) relate to the Business or the Assets

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(including but not limited to bankruptcy filings by or against Imagyn), or (ii) seek to enjoin or otherwise prevent the consummation of the transactions contemplated by this Agreement, and there is no reasonable basis known to Imagyn for any of the foregoing. Nor is Imagyn aware of any facts that could result in a finding that Imagyn Products are subject to regulatory action or patent infringement or invalidity claims.

(t) Customers and Suppliers. Schedule 5.01(t) lists the twenty-five (25) largest domestic and international customers, and twenty-five (25) largest suppliers of Imagyn relating to the Business for the most-recent fiscal year and for the six-month period ended March 31, 2001, and sets forth opposite the name

of each such customer or supplier the approximate percentage of net sales or purchases attributable to such customer or supplier for each such period. Since January 1, 2001, no customer or supplier of the Business listed on Schedule 5.01(t) has indicated that it will stop or materially decrease the rate of business done with Imagyn, nor is Imagyn aware of any collection matters relating to such customers except as disclosed on such Schedules. Schedule 5.01(t) also lists any customers which regularly receive scheduled shipments of any of the Imagyn Products.

(u) ISO 9001 Certification. Imagyn represents and warrants that Imagyn's facilities used in connection with the Business are ISO 9001 certified and comply with all requirements for such ISO 9001 certification.

(v) Due Diligence Responses. Imagyn represents and warrants that its responses to due diligence requests have been true, accurate and complete in all material respects.

(w) Utility Accounts Current. Imagyn is current with payments due any and all companies supplying utilities (electricity, gas, water, etc.) to the facility in Richland, Michigan, and will remain so through Closing and throughout the term of the Supply Agreement (as hereinafter defined).

(x) Vendor Accounts Current. Imagyn's accounts with vendors to the Business are current, and will remain so during Closing and throughout the term of the Supply Agreement.

(y) Securities Related Representations.

(i) Imagyn: (A) understands that the Shares have not been registered under the Securities Act or under any state securities law or blue sky law of any

jurisdiction ("Blue Sky Law") and that the Shares are being offered and sold in reliance upon federal and State exemptions for transactions not involving a public offering; (B) is an "accredited investor" as that term is defined under Rule 501 promulgated under the Securities Act; (C) has received the Conmed SEC Documents (as hereinafter defined) and has had the opportunity to obtain additional public information as desired in order to evaluate the merits and risks inherent in holding the Shares; (D) is able to bear the economic risk in holding the Shares; and (E) is acquiring the Shares solely for investment and not with a view to the distribution or resale thereof; (F) has conducted its own due diligence investigation of the shares and Conmed Corporation, and acknowledges that it has been provided with no non-public information concerning Conmed Corporation's financial condition or performance. The term "solely for investment" used in this Section has the meaning given to that term for purposes of determining the availability of an exemption from registration under Section 4(2) of the Securities Act.

(ii) Imagyn will not sell, assign, transfer or otherwise dispose of the Shares without registration under the Securities Act and under applicable Blue Sky Law unless an exemption from registration thereunder is available, and provided further that such transferee has consented in writing to the restrictions set forth in this Section. Imagyn acknowledges the stock certificates evidencing such Shares will bear a legend to the effect of the foregoing.

Imagyn agrees that: (1) it will not sell, transfer, assign, encumber or enter into any transaction involving the Shares for 90 days following the Closing (the "Lock-up Period") unless it shall have received the prior written consent of CONMED, which will not be unreasonably withheld; and (2) following the Lock-up Period, Imagyn, or any transferee of Imagyn, will not sell or otherwise transfer more than twenty percent (20%) of the Shares in any 60 day period (the "Transfer Restriction"), except with respect to block sales in private transactions where any transferee of Imagyn or financial intermediary counter-party to such transaction agrees to be bound by the Transfer Restriction.

5.02 Buyer Representations.

The Buyer hereby represents and warrants as follows:

(a) Organization of Buyer. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New York.

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(b) Authority of Buyer. The Buyer has full corporate power and authority to execute, deliver and perform this Agreement and each of the Transaction Documents to be entered into by it at the Closing, and such execution, delivery and performance have been duly authorized by all necessary and proper corporate action of the Buyer. This Agreement has been duly executed and delivered by the Buyer, and (assuming due authorization, execution and delivery hereof by Imagyn) is the valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms (except as such enforceability may be limited by bankruptcy, reorganization, insolvency moratorium and other similar laws affecting creditors' rights generally or by general principles of equity). Upon execution and delivery thereof by the Buyer at the Closing (and assuming due authorization, execution and delivery thereof by Imagyn, to the extent applicable), each of the Transaction Documents to be entered into by the Buyer at the Closing will be the valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms (except as such enforceability may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally or by general principles of equity).

(c) Brokers. With respect to the transactions contemplated by this Agreement, the Buyer has not dealt with or been contacted by any finder or broker and is not in any way obligated to compensate such persons.

(d) Conmed Shares. The Shares have been authorized and, when issued and delivered in accordance with the terms of this Agreement, will have been validly issued and be fully paid and non-assessable and the issuance thereof is subject to any preemptive or other similar right.

(e) Securities and Exchange Commission Filings. Conmed has made available to Imagyn (i) Conmed's annual report on Form 10-K for its fiscal years ended December 31, 1999 and December 31, 2000; and (ii) all of its other reports, statements, schedules and registration statements filed with the SEC pursuant the Exchange Act since December 31, 1999 (the documents, as, referred to in this Section collectively, the "Conmed SEC Documents"). As of its filing date, each Conmed SEC document filed pursuant to the Exchange Act did not contain any untrue statement of a material fact or

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omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except as the same may have been corrected, updated or superceded by means of a subsequent filing with the SEC.

(f) Private Offering. Based on the representations set forth Section 5.01(z), the offer, and delivery to Imagyn pursuant to the terms of this Agreement of the Common Stock Consideration is exempt from under the Securities Act.

Article 6

Conditions to Closing

6.01 Conditions to the Buyer's Obligations.

The obligations of the Buyer to be performed at the Closing shall be subject to the satisfaction or the waiver in writing by the Buyer at or prior to the Closing of the following conditions:

(a) Each of the representations and warranties of Imagyn contained in this Agreement shall be true in all material respects as of the Closing with the same effect as though such representations and warranties have been made as of the Closing, except for any variations therein resulting from actions

contemplated or permitted by this Agreement, and each of the covenants to be performed by Imagyn at or before the Closing pursuant to the terms hereof shall have been duly performed in all material respects. The Buyer shall have been furnished with a certificate of Imagyn, executed on its behalf by an appropriate officer of Imagyn and dated the Closing Date, certifying to the foregoing effects.

(b) No action, suit or proceeding by any governmental authority shall be pending against the Buyer or Imagyn which seeks to prevent the consummation of the transactions contemplated by this Agreement, and no injunction or order for any court or administrative agency of competent jurisdiction shall be in effect which restricts or prohibits the consummation by the Buyer or Imagyn of the transactions contemplated by this Agreement.

(c) Imagyn and Buyer shall have executed a Registration Rights Agreement in the form of Schedule 6.01(c) (the "Registration Rights Agreement").

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(d) Imagyn and Buyer shall have executed a Supply Agreement in the form of Schedule 6.01(d);

(e) Buyer shall have received from Imagyn:

(i) A Bill of Sale in the form of Schedule 6.01(e)(i);

(ii) Certificates of Good Standing, as to each corporate entity involved in the transaction contemplated by this Agreement;

(iii) Certified copies of Imagyn's corporate resolutions and those of each corporate entity involved in the transaction contemplated by this Agreement authorizing the transactions contemplated hereby;

(iv) UCC-3 lien releases and any other documents reasonably requested by Buyer to reflect that the Purchased Assets are free of liens, claims or security interests, as well as such other documents as Buyer may reasonably require for precautionary filings to provide notice of Buyer's ownership of the Purchased Assets, or as Buyer's lenders may reasonably require to establish their security interests in such Purchased Assets;

(v) An opinion from Imagyn's counsel, in a form reasonably acceptable to Conmed, as to the authority of Imagyn to enter into this Agreement;

(vi) Access to and/or an assignment of the right to market, sell and distribute the Imagyn Products under the CE certification issued to Imagyn, and access to the sterilization provider used by Imagyn for the Imagyn Products, on at least as favorable terms, during the Transfer Period or as CONMED may reasonably require;

(vii) An assignment of the release and covenant not to sue referred to in Section 2.01(l), together with proof that any required notice to United States Surgical Corporation has been provided; and

(viii) Signed customer notification letters in the form referred to in Section 7.14.

(f) CONMED shall have received an executed written agreement, in form and substance reasonably acceptable to CONMED, from the Inventors to the effect that any licensed Intellectual Property included in the Intellectual Property or covered by the Intellectual Property Agreement(s) may be and is/are assigned to CONMED.

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(g) CONMED shall be satisfied, which shall be determined in its sole discretion, with further due diligence review concerning, among other things, the patents relating to the Imagyn Products and inventory levels.

(h) With respect to the Business and the Purchased Assets, no event which would encompass a Material Adverse Effect shall have occurred, since

January 1, 2001.

(i) Imagyn shall have delivered to CONMED Inventory, as set forth in Section 7.09, which CONMED shall verify on the day prior to the Closing, which Inventory shall not be less than the value set forth in Section 2.01(b), such value being measured according to the cost of manufacture.

(j) All of Imagyn's accounts with CONMED and any of its Affiliates (as hereinafter defined) shall have been paid in full on or before the Closing.

(k) The parties shall have reached a mutually acceptable agreement with respect to the Klieman License.

6.02 Conditions to Obligations of Imagyn.

The obligations of Imagyn to be performed at the Closing shall be subject to the satisfaction or the waiver in writing by Imagyn at or prior to the Closing of the following conditions:

(a) Each of the representations and warranties of the Buyer contained in this Agreement shall be true in all material respects as of the Closing with the same effect as though such representations and warranties had been made as of the Closing, except for any variations therein resulting from actions contemplated or permitted by this Agreement, and each of the covenants to be performed by the Buyer at or before the Closing pursuant to the terms hereof shall have been duly performed in all material respects. Imagyn shall have been furnished with a certificate of the Buyer, executed on its behalf by an appropriate officer of the Buyer and dated the Closing Date, certifying to the foregoing effects.

(b) No action, suit or proceeding by any governmental authority shall be pending against the Buyer or Imagyn which seeks to prevent the consummation of the transactions contemplated by this Agreement, and no injunction or order of any court or administrative agency of competent jurisdiction shall be in effect which restricts or

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prohibits the consummation by the Buyer or Imagyn of the transactions contemplated by this Agreement.

(c) Imagyn shall have received an opinion from CONMED's in-house counsel as to the authority of CONMED to enter into this Agreement.

(d) Buyer shall have executed all documents required by this Agreement.

