SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) February 14, 1996

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

New York	0-16093	16-0977505
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

310 Broad Street, Utica, New York	13501
(Address of principal executive offices)	(Zip Code)

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

Item 5. Other Events

In October 1995, CONMED Corporation (the Company) signed an asset purchase agreement whereby the Company will acquire substantially all the business and certain assets of New Dimensions in Medicine, Inc. ("NDM") for a cash purchase price of approximately $32.0 million plus the assumption of net liabilities of approximately $5.1 million. This acquisition, which is subject to the approval of the shareholders of NDM, is expected to close February 23, 1996. The financial statements of NDM listed under Item 7 have been filed as exhibits to this report on Form 8-K. Pro forma financial information required pursuant to Article 11 of Regulation S-X will be filed upon the closing of the acquisition.

Item 7. Financial Statements and Exhibits

(c) Exhibits

99. i. Financial statements of New Dimensions in Medicine, Inc. and Subsidiaries together with auditor's report as of December 31, 1995 and 1994.

ii. Financial statements of NDM Acquisition Corp. and Subsidiaries together with auditor's report as of October 14, 1994 and December 31, 1993 and 1992.

Signature

Pursuant to the requirements of 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

By: /s/ Robert D. Shallish, Jr.

Vice President-Finance

Dated: February 16, 1996

NEW DIMENSIONS IN MEDICINE, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 1995 AND FOR

THE TEN-WEEK PERIOD ENDING DECEMBER 31, 1994

TOGETHER WITH AUDITORS' REPORT

NEW DIMENSIONS IN MEDICINE, INC.

AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SCHEDULE

Schedules other than that listed above have been omitted as the information has been included in the consolidated financial statements and related notes, or is not applicable or not required.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of New Dimensions in Medicine, Inc.:

We have audited the accompanying consolidated balance sheets of NEW DIMENSIONS IN MEDICINE, INC. (a Delaware corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 1995 and for the ten-week period ending December 31, 1994. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully discussed in Note 2 to the consolidated financial statements, on October 18, 1995, New Dimensions in Medicine, Inc. entered into a definitive agreement with CONMED Corporation (CONMED), whereby CONMED would acquire substantially all of the assets and certain trade payables of the Company, except for the Company's footpump compression and international wound care business. Additionally, pursuant to a separate agreement, the Company will sell the assets and technology of the international wound care business to Paul Hartmann AG. Consequently, the Company intends to wind-down operations, sell its remaining assets and distribute the net proceeds to its stockholders.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Dimensions In Medicine, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for the year ended December 31, 1995 and for the ten-week period ending December 31, 1994 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has not demonstrated the ability to achieve sustained earnings from operations. In addition, as discussed in Notes 2 and 4 to the consolidated financial statements, the Company has incurred approximately $1.0 million of professional fees ($.6 million still owed at December 31, 1995) related to the consummation of the pending asset sales transactions and the Company's bridge loan facility matures May 31, 1996. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Consolidated Financial Statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly states in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Dayton, Ohio,
February 14, 1996

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1995 AND 1994
(DOLLARS IN THOUSANDS)

	December 31, 1995	December 31, 1994
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	$ 1,923	$ 951
Restricted cash (Note 3)	173	179
Receivables, net (Notes 3, 4 and 6)	3,567	5,386
Receivable from Diversified Liquidating Trust (Note 1)	--	361
Inventories (Notes 3 and 4)	5,504	6,712
Prepaid expenses and other current assets	295	365
Total current assets	11,462	13,954
PROPERTY, PLANT AND EQUIPMENT, net (Notes 3 and 4)	10,370	11,326
INTANGIBLE ASSETS, net (Notes 3 and 5)	8,026	8,681
OTHER LONG-TERM ASSETS, net	255	464
Total assets	$ 30,113	$ 34,425

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1995	December 31, 1994
CURRENT LIABILITIES:		
Revolving line of credit (Note 4)	$ --	$ 2,500
Current maturities of long-term debt (Note 4)	803	806
Bridge loan (Note 4)	600	--
Accounts payable (Note 6)	2,562	3,373
Accrued compensation and benefits	736	1,729
Accrued professional fees (Note 2)	1,255	805
Accrued severance	--	473
Other accrued liabilities	896	783
Total current liabilities	6,852	10,469
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 4)	8,100	5,204

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - Continued
AS OF DECEMBER 31, 1995 AND 1994
(DOLLARS IN THOUSANDS)

	December 31, 1995	December 31, 1994
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value; 20,000,000 shares authorized; 4,326 shares issued and outstanding at December 31, 1995 (Notes 1, 3 and 7)	43	43
Additional paid-in capital	18,457	18,457
Retained earnings (deficit)	(3,339)	252
Total stockholders' equity	15,161	18,752
Total liabilities and stockholders' equity ...	$ 30,113	$ 34,425

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1995 AND FOR THE

TEN-WEEK PERIOD ENDING DECEMBER 31, 1994

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31, 1995	10-Week Period Ended December 31, 1994
NET SALES (Note 6)	$ 29,536	$ 7,398
COST OF SALES	17,675	4,286
Gross profit	11,861	3,112
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
PROFESSIONAL FEES RELATED TO ASSET SALES (Note 2)	950	--
RESTRUCTURING CHARGE (Note 3)	1,471	--
Income (loss) from operations	(3,115)	586
OTHER INCOME (EXPENSE):		
Interest expense, net	(576)	(120)
Other income, net	288	7
Income (loss) before provision for income taxes	(3,403)	473

PROVISION FOR INCOME TAXES (Note 5)	188	221
NET INCOME (LOSS)	$ (3,591)	$ 252
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 3) .	4,316	4,312
NET INCOME (LOSS) PER SHARE	$ (.83)	$ .06

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1995

AND FOR THE TEN-WEEK PERIOD ENDED DECEMBER 31, 1994

(IN THOUSANDS)

	Common Stock (a)		Additional Paid-In	Retained Earnings	
	Shares	Amount	Capital	(Deficit)	Equity
Balance, October 15, 1994	4,312	$ 43	$ 18,457	$ --	$18,500(b)
Net income	--	--	--	252	252
Balance, December 31, 1994	4,312	43	18,457	252	18,752
Issuance of Common Stock . Shares (Note 1)	14	--	--	--	--
Net loss	--	--	--	(3,591)	(3,591)
Balance, December 31, 1995	4,326	$ 43	$ 18,457	$ (3,339)	$ 15,161

(a) Represents the number of shares issued in accordance with the Plan of Reorganization (refer to Notes 1 and 3 for further discussion).

(b) Represents the opening Stockholders' Equity balance as determined under fresh-start reporting (see Note 1 for further discussion).

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1995 AND FOR THE
TEN-WEEK PERIOD ENDING DECEMBER 31, 1994
(IN THOUSANDS)

	Year Ended December 31, 1995	10-Week Period Ended December 31, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(3,591)	$ 252
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	2,076	530
Restructuring charge	1,471	--
Change in other current assets and liabilities:		
Receivables	2,166	(80)
Inventories	20	1,267
Prepaid expenses and other current assets	(1)	(70)
Accounts payable	(1,724)	(733)
Accrued liabilities	10	(370)

Cash provided by operating activities	427	796
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions of property, plant and equipment	(374)	(65)
Decrease in restricted cash	6	164
Increase in other long-term assets	(80)	--
Cash provided by (used in) investing activities	(448)	99
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowing	600	--
Long-term borrowing	1,200	--
Payment of long-term debt	(807)	(401)
Cash provided by (used in) financing activities	993	(401)
Net increase in cash and cash equivalents	972	494
Cash and cash equivalents, beginning of period	951	457
Cash and cash equivalents, end of period	$ 1,923	$ 951

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- Continued

FOR THE YEAR ENDED DECEMBER 31, 1995 AND FOR THE TEN-WEEK PERIOD ENDING DECEMBER 31, 1994 (IN THOUSANDS)

	Year Ended December 31, 1995	10-Week Period Ended December 31, 1994
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 636	$ 112
Cash paid for income taxes	$ 92	$ --

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1995 AND 1994

(Dollars In Thousands)

1. Company Reorganization and Nature of Business-

(a) Business--

New Dimensions in Medicine, Inc. (the Company) is a developer and manufacturer of electrocardiograph monitoring electrodes, electrosurgical products, circulatory aids and hydrogel wound dressings. The Company also purchases and resells other medical devices such as foot pumps and the associated accessories, generators and surgical tools. The Company is in a single line of business which includes two separate product lines. The majority of the Company's sales are to domestic customers (See Note 6c). The Company formerly conducted its business as "NDM Acquisition Corp.," incorporated in Minnesota and a wholly-owned subsidiary of MEI Diversified Inc..

(b) Reorganization--

NDM Acquisition Corp. (Old NDM) was a wholly-owned subsidiary of MEI Diversified Inc. (MEI), a Delaware corporation. On February 23, 1993, MEI filed a petition for relief under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code or Chapter 11) in the district of Delaware federal bankruptcy court. Pursuant to the Bankruptcy Code, MEI continued in the management and operation of its businesses and properties as debtors-in-possession. Old NDM was not a named party in this filing.

On October 14, 1994, (the Effective Date), MEI emerged from Chapter 11, pursuant to the Amended Plan of Reorganization (the Plan) of the Official Committee of Unsecured Creditors for MEI Diversified Inc. et al, dated September 27, 1994, which was confirmed by the U.S. Bankruptcy Court on September 28, 1994. Under the Plan, Old NDM was merged into MEI, and MEI then restated its Certificate of Incorporation and changed its name to New Dimensions in Medicine, Inc. Pursuant to the Plan, all assets and liabilities of MEI were distributed to certain liquidating estates established under the Plan, except for certain tax attributes of MEI, the capital stock of certain nonoperating subsidiaries and the capital stock of Old NDM. As a result of the merger, all assets and liabilities of Old NDM became assets and liabilities of the Company except that all obligations and liabilities owed by Old NDM to MEI or any of its subsidiaries or affiliates were canceled pursuant to the Plan. The Plan also included a provision whereby the trust administrator for the Diversified Liquidating Trust would distribute $2,000 plus payment of certain professional fees to assist with the Company's working capital requirements. As of December 31, 1994 the Company had received $1,742 and the accompanying consolidated balance sheet reflects a receivable of $361. NDM collected this receivable in 1995. The Plan also approved the Company's authorization of twenty million shares of common stock. Beginning in April 1995, the Company began an initial issuance of 4,312 of these shares to certain former creditors of MEI and another 14 shares of common stock were issued in August 1995 to satisfy claims made by certain other former creditors of MEI. The Company received notice from the trust administrator in February 1996 that all such remaining claims of former MEI creditors were settled upon the issuance of an additional 102 shares. The issuance of these shares had no effect on the Company's stockholders' equity balance.