Article 7

Certain Agreements

7.01 Conduct of Business; No Material Adverse Change.

Except as expressly contemplated by this Agreement, from the date hereof until the Closing, Imagyn will conduct the Business in the usual and ordinary course. Imagyn specifically agrees that it will not (i) enter into any agreements with respect to the Business that are less favorable than contracts currently in place, (ii) enter into new contracts without the prior written consent of Buyer, (iii) give away or commit to give away any products or services associated with the Business without the prior written consent of Buyer (iv) offer or provide its products to customers, distributors or others in any special incentive pricing packages, including any bundled sales of the Products with other medical or other products, except as may be necessary to meet competitive pricing in the markets for the Product being sold as part of the Business and only then after receiving proof of approval from Buyer; (v) offer discounted pricing or free products in connection with any effort to sell other Imagyn products; (vi) cancel, terminate, rescind or allow to lapse any insurance policy relating to the Business, unless it is simultaneously replaced with a policy with equal or more coverage for the same or less premium; (vii) ship or deliver any products to customers or distributors any sooner or in amounts that are greater than would be the case in the ordinary course. Imagyn agrees that it will make all commercially reasonable efforts to maintain the Business at its

current levels up to and through Closing, and that there will be no Material Adverse Change in the Business prior to and up to the Closing.

7.02 Unassignable Contracts.

Notwithstanding anything to the contrary stated in this Agreement, if any Contract cannot be assigned to or assumed by the Buyer without the approval, consent or waiver of another party thereto, and such approval, consent or waiver has not been obtained at or

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prior to the Closing, then (i) such Contract shall not be assigned to or assumed by the Buyer at the Closing, (ii) Imagyn and the Buyer shall, if such approval, consent or waiver is obtained following the Closing, promptly thereafter execute all documents necessary to complete the assignment and assumption of such Contract (at Buyer's expense), and (iii) unless and until such approval, consent or waiver is obtained and such assignment and assumption occurs, Imagyn shall hold the benefits and privileges of such Contract arising after the Closing Date in trust for the Buyer and the Buyer will indemnify and hold harmless Imagyn against and with respect to all obligations of Imagyn payable or performable after the Closing Date under such Contract. Each of Imagyn and the Buyer agrees to use reasonable efforts to promptly obtain all approvals, consents and waivers from third parties to the Contracts which are necessary to permit the Contracts to be assigned to and assumed by the Buyer, provided that neither Imagyn nor the Buyer shall be obligated to make any payment or offer or grant any accommodation (financial or otherwise) in exchange for any such approval, consent or waiver.

7.03 Removal of Imagyn Trade Names.

Within a reasonable period of time but no later than one (1) year after the end of the Transfer Period, the Buyer shall remove all trade names and trademarks of Imagyn not included in the Purchased Assets from all assets transferred to the Buyer hereunder; provided, however, that it is understood and agreed the Buyer need not remove the Imagyn mark from Inventory transferred as part of this Agreement.

7.04 Record Retention.

The Buyer shall retain all business files and documents included in the Purchased Assets for a period of five (5) years after the Closing Date, and the Buyer shall make available to Imagyn any such records for inspection and copying, upon reasonable notice from Imagyn.

7.05 [Intentionally Blank]

7.06 Further Assurances.

For a period of five (5) years following the Closing Date, Imagyn shall promptly execute, acknowledge and deliver any further assignments, conveyances and other instruments of transfer reasonably requested by Buyer and necessary to effectuate the

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transfer of title to the Purchased Assets to Buyer and, at Buyer's expense, will take any other action consistent with the terms of this Agreement that may be reasonably be requested by Buyer for the purpose of assigning, transferring, granting, and confirming ownership in or to buyer, or reducing to Buyer's possession, any or all of the Purchased Assets.

7.07 Product Liability Claims.

Imagyn will assist Buyer with the defense of any and all future product liability actions, and will make reasonably available any retained employees to assist in the defense of any such actions, with Buyer being responsible only for out-of-pocket travel expenses, if any, incurred by such Imagyn employees therewith.

7.08 Imagyn's Non-Competition Agreement.

For a period of five (5) years following the Closing Date, neither Seller, nor any of the Affiliates of the Seller shall sell directly or indirectly anywhere within the United States or U.S. territory and any foreign country any products that compete with any of the Imagyn Products being sold in this Agreement. If at the time of enforcement of this Section, the court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area, but in no event in excess of the stated duration, scope or area. In an action in law or in equity for breach or enforcement of this Section brought in any court having competent jurisdiction over the parties to such an action, the prevailing party shall be entitled to recover from the other party or parties its reasonable attorneys fees, costs and expenses associated with prosecuting or defending such an action to its final disposition (including final dispositions by summary adjudication, judge or jury verdict or final appeal).

7.09 Delivery of Inventory.

Imagyn agrees to deliver to Buyer upon Closing, Inventory of Imagyn Products in an amount equal to or greater than the amounts referred to in Section 2.01(b) as provided in the April 30, 2001 Condensed Balance Sheet as adjusted to reflect assets not being purchased, attached hereto as Schedule 5.01(j) which Imagyn represents and warrants to

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be a true and accurate statement of finished goods inventory relating to the Imagyn Products as of that date compiled in accordance with GAAP.

7.10 Misdirected Payments.

The parties anticipate that certain third parties, including customers and vendors, may misdirect payments or goods to Seller rather than to Buyer. Seller agrees to notify and to forward to Buyer promptly any such misdirected payments or goods. Likewise, Buyer agrees to forward to Seller any payments misdirected to Buyer.

7.11 Vendor Assignments or Assistance.

Seller shall assist Buyer in transferring or assigning, or entering into supply agreements with vendors or with Imagyn or its affiliates, as Buyer may reasonably require.

7.12 Agreement Not To Solicit Offers.

Imagyn agrees that it will not solicit any offers from other companies for the Business, and further agrees that it shall not enter into or conduct any discussions with any other prospective purchaser of the Business, and that it will deal exclusively with Buyer for the purchase of the Business, for so long as this Agreement remains in effect.

7.13 Transition Assistance.

Imagyn will provide CONMED with reasonable assistance, at Buyer's cost, with the manufacture of the Imagyn Products, and the relocation of manufacturing to Buyer's facilities, for up to nine (9) months following the Closing, including making available to CONMED the Key Employees, to the extent still employed by Imagyn, with Buyer responsible for reasonable travel expense and any applicable overtime pay (only) for such Imagyn employees. Imagyn shall provide transition assistance, including such assistance as is set forth on Schedule 7.13, during the Transition Period or as CONMED may reasonably request. In addition, and without limiting the foregoing, Imagyn shall permit CONMED, or cause CONMED to be permitted, to use Imagyn's CE mark for the Imagyn Products pending CONMED's receipt of permission to apply the CE mark to the Imagyn Products as manufactured by CONMED, and shall permit CONMED, or cause CONMED to

be permitted, to contract with Imagyn's third party sterilizer on terms at least as favorable as those provided to Imagyn until CONMED shall have validated its own sterilization process. Moreover, Imagyn shall provide assistance by providing access to buildings on

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weekends if requested by Buyer, and shall be responsible to the extent required, for moving its own equipment or scheduling production so as to permit Buyer to remove the Purchased Assets upon Buyer's request, provided that Buyer shall have provided reasonable notice, it being understood that Imagyn shall not be required to maintain the Michigan building for more than two weeks following the termination of the Supply Agreement for warehousing or other purposes for Buyer.

7.14 Customer Notification Letter.

Promptly following the Closing, Imagyn and/or CONMED shall send a letter to customers of the Business informing customers that Buyer has purchased the Business of Seller. Said letter shall be substantially in the form of the letters attached hereto at Schedule 7.14.

7.15 Post-Closing Customer Referrals.

The parties anticipate that after the Closing, customers may communicate with Seller seeking to purchase products of the Business. For a period of twenty-four (24) months following the Closing Date, Seller shall use reasonable efforts to notify those customers that said products are available from Buyer.

7.16 Due Diligence and Other Cooperation.

Imagyn shall cooperate with, and respond fully to, CONMED's reasonable due diligence requests from the date of the execution of this Agreement through Closing, and will also cooperate with other requests for reasonable assistance with the transfer during the period between the execution of this Agreement and Closing by, among other things, assisting with training for marketing and sales personnel, with CONMED being responsible for reasonable travel expense, if any, incurred by personnel of Imagyn who may conduct such training.

Article 8

EMPLOYEES

8.01 Employment Offers.

(A) Buyer shall be under no obligation to offer employment to any of Imagyn's manufacturing or Michigan employees, although Buyer shall have the option to offer

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employment to those employees whom Buyer shall identify within twenty (20) days of the execution of this Agreement, in Schedule 8.01(a). In addition, Buyer agrees to offer employment or to cause an affiliated entity to offer, as of the Closing Date, to those persons employed by Imagyn in connection with the Business purchased and whose names are listed on Schedule 8.01(b) (such persons listed on Schedule 8.01(b) to be referred to hereinafter as the "Business Employees"). Imagyn agrees to exercise reasonable efforts to encourage all Business Employees who are offered employment by Buyer, or Buyer's affiliate, to accept such offers of employment. Those Business Employees who accept employment with Buyer or Buyer's affiliate, pursuant to this Agreement shall be referred to as "Transferred Employees". Business Employees of Imagyn who are on long-term disability as of the Closing Date will remain employees of Imagyn. Should any Transferred Employee who is absent from work on the Closing Date due to a short-term disability remain absent long enough to qualify for benefits under the long-term disability plan of Buyer or Buyer's affiliate, Imagyn shall reimburse Buyer for its cost of providing benefit coverages to such Transferred Employee for as long as such Employee continues to receive long-term disability

benefits under the long-term disability plan of Buyer or Buyer's affiliate

(B) Imagyn shall remain responsible for the employment of all Imagyn employees who are employed by Imagyn at its Richland, Michigan facility, subject to Buyer's indemnification obligation in Section 10.03 (c).

8.02 Benefits.

From and after the Closing Date, Buyer, or an affiliate of Buyer, will provide coverage and benefits to the Transferred Employees under the pension and welfare benefit plans covering its employees, and Imagyn shall have no responsibility therefor on and after such date (except for payment of any amounts incurred or accrued but not yet due, such as workmen's compensation and other employment-related claims to the extent related to pre-Closing matters, or commission except to the extent that accrued commissions are paid as part of Article 2 to Buyer,). Except as provided in Section 8.04, Imagyn shall remain responsible to the Transferred Employees for all benefits accrued pursuant to Imagyn compensation and benefit plans prior to the Closing Date and commissions, expenses and bonuses payable under the provisions of such plans (except to the extent

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transferred to Buyer under Article 2), and Buyer assumes no liability or obligation to provide coverage for any pre-Closing benefits or liabilities.

8.03 Group Health Plans.

Buyer will cause the group health benefit plans for the Transferred Employee, to (i) waive any exclusions for pre-existing conditions affecting Transferred Employees and their eligible family members, and (ii) recognize any out-of-pocket medical and dental expenses incurred by Transferred Employees and their eligible family members during 2001, but prior to the Closing Date, for purposes of determining their deductibles and out-of-pocket maximums under the plans of Buyer or its affiliate.