(c) New Basis of Accounting- Fresh Start Reporting--

On the day after the Effective Date (October 15, 1994), the Company adopted American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization" ("SOP 90-7"). SOP 90-7 requires that the accompanying balance sheet be prepared on the basis that a new reporting entity has been created and that assets and liabilities should be recorded at their estimated fair values as of the Effective Date. This method of accounting is referred to as "fresh-start" reporting.

Under fresh-start reporting, estimated fair values were determined by management with the assistance of independent appraisers. The valuation methodologies employed to determine the reorganization value of the Company included an income capitalization approach, a cost approach, and a sales comparison approach. Property, plant and equipment were valued using a combination of the cost approach and sales comparison approach. Intangible assets were valued using a combination of the cost approach and income capitalization approach. The estimated unleveraged reorganization value of the Company was computed using a discounted net cash flow technique utilizing an income capitalization approach. This specific technique takes into consideration (i) the discounted free cash flows generated by the Company through 1999, (ii) the discounted residual value of the Company at the end of 1999, and (iii) projected excess cash on hand at the Effective Date. For purposes of discounting values, a weighted average cost of capital rate of 16.5% was utilized throughout the analysis.

On the Effective Date, all of the claims against MEI were released and discharged pursuant to the Plan and became claims against the MEI Liquidating Estates. In addition, any and all defaults arising under contracts or agreements of Old NDM as a result of the merger of Old NDM into MEI under the Plan, or as a result of the distribution of Company stock to creditors as provided under the Plan, shall be unenforceable against the Company.

The effect of the Plan on the Company's consolidated balance sheet as of October 15, 1994 was as follows:

PRO FORMA CONSOLIDATED BALANCE SHEET
(In Thousands)

	MEI Diversified Inc. Historical	Consummation of Plan of Reorganization: Debt Discharge	Consummation of Plan of Reorganization: Exchange of Stock	Fresh Start	Pro Forma New Dimensions In Medicine, Inc.
Assets					
Current assets:					
Cash and cash equivalents	$ 2,647	$ (1,847) (1)	$ 0	$ 0	$ 800
Marketable securities	8,500	(8,500) (1)	0	0	0
Receivables, net	4,742	(333) (1)	0	0	4,409
Receivable from Diversified Liquid. Trust	0	1,258 (2)	0	0	1,258
Inventories	8,184	(205) (1)	0	0	7,979
Prepaid expenses and other current assets	375	(80) (1)	0	0	295
Total current assets	24,448	(9,707)	0	0	14,741
Property, plant and equipment, net	16,853	(5,319) (1)	0	0 (3)	11,534
Nonoperating real estate	4,462	(4,462) (1)	0	0	0
Goodwill, net of accumulated amortization	24,990	0	0	(24,990) (4)	0
Other assets, primarily intangibles	4,255	(1,774) (1)	0	6,921 (3)	9,402
Total assets	$75,008	$ (21,262)	$ 0	$(18,069)	$35,677
Liabilities and Stockholders' Equity					
Current liabilities:					
Revolving line of credit	$ 2,500	$ 0	$ 0	$ 0	$ 2,500
Current maturities of long-term debt	826	(20) (1)	0	0	806
Accounts payable	4,982	(876) (1)	0	0	4,106
Accrued compensation and benefits	1,862	0	0	0	1,862
Pre-petition liabilities not subject to compromise	1,993	(1,993) (1)	0	0	0
Other accrued liabilities	4,468	(2,170) (1)	0	0	2,298
Total current liabilities	16,631	(5,059)	0	0	11,572
Long-term debt, less current maturities	5,605	0	0	0	5,605
Pre-petition liabilities subject to compromise	116,773	(116,773) (1)	0	0	0
Deferred liabilities	285	(285) (1)	0	0	0
Total liabilities	139,294	(122,117)	0	0	17,177

PRO FORMA CONSOLIDATED BALANCE SHEET -- Continued
(In Thousands)

	MEI Diversified Inc. Historical	Consummation of Plan of Reorganization: Debt Discharge	Consummation of Plan of Reorganization: Exchange of Stock	Fresh Start	Pro Forma New Dimensions In Medicine, Inc.
Stockholders' equity (deficit):					
Common stock, $.05 par value	962	0	(962) (5)	0	0
Common stock, $.01 par value	0	0	45 (1)	0	45
Common stock warrants	2,300	0	(2,300) (5)	0	0
Unrealized gain on marketable securities	1,150	(1,150) (5)	0	0	0
Additional paid-in capital	85,687	18,455 (1)	3,217 (5)	0	18,455
		(88,904) (5)	0	0	
Retained earnings (accumulated deficit)	(151,739)	81,097 (1)	0	0	
		87,453 (5)	0	0	
		1,258 (2)	0	0	
		0	0	(24,990) (4)	
		0	0	6,921 (3)	0
Treasury stock, 562,000 shares, at cost	(2,646)	2,646 (5)	0	0	0
Total stockholders' equity (deficit)	(64,286)	100,855	0	(18,069)	18,500
	$75,008	$ (21,262)	$ 0	$(18,069)	$35,677

See accompanying Notes to Pro Forma Consolidated Balance Sheet.

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET

(1) To record the following transactions made in connection with the Plan of Reorganization: a) the transfer of assets and liabilities from MEI Diversified, Inc. to the various Liquidating Trusts; and b) the issuance of New Dimensions in Medicine, Inc. Common Stock including the associated additional paid-in capital.

(2) To record amounts receivable from Diversified Liquidating Trust

pursuant to the Plan of Reorganization.

(3) To record adjustments to state the Company's property, plant and equipment and intangible assets at their fair values.

(4) To record the write-off of goodwill in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7 on Financial Reporting by Entities in Reorganization Under the Bankruptcy Code.

(5) To write off the historical capital structure of the Company.

2. Sale of Assets and Wind-Down of Operations-

On October 18, 1995, the Company jointly announced with CONMED Corporation (CONMED) that it had entered into a definitive agreement, whereby CONMED would acquire for approximately $32.1 million substantially all of the assets and certain trade payables of the Company, except for the Company's footpump compression and international wound care business. Additionally, pursuant to a separate definitive agreement between the Company and Paul Hartmann AG (Hartmann), the Company will sell the assets and technology of the international wound care business to Hartmann for a purchase price of $5 million. The Company has incurred approximately $1.0 million of professional fees related to the consummation of these transactions (approximately $.6 million of which remains outstanding at December 31, 1995). The Company plans to close on both of the above asset sales on or about February 23, 1996.

Pursuant to the above transactions, the Company intends to wind-down operations and sell its remaining assets. Additionally, the Company intends to distribute the net proceeds from the above discussed asset sales to its stockholders. These proposed transactions are subject to regulatory approvals and approval by the Company's shareholders. The consolidated financial statements do not reflect any adjustments to the carrying amounts of its assets and liabilities relating to the impact of the above sale transactions.

3. Basis of Presentation and Summary of Significant Accounting Policies-

(a) Basis of Presentation--

The accompanying consolidated financial statements include the accounts of New Dimensions in Medicine, Inc. and its subsidiaries. All significant intercompany account balances and transactions between the Company and its subsidiaries have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.
Actual results could differ from those estimates.

(b) Cash and Cash Equivalents--

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Under the Company's long-term debt agreement, the Company is required to make monthly principal payments of $67 to an escrow account, as semiannual installments of $400 are due through May 1, 2002. Funds set aside in escrow amounted to approximately $173 and $179 as of December 31, 1995 and 1994, respectively.

(c) Receivables--

Receivables consisted of the following at December 31, 1995 and 1994:

	December 31, 1995	December 31, 1994
Trade (Note 6c)	$4,515	$5,322
Other	103	419

Allowance for doubtful accounts	(1,051)	(355)
	$3,567	$5,386

(d) Inventories--

Inventories are valued at the lower of cost (first-in, first-out) or market value. The following is a summary of the components of inventory at December 31, 1995 and 1994:

	December 31, 1995	December 31, 1994
Raw materials	$3,032	$2,911
Work-in-process	50	37
Finished goods	3,397	4,850
Inventory reserves	(975)	(1,086)
	$5,504	$6,712

(e) Property, Plant and Equipment--

As a result of the adoption of fresh-start reporting, property, plant and equipment were adjusted to their estimated fair values as of October 15, 1994. The following is a summary of the Company's property, plant and equipment and the associated accumulated depreciation at December 31, 1995 and 1994:

	December 31, 1995	December 31, 1994
Land	$ 435	$ 435
Buildings and improvements	2,134	2,128
Machinery and equipment	8,811	8,566
Furniture and fixtures	499	470
Accumulated depreciation	(1,509)	(273)
	$10,370	$11,326

Depreciation for financial reporting purposes is determined using the straight-line method. Accelerated depreciation methods are used for tax reporting purposes. Estimated useful lives for financial reporting purposes are as follows:

	Years
Buildings and improvements	25 - 33
Machinery and equipment	8 - 10
Furniture and fixtures	5 - 10

The adoption of fresh-start reporting did not result in any material change in the remaining lives of the Company's property, plant and equipment at October 15, 1994. Expenditures for renewals and improvements that extend the useful life of an asset are capitalized. Expenditures for the repair and maintenance of assets are expensed as incurred.

(f) Intangible Assets--

Intangible assets include patents and trademarks, which are amortized on a straight-line basis over their legal or estimated remaining useful lives of 10 to 15 years. Under the provisions of fresh-start reporting, the Company restated all intangible assets to their estimated fair values as of October 15, 1994.

The following is a summary of the Company's patents and trademarks at December 31, 1995 and 1994:

	December 31, 1995	December 31, 1994
Patents	$7,496	$7,536
Trademarks	1,305	1,302
Accumulated amortization	(775)	(157)
	$8,026	$8,681

(g) Revenue Recognition--

The Company recognizes revenue upon shipment of the completed products. The Company's primary distributor is Baxter Healthcare Corporation (Baxter). Revenue is recorded at the contractual sales prices between Baxter and NDM. Amounts owed to Baxter for distribution services calculated under the terms of the contract are recorded as distribution expense. The Company may not offset amounts owed for distribution services with expected amounts due from Baxter.