8.04 Vacation Benefits.

From and after the Closing Date, the Transferred Employees will be covered by and begin accruing benefits under the vacation plan of Buyer or its affiliate. Buyer's vacation plan shall recognize all of the Transferred Employees' years of service with Imagyn for the purpose of determining their future vacation benefits. On or immediately following the Closing Date, Imagyn will (i) pay in cash to the Buyer, the amount of their accrued and unused vacation benefits under Imagyn's vacation plan through the Closing Date, and (ii) provide Buyer with a list of Transferred Employees and the days of unused vacation benefits for which Buyer shall receive payment from Imagyn. During the remainder of 2001, Buyer, or its affiliate, will cause its vacation plan to permit the Transferred Employees to take paid absences equal in time to the number of days of unused vacation benefits for which Buyer shall have received payment from Imagyn.

8.05 Service Credit.

Buyer shall cause the pension and welfare benefit plans to be provided for the Transferred Employees to recognize all of the service that the Transferred Employees completed with Imagyn for purposes of determining their eligibility to participate in, eligibility for benefits under, and vesting in accrued benefits. Accrual of benefits under such plans shall commence on the date of Closing.

8.06 Non-Solicitation.

Imagyn agrees not to seek to hire, or to hire, any Transferred Employee, except as may be permitted with Buyer's prior written consent or in the event Buyer terminates the

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employment of such Transferred Employee, for a period of two (2) years following the Closing Date.

Article 9

Closing

9.01 Closing Date.

The closing of the purchase and sale of the Business and the Purchased Assets and the assumption of the Assumed Liabilities pursuant to this Agreement (the "Closing") shall take place on July 2, 2001, at the offices of Sullivan & Cromwell in New York City, at 10:00 a.m., or, if the conditions to Closing set forth in Article VI shall not have been satisfied or waived by the appropriate party by such time of day on such date, at the same time of day on the first business day to occur following the date on which all of the conditions to Closing set forth in Article VI shall have been satisfied or waived as provided therein (subject to the provisions of Section 11.01), or at such other date, place or time as the Buyer and Imagyn may agree upon in writing. The date on which the Closing shall be required to occur, as determined in accordance with this Section 9.01, is herein referred to as the "Closing Date". The Closing shall be deemed to have become effective as of the start of business on the Closing Date.

9.02 Closing Deliveries.

(a) Imagyn agrees to deliver to the Buyer at the Closing such bills of sale, assignments and other instruments of transfer (excluding transfer of Intellectual Property or IP Agreements), in form and substance reasonably satisfactory to the Buyer, as shall be necessary or appropriate to effect the conveyance to the Buyer of the Purchased Assets, duly executed by Imagyn, as well as a certificates of good standing and certified corporate resolutions.

(b) The Buyer agrees to pay or deliver, as the case may be, to Imagyn at the Closing the following:

- (i) the Purchase Price and appropriate stock certificate paid in the manner provided in Section 3.01;
- (ii) Certificate of Good Standing; and
- (iii) Certified Corporate Resolutions.

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(c) The certificates, instruments and documents executed and delivered by the parties at the Closing pursuant to this Agreement are herein collectively referred to as the "Transaction Documents".

9.03 Post-Closing Deliveries.

Each of the Buyer and Imagyn will, at the request and sole cost and expense of the other such party, do, make, execute, acknowledge and deliver after the Closing all such other and further acts and instruments of conveyance, assignment, transfer, consent and assumption as the Buyer may reasonably require to confirm conveyance and transfer to the Buyer of any of the Purchased Assets or as Imagyn may reasonably required to confirm assumption by the Buyer of any of the Assumed Liabilities. Nothing contained herein shall be construed to require Imagyn to acquire any intellectual property license from any third party.

Article 10

Indemnity

10.01 Survival.

The representations and warranties of the Buyer and Imagyn herein or in any of the Transaction Documents shall survive the Closing, but, as to any

claim, only for so long as the indemnification obligations under this Agreement with respect to such claim remain in force as provided in Sections 10.02 and 10.03, as the case may be.

10.02 Indemnity by Imagyn.

(a) Imagyn hereby agrees to indemnify and hold harmless the Buyer against and with respect to any and all claims, losses, injuries, damages, deficiencies, liabilities, obligations, assessments, judgments, costs and expenses, including (except as otherwise expressly provided in this Agreement) costs and expenses of litigation and reasonable attorneys' fees ("Losses"), suffered or incurred by the Buyer to the extent caused proximately by:

- (i) any material breach of any representation or warranty of Imagyn contained in this Agreement;
- (ii) any material non-fulfillment of any covenant or agreement of Imagyn contained in this Agreement;

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(iii) any failure by Imagyn to pay taxes when due only to the extent that any such unpaid taxes may serve as the basis for a lien upon any of the Purchased Assets;

(iv) (a) any product liability claim for death, personal injury, other injury to persons, property damage, loss or deprivation of rights, or other product liability claim (whether based on statute, negligence, breach of warranty, strict liability or any other theory) caused by or resulting from Imagyn Products sold by Imagyn prior to the Closing and
(b) any recall of Imagyn Products sold by Imagyn prior to the Closing.

(v) Any claim by United States Surgical Corporation, or its successors or assigns, that the U.S. Surgical Settlement was not assigned to Buyer or that the Imagyn Products infringe the patents referred to in Section 1.14. Imagyn's indemnification obligation hereunder will also include, at CONMED's option, the obligation for Imagyn to defend Buyer and to seek to intervene in any suit involving claims by U.S. Surgical or its successors or assigns, to assert that the U.S. Surgical Settlement was assigned to Buyer as to the Imagyn Products, except to the extent that any such claim arises in a counterclaim in a suit brought by CONMED.

(vi) Any claim by any employee, agent or other person that such employee, agent or other person is entitled to be employed by CONMED following the Closing as a result of foreign employment laws or regulations, including, without limitation, the Transfer of Undertakings (Protection of Employment) Regulations 1981, as amended.

(b) The obligations of Imagyn under this Agreement to indemnify the Buyer with respect to any claim pursuant to clause (i) of Section 10.02(a) shall be of no force unless the Buyer has given Imagyn written notice of such claim prior to the eighteen (18) months after the Closing Date, except for certain claims listed in Section 10.02(d).

(c) Notwithstanding anything to the contrary provided elsewhere in this Agreement, in no event shall Imagyn be liable to the Buyer for amounts payable under clause (i) of Section 10.02(a) unless and to the extent that until such amounts exceed in the aggregate \$150,000.

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(d) Notwithstanding any language in this Agreement to the contrary, Imagyn shall have certain continuing obligations that will continue beyond the eighteen (18) month period including without limitation with respect to the representation that the Business is not in any violation of any law or regulation, as set forth in Section 5.01(j). This continuing duty shall include the obligation on the part of Imagyn to indemnify Buyer for all of Buyer's costs included with any recall of the Products that Buyer may be required, or requested to make, or that Buyer may deem appropriate because of the risk of non-marketability of the Products under the Food and Drug Act or other applicable laws.

(e) Imagyn agrees on its own behalf, and on behalf of any successor,

assign, or trustee appointed in respect of Imagyn, to indemnify and hold Buyer harmless from any claims that this transaction should be rescinded or otherwise the subject of any claim relating to the validity or finality of this Agreement. (f) In no event shall Imagyn's liabilities to Buyer under Section 10.02 exceed the Purchase Price, which shall be calculated for these purposes as if the Stock were valued as being equal to the closing price of Conmed stock on NASDAQ on the execution date of this Agreement.

10.03 Indemnity by the Buyer.

(a) The Buyer hereby agrees to indemnify and hold harmless Imagyn against and with respect to any and all Losses suffered or incurred by Imagyn to the extent caused proximately by:

- (i) any material breach of any representation or warranty of the Buyer contained in this Agreement or in any of the Transaction Documents.
- (ii) any material non-fulfillment of any covenant or agreement of the Buyer contained in this Agreement or in any of the Transaction Documents.
- (iii) any claims which are brought against Imagyn as a result of the retention by the Buyer after the Closing of any assets transferred to the Buyer hereunder or Buyer's use of any trade names or trademarks of Imagyn not included in the Purchased Assets after the Closing as provided for in Section 2.04.
- (iv) fifty percent (50%) of the severance costs incurred by Seller in connection with the termination of the Imagyn employees within the

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Business pursuant to the previously disclosed severance policy of Imagyn, which is listed on Schedule 10.03.

(b) Notwithstanding anything to the contrary provided elsewhere in this Agreement the obligation of Buyer under this Agreement to indemnify Seller with respect to any claim pursuant to Section 10.03(a) shall be of no force unless Seller has given Buyer written notice of such claim within eighteen (18) months after the Closing Date.

(c) Notwithstanding anything to the contrary provided elsewhere in this Agreement, in no event shall Buyer be liable for amounts payable under the first clause of Section 10.03(a) until such amounts exceed \$150,000.

10.04 Third Party Claims.

In order for a party (the "indemnified party") to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand made by any third party against the indemnified party (a "Third Party Claim"), such indemnified party shall notify the other party (the "indemnifying party") in writing of the Third Party Claim, and deliver to the indemnifying party copies of all notices and documents accompanying or constituting the Third Party Claim, within ten business days after obtaining notice thereof; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder, except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure and except that the indemnifying party shall have been actually prejudiced as a result of such failure and except that the indemnifying party shall not be liable for any expenses incurred during the period in which the indemnified party failed to give such notice. Thereafter, the indemnified party shall deliver to the indemnifying party, within five business days after the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim; provided, however that failure to deliver such copies shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure. If a Third Party Claim is made against an indemnified party, the indemnifying party will be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party and reasonably satisfactory to the indemnified party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, which election must be made within 30 days after the

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indemnifying party receives notice of the Third Party Claim from the indemnified party, the indemnifying party will not be liable to the indemnified party for legal expenses incurred by the indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, the indemnified party shall have the right, but not the obligation, to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. If the indemnifying party has not assumed the defense of a Third Party Claim, the indemnifying party shall be liable for the fees and expenses of counsel employed by the indemnified party. If the indemnifying party chooses to defend or prosecute any Third Party Claim, the indemnified party shall cooperate in the defense or prosecution thereof with reimbursement by the indemnifying party only of reasonable out-of-pocket expenses of the indemnified party incurred in connection therewith. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent, which consent shall not be unreasonably withheld.