(h) Income Taxes--

The Company provides for income taxes on timing differences resulting from the use of alternative methods of income and expense recognition for financial and tax reporting purposes.

(i) Research and Development Expenditures--

Research and development expenditures of $814 and $174 are included in Selling, General and Administrative Expenses on the Consolidated Statements of Operations for the year ended December 31, 1995 and for the ten-week period ended December 31, 1994, respectively.

(j) Net Income Per Share--

As of December 31, 1995 and 1994, the Company was still in the process of distributing the shares of common stock to shareholders. For financial reporting purposes, net income per share has been computed based upon the weighted average number of shares outstanding during the periods (pro forma basis for 1994).

(k) Reclassifications--

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

(l) Reserve for general liability insurance claims--

The Company is partially self-insured for general liability and property insurance claims, which are insured above a deductible amount of $25 per occurrence with a maximum aggregate deductible of $125 per year. The Company's estimate of liability for the self-insured claims is included in "other accrued liabilities" in the consolidated balance sheets.

(m) Restructuring Charge--

During 1995, the Company decided to forego the marketing of the footpump compression product line in the future due to the Company's inability to develop a sustained demand for the products and due to the patent infringement suit discussed in Note 6e. Accordingly, the Company recorded a $1,471 restructuring charge in 1995 to write-off the inventory, machinery, and patents related to the footpump compression product line.

4. Credit Arrangements-

(a) Line of Credit--

The Company has a revolving line-of-credit agreement with a bank. During 1995, the revolving line-of-credit agreement was renegotiated and the maturity date was extended from June 30, 1995 to June 30, 1997. In addition the line was increased from $2.5 million to $4.0 million; $3.7 million of which was outstanding as of December 31, 1995 and $2.5 million was outstanding as of December 31, 1994. Borrowings under the line-of-credit bear interest at prime plus one half percent (9.00%) at December 31, 1995 and prime plus one percent (9.50%) at December 31, 1994. In addition, the Company negotiated a $1.0 million "bridge loan" with the same bank to assist in payment of the professional fees discussed in Note 2. The Company borrowed $.6 million under the bridge loan in December 1995 (all of which was outstanding at December 31, 1995). The bridge loan carries interest at prime plus one-half percent (9.00%) at December 31, 1995, and matures on May 31, 1996. Borrowings under the line and the bridge loan are collateralized by substantially all of the Company's assets.

(b) Long-Term Debt--

The Company's long-term debt includes a "floating-rate option" note ($5.2 million and $6.0 million outstanding at December 31, 1995 and 1994, respectively), which is secured by a letter of credit issued by its lender. The lender sets the interest rate on a weekly basis based on market conditions for similar debt. The Company has the option to fix the interest rate for periods of 1 to 10 years, as defined; the floating interest rate at December 31, 1995 and 1994 was 5.83% and 6.28%, respectively. Under the agreement, semiannual installments of $400 are due through May 1, 2002 (see Note 3b) The Company also pays an annual letter of credit facility fee of 1.75% of the outstanding loan balance. Borrowings under the note are collateralized by substantially all of the Company's assets.

In addition, long-term debt at December 31, 1995 includes the $3.7 million line-of-credit due June 30, 1997.

The Company's financing arrangements contain various covenants related to cash flow, debt-to-equity ratio, current ratio, capital expenditures, and tangible net worth, among others. In addition, the Company is prohibited from declaring or paying dividends on its common stock by such covenants. These covenants were amended to reflect the impact of the Company's fresh-start reporting.

The Company's debt obligations mature as follows:

1996	$1,403
1997	4,500
1998	800
1999	800
2000	800
Thereafter	1,200
	$9,503

5. Income Taxes-

The components of the provision for income taxes for the year ended December 31, 1995 and for the ten-week period ending December 31, 1994, respectively, consist of the following:

	1995	1994
Currently payable-		
Federal	$ --	$ --
State	188	61
Deferred-		
Federal	-	160
	$188	$221

In accordance with SOP 90-7, the provision for federal income taxes of $160 in 1994 was treated as a reduction in the valuation allowance against the net operating losses discussed below that existed at the date of adoption of "fresh start" accounting and is credited against intangible assets. Future reductions in the valuation allowance which are in excess of intangible assets will be credited to additional paid-in capital.

Deferred tax balances result from differences in the timing of recognition of certain transactions for book and tax purposes. At December 31, 1995 and 1994, the Company's deferred tax accounts include timing differences related to the following:

	1995	1994
Depreciation of property, plant and equipment	$ (617)	$(1,314)
Incentive compensation	36	127
Amortization of intangible assets	(1,280)	(1,372)
Net operating loss carryforwards	6,970	6,154
Valuation allowance	(5,109)	(3,595)
Net long-term deferred tax asset	$ --	$ --
Bad debt reserve	$ 431	$ 165
Vacation pay accrual	155	193
Inventory obsolescence reserve	278	396
Uniform capitalization rules	106	48
Accrued severance pay	--	213
Other, net	189	214
Valuation allowance	(1,159)	(1,229)
Net short-term deferred tax asset	$ --	$ --

As of December 31, 1995, the Company has available net operating loss carryforwards for income tax and financial reporting purposes of approximately $20.5 million, which will expire in varying amounts beginning in 2006. The Company's ability to utilize certain net operating loss carryforwards in any future year will be limited by the provisions of Section 382 of the Internal Revenue Code. Due to the uncertainty of utilizing the net operating loss carryforwards as a result of the Company's operating losses, a valuation allowance has been recorded against the net operating loss carryforwards. In addition, no other deferred tax balances have been recognized in the accompanying consolidated balance sheets due to the existence of these net operating loss carryforwards.