Article 11

Miscellaneous

11.01 Termination.

This Agreement may be terminated and the transactions contemplated hereby abandoned prior to the Closing:

(a) by the Buyer giving written notice to Imagyn, if Imagyn shall be in breach in any material respect of any representation, warranty or covenant contained in this Agreement (provided that no such termination shall occur unless the Buyer shall have given notice to Imagyn of such breach, specifying in reasonable detail the nature of such breach, and such breach shall not have been cured in all material respects within 30 days after such notice is given), or if the conditions set forth in Section 6.01 shall become

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impossible to fulfill other than for reasons totally within the control of the Buyer and shall not have been waived in writing by the Buyer;

(b) by Imagyn giving written notice to the Buyer, if the Buyer shall be in breach in any material respect of any representation, warranty or covenant contained in this Agreement (provided that no such termination shall occur unless Imagyn shall have given notice to the Buyer of such breach, specifying in reasonable detail the nature of such breach, and such breach shall not have been cured in all material respects within 30 days after such notice is given);

(c) by mutual agreement of Imagyn and the Buyer;

(d) by Imagyn or the Buyer giving written notice to the other such party, if the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities contemplated hereby shall not have been consummated by July 30, 2001, unless such failure shall be due to the failure of the party seeking to terminate this Agreement to perform or observe any covenants contained in this Agreement required to be performed or observed by such party at or before the Closing; and

(e) by the Buyer, if there is any Material Adverse Effect on the Business. 11.02 Effects of Termination.

If this Agreement is terminated pursuant to any of the provisions hereof, each of the parties hereto shall thereupon be released from all liabilities hereunder, except (i) liabilities for any default under this Agreement which shall have occurred prior to the effective date of such termination, (ii) all confidentiality obligations pursuant to the Agreement dated March 15, 2001, and (iii) obligations set forth in Sections 11.03 and 11.13.

11.03 [Intentionally Blank]

11.04 Dispute Resolution.

(a) Any disagreement or dispute between the parties arising out of or related to this Agreement or the breach or making hereof (a "Dispute") shall be resolved in the manner provided in this Section 11.04. Should there develop any Dispute, either party may, by written notice to the other party, request that such Dispute be referred to the General Counsel of Imagyn and the General Counsel of the Buyer (the "Principals"), who shall negotiate in good faith to attempt to resolve the Dispute. No settlement reached

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under this Section 11.02(a) shall be binding on the parties until reduced to a writing signed on behalf of the parties by the Principals.

(b) Should the procedure outlined in Section 11.04(a) fail to bring about a resolution of each outstanding Dispute within 30 days following the giving of the notice referred to therein, then the parties shall promptly initiate a voluntary, non-binding mediation conducted by a mutually-agreed mediator. Should the parties for any reason be unable to agree upon a mediator, they shall request the American Arbitration Association ("AAA") to appoint a capable mediator for them. The Buyer and Imagyn shall each bear one-half of the costs and expenses of the mediation and shall endeavor in good faith to resolve therein each outstanding Dispute. No settlement reached under this Section 11.04(b) shall be binding on the parties until reduced to a writing signed on behalf of the parties by the Principals.

(c) Notwithstanding anything to the contrary provided in this Section 11.04, and without prejudice to the above procedures, either party may at any time, in connection with any Dispute, apply to a for temporary injunctive or other provisional judicial relief if in such party's sole judgment such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the Dispute is otherwise resolved in accordance with this Section 11.04.

11.05 Expenses.

Except as otherwise expressly provided herein, each party hereto shall pay its own legal, accounting and other expenses incident to the preparation of, and consummation of the transactions contemplated by, this Agreement

11.06 Titles.

The titles of the Articles and Sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

11.07 Entire Agreement.

This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions and preliminary agreements.

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11.08 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be considered an original and all of which shall constitute one and the same instrument.

11.09 Waivers, Consents and Amendments.

Any failure of either of the parties to comply with any obligation,

covenant, agreement or condition herein may be waived by the other party only by a written instrument signed by such other party, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of either party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth herein. This Agreement may be amended only by an agreement, in writing, signed by the parties hereto.

11.10 Governing Law.

This Agreement shall be governed in all respects by, and construed under, the internal laws of the State of New York, without regard to any conflicts of laws principles

11.11 Waiver of Jury Trial.

Each of Imagyn and the Buyer acknowledges that the time and expense required for trial by jury exceed the time and expense required for a bench trial and hereby waive, to the extent permitted by law, trial by jury.

11.12 Resolution of Inventory Counting and Valuation Disputes.

Any disputes regarding the counting of the Inventory will be resolved in good faith by the Buyer and Seller during such count or immediately following the completion of such count or following such adjustments as the case may be. Any dispute relating to the Inventory Balance or Purchase Price Adjustment not resolved by Buyer and Seller and their respective accountants within sixty (60) days after the Closing shall, upon written request by either Buyer or Seller, be referred to a nationally recognized accounting firm which shall be selected by and from a list of such firms which neither Buyer or Seller have had any business dealings during the three (3) year period preceding selection, or such other independent public accounting firms selected jointly by Buyer and Seller, for final

resolution. Each party shall, within twenty (20) business days after submission of such dispute, deliver to such firm the information such party wishes to have considered by such firm in making its determination. Such firm shall present its determination and resolution of any such disputes within thirty (30) business days after the submission of such dispute to the firm. Buyer and Seller agree that the resolution reached by such firm shall be binding and conclusive between the parties. The fees of the accounting firm selected to resolve any such dispute shall be borne one-half by Seller and one-half by Buyer.

11.13 Special Damages.

Buyer and Imagyn have each agreed to waive any right to receive punitive, consequential, special or indirect damages relating in any way to this Agreement or the purchase/sale of the Business and/or the Purchased Assets, irrespective of the legal theory asserted.

11.14 Severability of this Agreement.

In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

11.15 Assignment.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto, provided that this Agreement may not be assigned by either party without the prior written consent of the other party. Except as expressly provided herein, this Agreement is for the sole benefit of the parties hereto and nothing herein shall give or be construed to give to any person other than the parties any legal or equitable rights under

this Agreement.

11.16 Notices.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given upon delivery in person, or one day after the same shall have been sent by overnight messenger service, or three days after the same shall have been mailed by registered or certified mail, postage prepaid, return receipt requested, to the respective parties at the following addresses:

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If to the Buyer: CONMED Corporation
310 Broad St.
Utica, New York 13501
Attention: President

with copies to: CONMED Corporation
310 Broad Street
Utica, New York 13501
Attention: General Counsel

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: Robert W. Downes, Esq.

If to Imagyn: Imagyn Medical Technologies, Inc.
1 Park Plaza
Suite 1100
Irvine, California 92614-5925
Attention: President

and copy to: Imagyn Medical Technologies, Inc.
1 Park Plaza
Suite 1100
Irvine, California 92614-5925
Attention: General Counsel

Morrison & Foerster
1990 MacArthur Boulevard
12th Floor
Irvine, CA 92612
Attention: Tamara P. Tate, Esq.

11.17 Public Announcements.

No press releases or public announcements regarding the terms of this Agreement shall be made by either party without the prior written approval of the other party (which approval shall not be unreasonably withheld), except as may be necessary, in the opinion of counsel for such party, to meet the requirements of any law or governmental regulation or any applicable exchange regulation (in which event the other party will be notified before, if practical under the circumstances, and after any action is taken thereon), or as may be necessary or appropriate in connection with a party's communications with its independent auditors and lenders.

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11.18 Tax Treatment.

It is expressly understood and agreed that none of Imagyn, the Buyer or any of their respective officers or agents have made any warranty or agreement, express or implied, as to the tax consequences of the transactions contemplated hereby.

11.19 Specific Performance.

Each of the parties hereto acknowledges and agrees that the other party would be damaged irreparably in the event any of the covenants contained in this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the parties hereto agrees that the other party shall be entitled to an injunction or injunctions to prevent breaches of the covenants contained in this Agreement and to enforce specifically this Agreement and the covenants contained herein in any action properly instituted, in addition to any other remedy to which such other party may be entitled under this Agreement or at law or in equity.

11.20 Disclosures.

(a) Matters disclosed by Imagyn to the Buyer in this Agreement or the Schedules hereto are not necessarily limited to matters required to be disclosed by this Agreement. Any such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. Matters disclosed by Imagyn to the Buyer in any provision of this Agreement or any Exhibit hereto shall be deemed to be disclosed with respect to each provision of this Agreement to the extent such provision requires such disclosure.

(b) From time to time prior to the Closing, Imagyn will promptly supplement or amend the Schedules hereto with respect to any matter hereafter arising which would make any representation or warranty inaccurate if updated as of the Closing, or as is otherwise necessary to correct any information in such Exhibits or Schedules or in any representation or warranty of Imagyn. For purposes of determining the satisfaction of the condition set forth in Section 6.01(a) at or prior to the Closing and the accuracy of the representations and warranties contained in Section 5.01 if the Closing does not occur, the Exhibits hereto shall be deemed not to include any information contained in any subsequent supplement or amendment thereto. In addition, for purposes of determining whether the

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condition of 6.01(h) has been triggered, the Exhibits hereto shall be deemed not to include information contained in any subsequent supplement or amendment thereto.

11.21 Interpretation.

In this Agreement:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) the word "including" shall mean "including without limitation";

(c) the word "Affiliate" shall have the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended;

(d) the word "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof;

(e) the word "business day" shall mean any day other than a Saturday, Sunday or a day which is a statutory holiday under the laws of the United States or the State of New York;

(f) when calculating the period of time within which or following which any act is to be done or step taken, the date which is the reference day in calculating such period shall be excluded and, if the last day of such period is not a business day, the period shall end on the next day which is a business day; and

(g) all dollar amounts are expressed in United States funds.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed of the day and year first above written.

ATTEST: IMAGYN MEDICAL, INC.

By: _____
Its: _____

ATTEST: IMAGYN MEDICAL TECHNOLOGIES, INC.

By: _____
Its: _____

ATTEST: IMAGYN MEDICAL TECHNOLOGIES CALIFORNIA, INC.

By: _____
Its: _____

ATTEST: MICROSURGE, INC.

By: _____
Its: _____

ATTEST: DACOMED CORPORATION

By _____
Its: _____

ATTEST: CONMED CORPORATION

By: _____
Its: _____

Schedules and Exhibits

- 1.03 Imagyn Products
- 1.05 Intellectual Property Patents Trademarks
- 1.06 Intellectual Property Agreements
- 2.01(a) (i) Included Assets
- 2.01(a) (ii) Excluded Assets
- 2.01(g) Non-Assignable Contracts
- 2.01(h) Non-Transferred Trademarks
- 3.02 Purchase Price Allocation
Registration Rights Agreement
- 4.01(a) Assumed Liabilities
- 5.01(c) Clouded Title
- 5.01(d) Contracts Involving More Than \$10,000 A Year
- 5.01(j) Financials
- 5.01(r) Contracts and Commitments
- 5.01(s) Litigation
- 5.01(t) 25 Largest Customers and Suppliers; Scheduled Shipments
- 6.01(c) Registration Rights Agreement
- 6.01(d) Supply Agreement
- 6.01(e) (1) Bill of Sale
- 7.13 Transition Assistance

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- 7.14 Customer Notification Letters
- 8.01(a) Post-Closing Selected Employees
- 8.01(b) Business Employees
- 10.03 Imagyn Severance Costs

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Schedule 1.03

Imagyn Products: Laparoscopic Devices

Product

Order No.