6. Commitments and Contingencies-

(a) Retirement Plans--

The Company has a qualified 401(k) and discretionary profit sharing plan. Employees may contribute up to 12% of their annual compensation to the 401(k) plan, and the Company makes matching contributions of up to 2-1/2% of the employee's annual compensation. Discretionary contributions may be made for each plan year in an amount determined by the Company. The Company made matching contributions of $178 and $24 for the year ended December 31, 1995 and for the ten-week period ending December 31, 1994.

(b) Postretirement Health Care Benefits--

The Company allows employees, spouses and surviving spouses to participate in the Company's group health insurance programs from retirement to age 65 as required by federal law. The cost of such participation is borne by the former employee or surviving spouse and, accordingly, no liability is recorded by the Company.

(c) Distribution Agreement and Significant Customer--

A substantial portion of the Company's annual revenues (approximately 70%) are derived from sales of the Company's products through Baxter

Healthcare Corporation (Baxter). The Company and Baxter have entered into an agreement (effective January 1, 1995) for the distribution of all of the Company's products in the United States, with an initial term that expires December 31, 1996. The Company has the option to extend the term of the agreement for three additional successive one-year periods. Prior to January 1, 1995, the Company's distribution agreement with Baxter contained an exclusive right by Baxter to distribute the Company's critical care products to approximately one thousand U.S. hospitals that were customers of Baxter on January 1, 1992. The Company provided Baxter with additional payments if the aggregate sales revenue distributed under the agreement exceeded an established base amount in effect for each year. At December 31, 1995 and 1994 under the terms of the prior agreement, the Company owed Baxter approximately $922 and $1,824, respectively, which is included in accounts payable in the accompanying consolidated balance sheets. Receivables as of December 31, 1995 and 1994, respectively, include $2,848 and $3,660 due from a unit of Baxter.

(d) Severance Compensation Agreements--

The Company has severance compensation agreements with certain of its executives. Such agreements provide for the payment over varying periods from 18 to 24 months to these executives of their annual base compensation, plus continuation of certain benefits. In addition, the Company is obligated to pay these executives a cash payment equal to a percentage of the proceeds to shareholders in the event a change in control (as defined) within a one-year period is followed by a termination of employment The maximum contingent liability of the Company pursuant to such agreements is approximately $2,643 at December 31, 1995.

At the closing of the sales of assets to CONMED and Hartmann (discussed in Note 2), these executives will be entitled to receive payment of severance benefits. The Company intends to pay the severance benefits from the proceeds upon closing of the above transactions. Accordingly, the accompanying consolidated financial statements do not include any provision related to these agreements.

(e) Litigation--

The Company is involved in various litigation arising in the normal course of business. In particular, the Company was informed in July 1995 that a U.K patent court had ruled in favor of a competitor (plaintiff) related to a patent infringement suit against NDM (U.K.) Limited, the distributor of NDM products in the U.K. This ruling has effectively impaired the Company's ability to market its footpump compression products in the United Kingdom. Following the ruling, the plaintiff appealed to the court to recover its litigation costs from the Company, even though NDM was not a party to the suit. In January 1996, the court ruled in favor of the plaintiff's action, rendering NDM liable for the plaintiff's litigation costs of approximately $500. The Company has subsequently obtained an indemnification agreement from Kinetics Concepts, Inc. (KCI), a Texas Corporation, whereby KCI has agreed to hold NDM harmless from the plaintiff's litigation costs in exchange for the right to pursue an appeal of the U.K. patent court's original ruling. Accordingly, no provision has been made in the accompanying consolidated financial statements to cover such costs. In the opinion of management, the ultimate disposition of this matter should not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

(f) Purchase Commitments--

The Company has purchase commitments with various suppliers which amount to approximately $1,020 at December 31, 1995.

7. Stockholder Rights Agreement-

Pursuant to the Plan, the Company adopted a Stockholder Rights Agreement (the Rights Agreement). Under the Rights Agreement, the Company declared a distribution of one right for each share of common stock outstanding on November 4, 1994. One right will also be issued for each share of common stock issued through such time that a person or group acquires beneficial ownership of 25% or more of the outstanding common stock (the Rights Distribution Date). Each right entitles the holder to purchase from the

Company one or more shares of common stock at one half of the current market price. The rights are not exercisable until the Rights Distribution Date, but may be redeemed by the Company for $.01 per right at any time.

8. Disclosure about Fair Value of Financial Instruments-

For certain of the Company's financial instruments, including cash and cash equivalents, receivables, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. Consequently, such instruments are not included in the following table, which provides information regarding the estimated fair values of the Company's other financial instruments at December 31, 1995 and 1994:

	1995		1994	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Revolving line of credit	$3,700	$3,700	$2,500	$2,500
Bridge loan	$ 600	$ 600	$ --	$ --
Floating-rate option note	$5,200	$4,985	$6,000	$5,731

The revolving line-of-credit and bridge loan variable rate facilities are carried at amounts that approximate fair value. The estimated fair value of the floating-rate option note is based on the present value of the underlying cash flows discounted at NDM's current borrowing rates for similar types of debt.

9. Supplementary Data (Unaudited)-

NDM's results of operations for each of the quarters in the year ended December 31, 1995 are summarized below.

	1995 Quarter Ended (Unaudited)			
	March 31	June 30	September 30	December 31
Net Sales	$7,578	$8,256	$7,200	$ 6,502
Gross Profit	3,368	3,559	2,991	1,943
Income (loss) from operations	303	391	(265)	(3,544)
Net income (loss)	$ 152	$ 203	$ (250)	$(3,696)
Net income (loss) per share	$ .04	$ .05	$ (.06)	$ (.85) (a)

(a) Due to rounding, the sum of the quarterly amounts does not equal the total for the year.

SCHEDULE II

NEW DIMENSIONS IN MEDICINE, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEAR ENDED DECEMBER 31, 1995
(IN THOUSANDS)

Classification	Additions Balance at Beginning of Period	Charged to Costs and Expenses	Deductions From Reserves	Balance at End of Period

Year ended December 31, 1995:				
Inventory reserve	$1,086	$712	$823	$ 975
Allowance for doubtful accounts	$ 355	$721	$ 25	$1,051
10-week period ended December 31, 1994:				
Inventory reserve	$1,164	$ 72	$150	$1,086
Allowance for doubtful accounts	$ 436	$ 0	$ 81	$ 355

NDM ACQUISITION CORP. AND SUBSIDIARIES

FINANCIAL STATEMENTS

AS OF OCTOBER 14, 1994 AND

DECEMBER 31, 1993 AND 1992

TOGETHER WITH

AUDITORS' REPORT

Report of Independent Public Accountants

To NDM Acquisition Corp.:

We have audited the accompanying consolidated balance sheets of NDM ACQUISITION CORP. (a Minnesota corporation and wholly owned subsidiary of MEI Diversified Inc.) AND SUBSIDIARIES as of October 14, 1994 and December 31, 1993 and 1992, and the related consolidated statements of operations, changes in shareholder's investment and cash flows for the periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NDM Acquisition Corp. and Subsidiaries as of October 14, 1994 and December 31, 1993 and 1992, and the results of their operations and their cash flows for the periods then ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 2 and 9 to the consolidated financial statements, the Company's line of credit matures June 30, 1995 and, to date, the Company has not secured an alternative borrowing facility. The Company has not demonstrated the ability to achieve sustained earnings from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Notes 2 and 9. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

ARTHUR ANDERSEN LLP

Dayton, Ohio
February 24, 1995

NDM Acquisition Corp. and Subsidiaries

Consolidated Balance Sheets

As of October 14, 1994 and December 31, 1993 and 1992

	1994	1993	1992
		(In Thousands)	
ASSETS			
CURRENT ASSETS:			

Cash and cash equivalents (Note 1)	$ 457	$ 1,196	$ 1,756
Restricted cash (Note 1)	343	162	164
Receivables, net (Notes 1, 4, and 7)	4,409	4,937	5,191
Inventories (Note 1 and 4)	7,979	5,892	4,986
Prepaid expenses and other current assets	295	235	232
Total current assets	13,483	12,422	12,329
PROPERTY, PLANT AND EQUIPMENT, net (Note 1)	11,534	11,204	10,753
GOODWILL (Note 1)	24,990	25,540	25,779
OTHER INTANGIBLE ASSETS (Note 1)	2,480	2,766	3,086
	$ 52,487	$ 51,932	$ 51,947

NDM Acquisition Corp. and Subsidiaries

Consolidated Balance Sheets -- Continued

As of October 14, 1994 and December 31, 1993 and 1992

	1994	1993	1992
		(In Thousands)	
LIABILITIES AND SHAREHOLDER'S INVESTMENT			
CURRENT LIABILITIES:			
Revolving line of credit (Note 4)	$ 2,500	$ 2,500	$ 600
Current maturities of debt (Note 4)	806	806	204
Accounts payable (Note 7)	4,106	2,963	3,403
Accrued compensation and benefits	1,862	952	888
Other accrued liabilities	2,297	372	317
Accrued interest due to Parent (Notes 4 and 8)	2,174	1,035	203
Total current liabilities	13,745	8,628	5,615
LONG-TERM DEBT, LESS CURRENT MATURITIES (Note 4)	5,605	6,009	7,400
SUBORDINATED NOTE PAYABLE TO PARENT (Note 4)	20,742	20,000	20,000
COMMITMENTS AND CONTINGENCIES (Note 7)			
SHAREHOLDER'S INVESTMENT:			
Common stock, $1 par value; 1,000 shares authorized, issued and outstanding (Notes 1 and 6)	1	1	1
Additional paid-in capital	19,999	19,999	19,999
Accumulated deficit	(7,605)	(2,705)	(1,068)
Total shareholder's investment	12,395	17,295	18,932
	$ 52,487	$ 51,932	$ 51,947

The accompanying notes to consolidated financial statements
are an integral part of these consolidated balance sheets.