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DetachaPort Cannula	1-7001 1-7002 1-7003 1-7005 1-7006
Threaded Cannula	1-7007 1-7008 1-7009 1-7011 1-7012
DetachaPort Seal	1-7013 1-7044
DetachaPort UCSII (Universal Converter)	1-7045
DetachaPort Obturator & Seal Sets	1-7016 1-7017 1-7018 1-7019 1-7020 1-7021 1-7024 1-7025 1-7026 1-7028
DetachaPort Open Entry Obturator	1-7055 1-7056
DetachaPort Open Entry Trocar Wedge	1-7057 1-7052
PortSaver Ghost Stick	1-7042
PermaClip Endoscopic Clip Applier	1-1082
PermaClip Cartridge	1-1081
47	
DetachaTip Scissors	1-1003 1-1004 1-1013 8-1001 1-4301
DetachaTip Scissors(w/Tip Tracker)	1-1021 1-1022 1-4306
DetachaTip Grasper	1-1008 1-1019 1-1028 1-4307 1-1014
DetachaTip Dissector	1-1009 1-1018 1-4308
DetachaTip Handle	1-1010 1-1015 1-1024
DetachaTip/DetachaPort (Instrument Tray)	1-1027
Excel Insufflation Needle	RPN120 RPN150

	DPN120
	DPN150
Expose Retractor	MK0005
	MC0005
	KM0005
	MK0010
	MC0010

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Accessories/Replacement Parts	RS05
	RS10
	M0005A
	MK0005B
	MC0005B
	KM0005B
	M0010A
	MK0010B
	MC0010B
Director Thoracoscopic Clamp	8-1011
	8-1012
	8-1013
	8-1014
Knot Pusher	1-7041
Articulator 35(Endoscopic Stapler)	4325
	4335
	TU4325
	TU4335
Articulator 35 Cartridge	4025
	4035
Open Clip Applier	3522
Expose Inflatable Retractor	IT0010
	IU0010
Puncture Closure Device	PCD10
Excel Insufflation Needle	392
	395
Exhale Lung Plication Clamp	8-1009
Extract Specimen Bag	SB31110
	SB51112
	SB71112
Examine Cholangiography Catheter	ECC01
	PCC01

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Bipolar Cable	5-1004
	5-1005
Bipoligator (Bipolar Irrigating Grasper)	5-1002

MicroLap Gold Laparoscope	ML-GOLD VS-5000 VS-2280 VS-2350 VS-2240
MicroLap Access 3 Introducer	MK-3500
MicroLap Access 3 Instruments	MI-3120 MI-3140 MI-3300 IA-3000 MI-3000
MicroLap Access 2 Introducer	LI-1500 MK-1500 VN-1500 VN-1510
MicroLap Access 2 Instruments	MI-2100 MI-2120 MI-1800 MI-2200 MI-2300 MI-2400 MI-2000 IA-1000
MicroLap Bipolar Instruments	BP-1000 BP-3000 BP-1500 BP-3500
MicroLap Monopolar Instruments	MP-1010 MP-1020 MP-1030 MB-1000 MB-1001

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Reposable Kits:	1-7040
Cholecystectomy	1-7101
LAVH/Lap Chole	1-7102
LAVH/Lap Appy	1-7103
Nissen	1-7104
LAVH	37041
LAVH	37040
Laparoscopic Appendectomy	8535 8035
Reflex One Skin Stapler	8735 8635
Reflex TL Skin Stapler(w/tissue lift)	3031
Reflex Extractor	

All Imagyn Products included in Schedule 1 to Supply Agreement
All Imagyn Products included in the Inventory as valued on the Balance Sheet and
included in the Sales in Financials in Schedule 5.01(j)

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Schedule 2.01(a)(ii)

Excluded Assets

AGREEMENT OF PURCHASE AND SALE

This Agreement ("Agreement") made this 5th day of February, 2001, by and between LARGO LAKES I, II, and IV, INC., a Delaware corporation with a place of business in c/o Harrod Properties, Inc., ("Largo, Inc."), HARROD PROPERTIES, INC., a Florida corporation ("Harrod, Inc."), and GARY W. HARROD, an individual, ("Harrod"), all with places of business at 777 S. Harbour Island Blvd., Suite 877, Tampa, Florida 33602, (Largo, Inc., Harrod, Inc. and Harrod sometimes referred to herein collectively as "Sellers"), and LINVATEC CORPORATION, a Florida corporation with a place of business at 310 Broad Street, Utica, New York 13501 ("Purchaser").

RECITALS

A. Largo, Inc. is the sole general partner of Largo Lakes - I Limited Partnership, a Delaware limited partnership ("Lakes").

B. Harrod, Inc. is the sole general partner of GWH, Ltd., a Florida limited partnership ("GWH").

C. Harrod is the sole limited partner of both Lakes and GWH. Lakes and GWH sometimes being referred to herein as "The Partnerships".

D. Lakes is the owner of approximately 3.362 acres of land known as Tract 4, Largo Lakes Park, as recorded in Plat Book 111, Pages 23-26 in the public records of Pinellas County, Florida, said land being improved by a building ("Building One"), together with certain easements, the land and easements being more fully described on Exhibit "A-1" attached hereto ("Building One Property").

E. Lakes is the owner of approximately 2.437 acres of land being a portion of Tract 3, Largo Lakes Park, as recorded on Plat Book 111, Pages 23-26 of Pinellas County, Florida, said land being improved by a building ("Building Two"), together with certain easements, the land and easements being more fully described on Exhibit "A-2" attached hereto ("Building Two Property").

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F. Lakes is the owner of approximately 8.466 acres of land known as Tract 2, Largo Lakes, as recorded in Plat Book 111, Pages 23-26 of the public records of Pinellas County, Florida, said land being improved by a building ("Building Four"), together with certain easements, the land and easements being more fully described on Exhibit "A-3" attached hereto ("Building Four Property") (the Building One Property, Building Two Property, and Building Four Property are sometimes referred to herein collectively as the "Lake Property").

G. GWH is the owner of approximately 2.670 acres of land being a portion of Tract 3, Largo Lakes Park, as recorded in Plat Book 111, Pages 23-26 of the public records of Pinellas County, Florida, said land being improved by a building ("Building Three"), together with certain easements, the land and easements being more fully described on Exhibit "A-4" attached hereto ("GWH Property").

H. Harrod is the owner of a certain parking area as reflected on the map attached hereto as Exhibit "B" ("Parking Area") (the Lakes Property and GWH Property and Parking Area are sometimes herein collectively referred to as "Property").

I. Purchaser wishes to purchase and Sellers are willing to sell all of the right, title and interest in Lakes and GWH upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and other good and valuable consideration, the receipt of which is hereby acknowledged, Sellers, jointly and severally, and Purchaser hereby agree as follows:

1. Sale and Purchase of Partnerships. On the Closing Date set forth in paragraph 3, Sellers shall transfer and convey to Purchaser all of Sellers' right, title and interest in the Partnerships free and clear of all liens, claims or encumbrances of any sort.

2. Purchase Price and Allocation of Purchase Price.

(a) The consideration for the Sellers' transfer and conveyance to Purchaser of all of Sellers' rights, title, and interest in and to the Partnerships as set forth in paragraphs 1 and 2 of this Agreement, shall be as follows ("Purchase Price"):

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(i) a deposit ("Deposit") of Fifty Thousand Dollars (\$50,000.00) in the form of a check in escrow with the Sellers' attorney, Lowndes, Drosdick, Doster, Kantor & Reed, P.A. ("Escrow Agent") to be paid by Purchaser to Escrow Agent upon the execution and delivery of this Agreement by Sellers and Purchaser. The Deposit shall be credited toward the cash portion of the Purchase Price to be paid by Buyer pursuant to subparagraph (ii) hereof. The Deposit will be invested by Escrow Agent in a separate interest bearing account and to be disbursed by Escrow Agent in accordance with the provisions of this Agreement. Interest on the Deposit shall constitute part of the Deposit so that whoever shall be entitled to receipt of the Deposit pursuant to this Agreement shall be entitled to accrued interest thereon;

(ii) the sum of Five Hundred Forty Thousand Dollars (\$540,000.00) (less the Deposit) shall be paid to Sellers by Purchaser in cash, wire transfer or bank check at Closing, subject to credits, adjustments and prorations as provided in Agreement;

(iii) the sum of Four Million Two Hundred Twenty Eight Thousand Two Hundred Sixty Eight Dollars (\$4,228,268.00) by Purchaser executing and delivering to Sellers, or their designee, a promissory note ("Note"). The Note shall be paid by Purchaser with interest at the rate of six percent (6%) per annum in one hundred forty-four (144) equal installments of principal and interest in accordance with the amortization schedule attached hereto as Exhibit "C" commencing thirty (30) days from the date the Note is executed. Purchaser shall be entitled to prepay the Note in whole or in part without penalty. The Note shall be secured by a security interest covering one hundred percent (100%) of the interests in the Partnerships;

(iv) Purchaser's acceptance of Sellers' interest in the Partnership subject to the indebtedness evidenced by a promissory note dated June 28, 1996 in the original principal sum of Fifteen Million Four Hundred Eighty-One Thousand Dollars (\$15,481,000) in favor of MCM Finance Corporation ("MCM") and secured by an unrecorded mortgage of even

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date and amount executed by Lakes in favor of MCM, which note and mortgage was assigned and is currently held by the United States Trust Company of New York, as Trustee ("Trustee"); and

(v) Purchaser's acceptance of Sellers' interest in the Partnership subject to the indebtedness evidenced by a promissory note dated June 28, 1996 in the original amount of Four Million One Hundred Two Thousand Two Hundred Sixty-Two Dollars (\$4,102,262) secured by a mortgage executed by Lakes to MCM Finance Corporation, a Delaware corporation, recorded July 3, 1996 in Official Record Book 9392 Page 1541 of the Public Records of Pinellas County, Florida, given to secure the original principal sum of Four Million One Hundred Two Thousand Two Hundred Sixty-Two Dollars (\$4,102,262). Said mortgage thereafter assigned to MCM Deposit Corp. #1, a Delaware corporation, in Official Record Book 9392, Page 1591 of the Public Records of Pinellas County, Florida and said mortgage thereafter assigned to United States Trust Company of New York, as trustee, in Official Record Book 9392, Page 1615 of the Public Records of Pinellas County, Florida ("Trust Mortgage").

(b) Allocation of Purchase Price. The Purchase Price shall be allocated by the Sellers and Purchaser among the Sellers' interest in Lakes and GWH in accordance with Exhibit "D" attached hereto. At the Closing, the parties hereto shall execute and file Internal Revenue Service Form 8594 reflecting such allocation, pursuant to Section 1060 of the Internal Revenue Code of 1986, as amended.

3. Closing. The closing of the transactions contemplated under this Agreement ("Closing") shall be held within forty (40) days after the satisfaction of the conditions set forth in paragraph 12(d) hereof provided that all other conditions have been satisfied or waived by that date, or any other date mutually agreed upon in writing by the parties ("Closing Date").

4. Closing Documents.

(a) At the Closing, Sellers shall deliver to Purchaser in a form acceptable to Purchaser's attorneys:

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(i) assignment of all general and limited partnership interest for Lakes and GWH in a form which, in the reasonable opinion of Purchaser's counsel is necessary to effectively transfer and convey to Purchaser good and marketable title to 100% of the general and limited partnership interest in Lakes and GWH and all property owned by them, free and clear of all mortgages, pledges, liens, security interests, covenants, restrictions, easements and other encumbrances except the Trust Mortgage;

(ii) a copy of the deed transferring good and marketable title free and clear of all liens and encumbrances to the Parking Area from Harrod to Lakes as shown on Exhibit "E" hereto, which transfer shall have occurred prior to the Closing;

(iii) all leases for the Property;

(iv) the original or true copy of a valid certificate of occupancy for Building One, Building Two, Building Three and Building Four;

(v) original copies of all Operating Agreements and Intangible Rights (as hereinafter defined), certified by Sellers as being true, accurate, current and complete;

(vi) executed estoppel certificates from all tenants under the Leases (as hereinafter defined), other than Purchaser, which estoppel certificates shall be in substantially the form attached hereto as Exhibit "F" and dated not more the thirty (30) days prior to the Closing;

(vii) a FIRPTA Non-Foreign Transferor Certificate in accordance with Section 1445 of the Internal Revenue Code;

(viii) those affidavits reasonably required by Purchaser's title insurance company ("Title Company") to clear title to the Property;

(ix) resolutions of the directors and the shareholders of Largo, Inc. and Harrod, Inc., and the certificate of incorporation and by-laws of Largo, Inc. and Harrod, Inc., authorizing the general partners for Lakes and GWH to execute this Agreement and the closing documents on behalf of Lakes and GWH;

(x) copies of the partnership agreements of Lakes and GWH, as amended, certified by the general partner as being true, accurate, current and complete, and that

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the same are in full force and effect, and have not been revoked, rescinded, modified or amended except as set forth therein; resolutions of the general partners of Lakes and GWH certifying that the partners of Lakes and GWH approved the conveyance of the Lakes Property and the GWH Property and Assets (as hereinafter defined) to the Purchaser;

(xi) the opinion of Sellers' counsel, dated the Closing Date, in form attached as Exhibit "G";

(xii) all guaranties, warranties and operating

manuals, if any, for the Assets, including, without limitation, all Equipment (as hereinafter defined);

(xiii) an Assessment Form required by the State of Florida to accompany the deed; and

(xiv) consent by the Trustee to the transactions contemplated by this Agreement.

(b) At Closing, Purchaser shall execute and/or deliver to Seller, or their designee, a Note, Security Agreement, UCC-1 Financing Statements, Opinion of Counsel, Good Standing Certificate, Resolutions and such other documents necessary to close the transaction described herein.

5. Adjustments. All rent, real estate taxes and interest on the Mortgage (including any escrows) shall be adjusted as of Closing.

6. Expenses Incurred by Purchaser. The following shall be paid exclusively by Purchaser:

(i) all costs and expenses for title insurance. However, if the costs for Purchaser's title insurance exceeds \$10,000.00, then Purchaser may elect to terminate this Agreement upon notice to Sellers, whereupon the Escrow Agent shall deliver the Deposit to Purchaser and the parties shall have no further obligations hereunder;

(ii) Purchaser's attorneys' fees; and

(iii) such other costs and expenses which are normally and reasonably incurred by a purchaser in connection with the type of transaction contemplated by this Agreement.

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7. Expenses Incurred by Sellers. Sellers shall pay the following items prior to or at the Closing:

(i) all costs and expenses of title and lien searches and abstracts of title;

(ii) all income taxes and other similar charges owed by Seller, including, but not limited to, income taxes resulting in the transfer of the Partnership interests set forth in Paragraph 1 of this Agreement;

(iii) any transfer tax on the transfer of the Partnership interests; (iv) such amount necessary to obtain an assumption of the Trust Mortgage; and (v) such other costs, fees, and expenses which are normally and reasonably incurred by a seller in connection with the type of transaction contemplated by this Agreement.

8. Sellers' and Harrod's Representations and Warranties. As a material inducement to Purchaser's acceptance of this Agreement and its acquisition of the Property, each Seller and Harrod jointly, severally, and independently make the following representations to Purchaser, each of which: (i) is true and correct as of the date of this Agreement; (ii) shall be true and correct as of the Closing; and (iii) shall be binding upon the respective successors and assigns of Sellers and Harrod.

(a) Lakes and GWH are limited partnerships, duly organized, validly existing and in good standing under the laws of the States of Delaware and Florida, respectively. The recitals to this Agreement accurately state the Partnership of both Lakes and GWH. Sellers shall provide to Purchaser true, complete, and correct copies of its organizational documents and partnership agreement, as currently in effect, to Lakes and GWH. In the event that any such document or agreement is amended after the date hereof, Sellers will promptly provide or make available to Purchaser a true, complete and correct copy of such document or agreement, as so amended.

(b) Sellers have all necessary organizational power and authority to execute, deliver, and perform this Agreement. The execution, delivery, and performance of this

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Agreement by Sellers and the consummation by Sellers of the transactions contemplated hereby will, as of the Closing, have been duly authorized and approved by all necessary organizational actions on the part of Sellers. This Agreement has been duly executed and delivered by Sellers and constitutes a legal, valid, and binding obligation of Sellers enforceable against Sellers in accordance with its terms, except that such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, or other similar laws affecting or relating to enforcement of creditors' rights generally; and (ii) general principles of equity relating to enforceability.

(c) Lakes and GWH are not a party to any agreement or instrument materially and adversely affecting it or their ownership of the Lakes Property or GWH Property respectively, and Sellers are not in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which they are a party.

(d) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby on the part of Sellers does not and will not violate any agreement binding upon Sellers and does not and will not conflict with or result in the breach of any condition or provision of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon the Lakes Property or the GWH Property, nor will it violate any law, rule, regulation, restriction, judicial or administrative order, judgment or decree applicable to Sellers, nor, except as provided herein, is the consent of any third party required for Sellers' consummation of this Agreement.

(e) Sellers have not entered into any other contracts for the sale of their interest in all or any part of Lakes, GWH, the Lakes Property or GWH Property or any portion thereof, and no other person or entity has any rights of first refusals, options or other preferential rights to purchase Lakes, GWH, the Lakes Property or GWH Property or any portion thereof.

(f) Lakes has good and marketable title to the Lakes Property free and clear of any liens, restrictions, security interests or encumbrances, and other exceptions other than the Trust Mortgage and such easements and covenants of record which do not interfere with the use

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and enjoyment of the Property. GWH has good and marketable title to the GWH Property, free and clear of any liens, restrictions, covenants, security interests, easements, encumbrances, and other exceptions or objections to title. Such title includes:

(i) all building, improvements, and structures located upon the Lakes Property and GWH Property;

(ii) all furniture, furnishings, and fixtures, including, but not limited to, lighting, decorative, plumbing and electric fixtures and appliances, including, but not limited to those items of furniture, furnishings and fixtures set forth in Exhibit "H" attached hereto ("Equipment");

(iii) All leases, together with any security deposits and utility deposits, affecting the Property, all of which are set forth in Exhibit "I" attached hereto and made a part hereof ("Leases");

(iv) all records of Sellers relating to the operation or management of the Property ("Property Records");

(v) any and all permits, licenses, certificates, approvals, authorizations, documents and the like which are necessary for the operation and use of the Property ("Intangible Rights"); and

(vi) to the extent assignable and subject to the terms thereof, any and all maintenance agreements, operating agreements, licenses, contracts, and concessions relating to the operation and maintenance of the Property, all of which are set forth in Exhibit "J" annexed hereto and made a part hereof ("Operating Agreements").

(vii) Sellers' rights, title and interest, if any, in any strips or gores of land adjoining the Property, the land lying in the bed of any street, road or avenue, opened or proposed, adjoining any part of the Property to the center line thereof, to any unpaid award for damages to the Property by reason of any change of grade in any street, road or avenue and any

other condemnation awards, together with any easements benefiting the Property.

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(g) With regard to any leasehold interests in the Lakes Property and the GWH Property, the same are in full force and effect, there are no defaults by Sellers, and the Leases are set forth in Exhibit "I" annexed hereto. No rent under any Lease has been prepaid beyond the month in which Closing takes place.

(h) There is no suit, action, proceeding (legal, administrative, or otherwise) arbitration or governmental investigation pending or threatened, against or with respect to Sellers and the Lakes Property and GWH Property, as the case may be, which suit, action and proceeding, arbitration or investigation could reasonably be expected to have a material adverse effect on Sellers' ability to perform their obligations hereunder or on Purchaser's ownership and use of the Lakes Property and GWH Property after the Closing.

(i) Except as may have been caused or created by Purchaser, the Property is not in violation of any federal, state, or country or local law, ordinance, code, rule or regulation, which violation could reasonably be expected to have a material adverse effect on Purchaser's ownership of the Property after the Closing, nor has Seller received any notice in writing that any governmental authority is asserting any such violation.

(j) Except as may have been caused or created by Purchaser, with respect to the Lakes Property and the GWH Property:

(i) the Lakes Property or the GWH Property are not being, or have been, used for the storage, treatment, generation, transportation, processing, handling, production or disposal of any Hazardous Substance.

(ii) Underground storage tanks are not and have not been located on the Lakes Property or GWH Property.

(iii) There has been no release of any Hazardous Substances in an amount (A) required to be reported to the appropriate governmental entity or (B) that would require the incurrence of response cost to meet an applicable clean up standard ("Release") nor is there the threat of a Release on, at, or from the Lakes Property or GWH Property, which through soil, subsoil, bedrock, surface water or groundwater migration could come to be located on the

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Lakes Property or GWH Property, and Sellers have not received any form of notice or inquiry from any federal, state, or local governmental agency or authority, any operator, tenant, subtenant, licensee or occupant of the Lakes Property or GWH Property or any property adjacent to or within the immediate vicinity of the Lakes Property or GWH Property, or any other person with regard to a Release or the threat of a Release on, at, or from the Lakes Property or GWH Property or any property adjacent to or within the immediate vicinity of the Lakes Property and GWH Property.

(iv) There are no agreements, consent orders, decrees, judgments, license or permit conditions or other orders or directives of any federal, state or local court, governmental agency, or authority relating to the past, present, or future ownership, use, operation, sale, transfer, or conveyance of the Lakes Property or GWH Property which require any change in the present condition of the Lakes Property or GWH Property, or any work, repairs, construction, containment, clean up, investigations, studies, removal, or other remedial action or capital expenditures with respect to the Lakes Property or GWH Property.

(v) There are no actions, suits, claims, or proceedings, pending or, to the best of Seller's knowledge, threatened, which could cause the incurrence of expenses or costs of any nature or description, or which seek money damages, injunctive relief, remedial action, or any other remedy that arise out of, relate to, or result from (A) a violation or alleged violation of any applicable Environmental Law or noncompliance or alleged noncompliance with any environmental permit, (B) the presence of any Hazardous Substances or a Release or the threat of a Release on, at or from the Lakes

Property or GWH Property, or (C) human exposure to any Hazardous Substances, noises, vibrations or nuisances of whatever kind to the extent the same arise from the condition of the Lakes Property or GWH Property or the ownership, use, operation, sale, transfer or conveyance thereof.

For the purposes of this Paragraph 8(j), "Hazardous Substances" means and includes petroleum products, flammable explosives, radioactive materials, polychlorinated biphenyls, and/or any hazardous, toxic or dangerous waste, substance, element, compound,

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mixture, solution, pollutant or material now or hereafter defined as such, or as a hazardous substance or any similar term, by or in the Environmental Laws. For purposes of this Paragraph 8(j), "Environmental Law" or "Environmental Laws" means any law commonly referred to or generally known as "Superfund" or "Superlien" law, or any other federal, state, or local statute, law, ordinance, code, rule, regulation, order, decree, or common law theory regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Substances as are now in effect, including without limitation, the following as the same may be amended from time to time, and all regulations promulgated thereunder or in connection therewith: the Superfund Amendments and Reauthorization Act of 1986; the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. ss. 9601 et seq.); the Clean Air Act; the Clean Water Act; the Toxic Substances Control Act; the Resource Conservation and Recovery Act (42 U.S.C. ss. 6901 et seq.), as amended by the Solid Waste Disposal Act; and the Hazardous Materials Transportation Act.

(k) There are no pending, or to the best of Sellers' knowledge, any threatened condemnation actions or proceedings in eminent domain with respect to the Lakes Property or GWH Property or any portion thereof, nor have the Sellers received notice of the commencement of any condemnation, or other action or proceeding that would change or affect the present zoning classification of the Lakes Property or GWH Property.

(l) No representation or warranty made by Sellers in this Agreement, nor any statement, certificate or exhibit furnished by or on behalf of Sellers pursuant to this Agreement, nor any document or certificate delivered to Purchaser pursuant to this Agreement, or in connection with the transactions contemplated hereby, contains or shall contain any untrue statement of a material fact, or omits or shall omit to state a material fact necessary to make the statements contained therein not misleading. Sellers have not failed to disclose to Purchaser any pending developments or circumstances of which they are aware which are reasonably likely to have a material adverse effect on Sellers, Lakes Property or GWH Property.

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(m) There are no unrecorded liens, encumbrances, covenants, restrictions, agreements, declarations, or easements which materially affect the Lakes Property or GWH Property. Sellers have no knowledge of any fact or circumstance which would invalidate any policy of title insurance covering the Property.

(n) Sellers have complied with all of their obligations under the Leases and have received no written or oral notice of default from any parties thereto.

(o) All of the exhibits attached hereto are true, correct, and complete.

(p) All bills for work done and materials furnished on behalf of Sellers with respect to the Lakes Property or GWH Property have been or will be paid in full prior to Closing.

(q) Sellers have received no notice or knowledge of any special assessments (other than the assessment referred to in paragraph 19 hereof) having been made or levied against the Lakes Property or GWH Property and, to the best of Seller's knowledge, there are no public improvements which have been planned, commenced, or completed which would result in a special assessment against the Lake Property or GWH Property.

(r) The Partnerships have no liabilities nor are they a party to

contracts which would create future liabilities other than those which have been disclosed to Purchaser in writing.

(s) All of Sellers' accounts payable and all of Sellers' obligations and responsibilities arising out of its ownership, maintenance, and operation of the Lakes Property and GWH Property ("Preclosing Liabilities") have been paid in full. Preclosing Liabilities shall include, but shall not be limited to (i) payments due under all Operating Agreements, including employment agreements; (ii) payments due to all materialmen, contractors and subcontractors which provided any material or performed any work at the Lakes Property and GWH Property; (iii) all sales taxes, withholding taxes, all unpaid real estate taxes assessed against the Property, or other taxes due to the federal, state or local governments; (iv) all utilities; and (v) payments due under the Trust Mortgage.

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9. Survival of Representations and Warranties; Indemnification.

(a) The representations and warranties made by Sellers under this Agreement shall survive until the fifth (5th) anniversary of the Closing.

(b) Sellers, and by joining in the execution of this Agreement, Harrod hereby agree to indemnify and hold Purchaser, its officers, directors, shareholders, employees and representatives and Purchaser's affiliates, harmless from and against any and all claims, liabilities, losses, damages or injuries, together with costs and expenses, including reasonable attorneys' fees, arising out of or resulting from (i) any breach, misrepresentation, or material omission of the representations and warranties contained in Paragraph 8(a) through (s) of this Agreement made by each Seller and/or Harrod in this Agreement or in any Exhibit hereto, (ii) any breach by any Seller, unless waived in writing by Purchaser, of any covenant or agreement contained in or arising out of this Agreement, and (iii) any failure by any Seller to comply with any provision of this Agreement. This indemnification shall survive until the fifth (5th) anniversary of Closing.

(c) If Purchaser claims a right to indemnification hereunder ("Indemnified Party") it shall give the other party from whom indemnification is sought ("Indemnifying Party") prompt notice of any claim, demand, action, suit, proceeding or discovery of fact upon which the Indemnified Party intends to base a claim for indemnification under this Paragraph 9, provided, however, that no failure to give such notice shall excuse any Indemnifying Party from any obligation hereunder.

10. Purchaser's Diligence Investigation.

(a) Due Diligence.

(i) Purchaser has conducted and will continue to conduct, in good faith at Purchaser's sole cost and expense, together with its agents, contractors and representatives, whatever inspections, tests, surveys, examinations, appraisals and investigations of the Lakes Property or GWH Property that Purchaser and such agents, contractors or representatives may deem necessary or desirable to determine the desirability of purchasing the

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Lakes Property or GWH Property, including, without limitation, the right to make soil tests and borings, and groundwater sampling, the right to make structural, architectural, engineering, and asbestos studies.

(ii) Purchaser may also review and Seller shall cooperate in providing any and all documentation relating to the Property including but not limited to plans, specifications, environmental reports, zoning ordinances, governmental approvals, licenses, permits, leases and related notices. Sellers have allowed and will continue to allow Purchaser and Purchaser's agents, contractors and representatives reasonable access to the Lakes Property and GWH Property. Purchaser hereby agrees to indemnify Sellers against any damages to the Lakes Property and GWH Property incurred by Seller caused by the inspections, investigations or other activities of Purchaser or Purchaser's agents after the date of this Agreement. Without limitation on the

foregoing, Purchaser shall promptly repair any damage to the Lakes Property or GWH Property caused as a result of Purchaser's investigation after the date of this Agreement.

(iii) If at any time prior to close of business, on or before March 31, 2001 (the period between the date of this Agreement and March 31, 2001, the "Inspection Period"), Purchaser in its sole and absolute discretion determines that it is dissatisfied with the results of its investigation and/or inspections, or for any reason whatsoever, then Purchaser may elect to terminate this Agreement by written notice to Seller, in which event the Escrow Agent shall deliver the Deposit to Purchaser and neither party shall thereafter have any further rights or obligations under this Agreement. If Purchaser fails to deliver such notice prior to the expiration of the Inspection Period, Purchaser shall be deemed to have elected to proceed with the transactions set forth herein (subject of course to the satisfaction of the conditions precedent and other conditions to Closing set forth elsewhere in this Agreement).

11. Title Documents. Within twenty (20) days after the execution and delivery of this Agreement, Sellers shall deliver to Purchaser, or to Purchaser's attorney, a copy of Sellers' existing title policy, tax search and existing survey of the Lakes Property and GWH Property. Purchaser shall satisfy itself that it is covered by the existing title policy. If Purchaser is not so

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satisfied, it will obtain from the Title Company a commitment for title insurance showing that Sellers hold a good and marketable title to the Lakes Property and GWH Property. Purchaser shall, within thirty (30) days of the delivery of the existing policy or the title insurance commitment (whichever is later), deliver to Sellers a written statement of all objections to conditions disclosed by the survey and to any exceptions set forth in the title insurance commitment obtained by Purchaser (the foregoing survey and title objections being collectively referred to herein as "Purchaser's Objections"). Purchaser's Objections may include an easement, covenant or other restriction whether of record or not. Sellers shall, within ten (10) days of the delivery of Purchaser's Objections to Sellers' attorneys, give notice to Purchaser's attorney as to whether Sellers will cure all Purchaser's Objections on or prior to the Closing, or which of such objections Sellers will refuse to cure. If Sellers' notice indicates that Sellers refuse to cure any Purchaser's Objections, then Purchaser may, within ten (10) days of the giving of such notice to Purchaser's attorney, elect by notice given to Sellers to terminate this Agreement, in which event all rights and liabilities of the parties by reason of this Agreement shall be deemed at an end. If Purchaser shall not so elect to terminate this Agreement, Purchaser shall be deemed to have waived such Purchaser's Objections which Sellers shall refuse to cure. Sellers shall, at Closing, convey marketable title free and clear of all Purchaser's Objections which Seller agreed in Sellers' notice Sellers would cure. In addition, and notwithstanding anything to the contrary set forth in this Agreement, Sellers shall cure, at or prior to Closing, any lien, claim, easement, restriction, covenant or other encumbrance arising after the date of Purchaser's delivery of Purchaser's Objections and prior to Closing.

12. Conditions Precedent To Closing. The obligation of Purchaser under this Agreement to purchase the Partnership interests from Sellers and to assume the Trust Mortgage is subject to the satisfaction at the time of Closing of each of the following conditions ("Conditions Precedent"):

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(a) All of the representations, warranties and covenants by Sellers set forth in this Agreement shall be true and correct as of Closing in all material respects, as though such representations and warranties were made at and as of Closing.

(b) Sellers shall have performed, observed, and complied with all covenants, agreements, and conditions required by this Agreement to be performed, observed, and complied with on its part prior to or as of the Closing.

(c) All instruments and documents required on Sellers' part to effectuate this Agreement and the transactions contemplated herein, as set forth

in this Agreement, shall have been delivered and shall be in form and substance reasonably satisfactory to Purchaser, Purchaser's counsel and Title Company.

(d) Seller shall have obtained the approval and consent of the Trustee for the transactions contemplated by this Agreement.

(e) Approval of this Agreement by Purchaser's Board of Directors.

(f) Approval of Purchaser's lenders upon terms and conditions acceptable to Purchaser.

(g) Purchaser's receipt of opinions from its special tax counsel and accountants concerning the various tax consequences of this transaction, satisfactory to Purchaser.

(h) Purchaser's receipt of any governmental approvals necessary for Purchaser to use the Property for Purchaser's intended purpose.

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(i) Seller's completion of the paving of 25-35 parking spaces in the Parking Area currently being used by Val-Pak employees. As of Closing, Val-Pak employees will no longer be permitted to park in this area.

(j) Purchaser obtaining a title insurance policy acceptable to Purchaser at a cost not to exceed \$10,000.

(k) Appraisal of the Property reasonably acceptable to Purchaser.

(l) No adverse material change to the condition of the Property.

If any one or more of the foregoing Conditions Precedent is not satisfied by March 31, 2001, Purchaser may terminate this Agreement upon notice to Sellers. If Purchaser gives a notice of termination under this Paragraph 12, this Agreement shall terminate, Escrow Agent shall deliver the Deposit to Purchaser, and neither party shall have any further rights or liabilities under this Agreement.

13. Default. If Sellers shall tender all documents, instruments, items and payments required by this Agreement and all Conditions Precedent shall have been fully satisfied and Sellers have complied fully with all its obligations hereunder, and all of Sellers' representations and warranties pursuant to this Agreement shall be true and correct on the date hereof and on the Closing Date in all material respects, and if Purchaser shall fail or refuse to close title as required by the terms of this Agreement, Sellers' sole remedy shall be to retain the Deposit, it being agreed by Sellers that the damages to Sellers in case of default by Purchaser may be impossible to ascertain and that \$50,000.00 constitutes a fair and reasonable amount of damages in the circumstances, and neither party to this Agreement shall have any further rights or obligations hereunder. If Purchaser is ready, willing and able to close in the manner required by this Agreement and Sellers default in its obligations under this Agreement, Purchaser shall have the remedies at law or in equity based upon Sellers' breach of this Agreement, it being agreed by the parties that Purchaser shall be entitled to specific performance of this Agreement. If Purchaser elects not to seek specific performance, Sellers shall return the Deposit to Purchaser and shall reimburse Purchaser for all expenses it has incurred in connection with or arising out of its

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activities, due diligence and investigations under this Agreement, including attorneys' fees, not to exceed \$50,000.00.

14. Notices. Any notice, demand, or request, required or agreed to be given by either party, shall be sufficiently given or served if in writing and signed by the party giving it, and delivered by hand with receipt acknowledged (including by national overnight courier, such as Federal Express) or mailed by certified mail, return receipt requested, addressed to the party to be noticed as follows:

To Seller(s): Largo Lakes, I, II, and IV, Inc.
777 S. Harbour Island Blvd.
Suite 877
Tampa, Florida 33602
Attn: Gary W. Harrod

Harrod Properties, Inc.
777 S. Harbour Island Blvd.
Suite 877
Tampa, Florida 33602
Attn: Gary W. Harrod

With a copy to: Lowndes, Drosdick, Doster
Kantor & Reed, P.A.
215 N. Eola Drive
Orlando, FL 32801
Attn: Jon C. Yergler, Esq.

To Purchaser: Linvatec Corporation
310 Broad Street
Utica, New York 13501
Attn: President and General Counsel

With a copy to: ConMed Corporation
310 Broad Street
Utica, New York 13501
Attn: President and General Counsel

Hancock & Estabrook, LLP
100 Madison Street
MONY Tower I
Syracuse, New York 13202
Attn: Richard W. Cook, Esq.

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or to such other address as Sellers, Purchaser and Harrod, may from time to time designate by giving notice thereof in writing. Service shall be complete upon such delivery or mailing except in the case of a notice to change an address in which case service shall be complete when the notice is received by the addressee. Notices may be given by counsel to the respective parties identified in this Paragraph.

15. Risk of Loss and Eminent Domain.

(a) The risk of loss or damage to the Lakes Property and GWH Property or of a taking by eminent domain, until delivery of the deed(s) and bills of sale to Purchaser, is assumed by Sellers. In the event that the improvements which are a part of the Lakes Property and GWH Property are destroyed or damaged by fire or other cause, or the Lakes Property and GWH property or any portion thereof is taken by eminent domain, (i) Purchaser may elect to terminate this Agreement, or (ii) Purchaser may elect to close the transaction contemplated hereby, and accept the insurance proceeds payable by reason of such damage or destruction, or the condemnation award payable by reason of such taking, and Sellers shall pay over and assign such proceeds and/or award and all claims therefor to Purchaser at Closing.

(b) Sellers warrant and represent to Purchaser that Sellers have and will have through the date of Closing, property insurance on Building Three in an amount sufficient to replace all improvements on the Lakes Property and GWH Property and all Equipment.

16. Operation of the Property Until Closing. From the date hereof until the Closing, Sellers shall operate the Lake Property and GWH Property in the ordinary course of such business as presently being conducted. Moreover, Sellers shall:

(a) maintain, through Closing, the current insurance policies with respect to the Lakes Property and GWH Property;

(b) pay any and all sums due and payable on the Trust Mortgage as the same become due and payable, and shall not allow a default to occur thereunder,

nor an event, with the passage of time or notice, or both, result in a default thereunder;

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(c) refrain from modifying the Trust Mortgage, nor enter into additional mortgages, or any other financing agreements, or allow the Lakes Property or the GWH Property to be subject to any lien other than the lien of the Trust Mortgage;

(d) maintain the Intangible Rights and Operating Agreements in their current state, and not grant any renewals, extensions, modifications, rights of purchase, or otherwise modify or terminate the same, without the express prior written consent of Purchaser;

(e) maintain and repair the Lakes Property and the GWH Property and Equipment in a good and workmanlike manner, and replace any of the Equipment with comparable substitutes being at least of equal value and function as the item which it replaced, all in the ordinary course operation;

(f) comply with all of the Sellers' obligations under the Leases.

17. Broker. Purchaser and Sellers represent and warrant to each other that neither party has dealt with any broker or finder with respect to the transactions contemplated under this Agreement. Each party agrees to defend and indemnify the other against any breach of this representation and warranty.

18. Relocation of Tenants and Building Three Upgrades. Sellers covenant and agree to obtain the consent and approval of the tenants of Building Three, namely Sun Pharmacy and South Trust Bank ("Building Three Tenants"), to relocate them to new facilities as promptly as possible after Closing. Sellers will assume all responsibilities for relocating the Building Three Tenants, including all costs and expenses associated with the relocation including the build-out and refinishing costs of the new facilities, cleaning and repairing the space currently occupied by the Building Three Tenants. In addition, during the period of time the Building Three Tenants remain in possession of Building Three following Closing, Sellers shall indemnify and hold harmless Purchaser from any costs, expenses, operating deficiencies or damages suffered by Purchaser on account of such continued occupancy by the Building Three Tenants, including but not limited to Purchaser's pro rata share of the cost of maintaining the common areas of Largo Lakes Corporate Center and for all assessments attributable to the Purchaser on account of its

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ownership of Building Three. Any base rent paid by the Building Three Tenants during their occupancy of Building Three following Closing shall be paid to Purchaser. Upon the relocation of the Building Three Tenants, Sellers shall pay all of Purchaser's actual costs and expenses of the alterations and improvements to Building Three to meet Purchaser's needs including labor and materials for demolition and construction, as well as the costs for preparing plans and specifications, not to exceed \$150,000.00 ("Build-Out Costs"). Sellers shall pay all or a portion of the Build-Out Costs to Purchaser within ten (10) days of Purchaser's written notice to Sellers which notice shall include copies of these invoices, receipts, and other evidence of such costs as Sellers may reasonably require in support of the amount set forth in Purchaser's notice.

19. Traffic Light. Sellers agree to pay all of the Purchaser's costs associated with bringing a traffic light to the Largo Lakes Corporate Center as and when same are due under the assessment dated May 31, 2000.

20. Management. Properties is currently the management company for the Largo Lakes Corporate Center. Purchaser agrees to support Properties as the management company of Largo Lakes Corporate Center and vote for Properties in any property owners association meeting or similar proceeding regarding the selection of the management company for Largo Lakes Corporate Center so long as:

(a) there is an outstanding balance owed under the Note;

(b) that Harrod is a principal of Properties; and

(c) Properties is not in default of any of its covenants or obligations under this Agreement or any agreement concerning the management of Largo Lakes Corporate Center.

21. Miscellaneous Provisions.

(a) This Agreement embodies and constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by a written agreement of such

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waiver, modification, amendment, discharge or termination executed by the parties and then only to the extent set forth in such instrument.

(b) This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Florida.

(c) The captions in this Agreement are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.

(d) This Agreement when executed and delivered by both parties shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

(e) Whenever in this Agreement a period of time is stated as a number of days, it shall be construed to mean calendar days; provided, however, that when any period of time so stated would end on a Saturday, Sunday or legal holiday, such period shall be deemed to end on the next day following which is not a Saturday, Sunday or legal holiday.

(f) Purchaser may assign its rights under this Agreement to an entity owned or controlled by Purchaser. Any assignment by Purchaser of its rights under this Agreement shall not relieve Purchaser of Purchaser's obligations under this Agreement.

(g) This Agreement and any document or instrument entered into, given or made pursuant to this Agreement or authorized hereby, or any amendment or supplement thereto, may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed an original agreement, but all counterparts shall constitute only a single agreement. Any signature page of this Agreement or of such amendment, supplement document, or instrument may be detached from any counterpart without impairing the legal effect of any signatures thereon and may be attached to another counterpart in form thereto but having attached to it one (1) or more additional signature pages.

(h) If any provisions of this Agreement, or the application thereof, will for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and

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application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the greatest extent possible, the economic, business and other purposes of the void or unenforceable provision.

(i) The parties acknowledge that this is a negotiated agreement, and that in no event shall the terms hereof be construed against either party on the basis that such party, or its counsel, drafted this Agreement.

(j) If any civil action, arbitration or other legal proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties, by decision or

settlement shall be entitled to recover actual attorneys' fees, costs and expenses, sales and use taxes, court costs and all expenses even if not taxable as court costs (including, without limitation, all such fees, taxes, costs and expenses incident to arbitration, appellate, bankruptcy and post-judgment proceedings), incurred in that civil action, arbitration or legal proceeding, in addition to any other relief to which such party or parties may be entitled. Attorneys' fees shall include, without limitation, paralegal fees, investigative fees, administrative costs, sales and use taxes and all other charges billed by the attorney to the prevailing party.

(k) Each party acknowledges that it has been advised by its own counsel with respect to the transaction governed by this Agreement.

(l) In this Agreement, the use of any gender shall be deemed to include all genders, and the use of the singular shall include the plural and visa versa, wherever it appears appropriate from the context. The definitions and terms contained in the recitals of this Agreement and the documents referenced in the recitals are all incorporated into this Agreement by reference as if more fully set forth in the body of this Agreement.

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(m) Each of the Sellers shall be jointly and severally liable for each and every obligation of Seller or Sellers under this Agreement.

(n) Except as otherwise expressly provided herein, no remedy herein conferred upon any party is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LARGO LAKES I, II AND IV, INC.

By: _____
Gary W. Harrod, President

HARROD PROPERTIES, INC.

By: _____
Gary W. Harrod, President

GARY W. HARROD

LINVATEC CORPORATION

By: _____
Daniel S. Jonas, Assistant Secretary

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State of _____)
County of _____) ss.:

On the _____ day of February in the year 2001 before me, the undersigned, a Notary Public in and for said State, personally appeared Gary W. Harrod, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of

which the individual acted, executed the instrument.

Notary Public

State of New York)
) ss.:
County of Onondaga)

On the _____ day of February in the year 2001 before me, the undersigned, a Notary Public in and for said State, personally appeared Daniel S. Jonas, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public