NDM Acquisition Corp. and Subsidiaries

Consolidated Statements of Operations

For the Forty-Two Week Period Ended October 14, 1994 and
For the Years Ended December 31, 1993 and 1992

	1994	1993	1992
		(In Thousands)	
REVENUES	$ 24,882	$ 33,281	$ 32,766
COST OF SALES	14,632	19,277	17,824
Gross profit	10,250	14,004	14,942
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,064	7,934	6,888
WAREHOUSE AND DISTRIBUTION EXPENSES (Notes 1 and 7)	2,879	3,336	3,451

RESEARCH AND DEVELOPMENT EXPENSES	971	1,036	885
AMORTIZATION OF INTANGIBLES	806	1,228	1,166
RESTRUCTURING CHARGE (Note 1)	832	342	--
OPERATING INCOME (LOSS)	(3,302)	128	2,552
OTHER INCOME (EXPENSE):			
Interest expense	(1,453)	(1,494)	(1,980)
Interest income	15	74	142
Other, net	(160)	(345)	435
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(4,900)	(1,637)	1,149
Provision for income taxes (Note 5)	--	--	--
NET INCOME (LOSS)	$ (4,900)	$ (1,637)	$ 1,149

The accompanying notes to consolidated financial statements
are an integral part of these consolidated balance sheets.

NDM Acquisition Corp. and Subsidiaries

Consolidated Statements of Changes in Shareholder's Investment

For the Forty-Two Week Period Ended October 14, 1994 and
For the Years Ended December 31, 1993 and 1992

	Common Stock		Additional	Accumulated
	Shares	Amounts	Paid-In Capital	Deficit
		(In Thousands)		
BALANCE, December 31, 1991	1	$ 1	$ 4,999	$(2,217)
Conversion of amounts due to parent (Note 4)	--	--	15,000	--
Net income	--	--	--	1,149
BALANCE, December 31, 1992	1	1	19,999	(1,068)
Net loss	--	--	--	(1,637)
BALANCE, December 31, 1993	1	1	19,999	(2,705)
Net loss	--	--	--	(4,900)
BALANCE, October 14, 1994	1	$ 1	$19,999	$(7,605)

The accompanying notes to consolidated financial statements
are an integral part of these consolidated balance sheets.

NDM Acquisition Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the Forty-Two Week Period Ended October 14, 1994 and
For the Years Ended December 31, 1993 and 1992

	1994	1993	1992
		(In Thousands)	
OPERATING ACTIVITIES:			
Net income (loss)	$(4,900)	$(1,637)	$ 1,149
Adjustments to reconcile net income (loss) to net cash provided by operating activities-			
Depreciation and amortization	1,908	3,069	2,444
Loss on sale or write-down of property, plant and equipment	55	308	--

Changes in operating assets and liabilities--			
Receivables	528	74	1,070
Inventories	(2,087)	(509)	(1,219)
Prepaid expenses	(60)	3	(50)
Accounts payable and accrued liabilities	5,117	600	972
Net cash provided by operating activities	561	1,908	4,366
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment, net	(1,427)	(2,727)	(1,490)
Investment in patents and other long-term assets	(29)	(853)	(440)
Acquisition of subsidiary	--	--	(1,200)
(Increase) Decrease in restricted cash	(181)	2	(164)
Net cash used for investing activities	(1,637)	(3,578)	(3,294)
FINANCING ACTIVITIES:			
Increase in subordinated note payable to parent	742	--	--
Net short-term borrowings	--	1,900	600
Long-term debt issued	--	18	8,000
Long-term debt retired	(405)	(808)	(1,085)
Payments to Parent	--	--	(7,793)
Net cash provided by (used for) financing activities	337	1,110	(278)
Net increase (decrease) in cash and cash equivalents	(739)	(560)	794
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,196	1,756	962
End of year	$ 457	$ 1,196	$ 1,756

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

NDM Acquisition Corp. and Subsidiaries

Notes to Consolidated Financial Statements

As of October 14, 1994 and December 31, 1993 and 1992
(Dollars in Thousands)

(1) Basis of Presentation, Reorganization and Summary of Significant Accounting Policies-

(a) Basis of Presentation--The accompanying consolidated financial statements include the accounts of NDM Acquisition Corp. and its majority-owned subsidiaries (NDM, the Company). All significant intercompany account balances and transactions between the Company and its subsidiaries have been eliminated in consolidation. NDM became a wholly owned subsidiary of MEI Diversified, Inc. (MEI, the Parent) effective July 1, 1990. The acquisition has been accounted for as a purchase with the excess purchase price over the fair value of the net assets acquired recorded as goodwill in NDM's financial statements.

(b) Nature of Business--The Company is a developer and manufacturer of electrocardiographic monitoring electrodes, electrosurgical products, circulatory aids and hydrogel wound dressings. The Company also purchases and resells other medical devices such as foot pumps and the associated accessories, generators and surgical tools. The Company is in a single line of business which includes two separate product lines. The majority of the Company's sales are to domestic customers (see Note 7c).

(c) Reorganization--On February 23, 1993, MEI filed a petition for relief under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the district of Delaware federal bankruptcy court. Pursuant to the Bankruptcy Code, MEI continued in the management and operation of its businesses and properties as debtors-in-possession. NDM was not a named party in this filing.

On October 14, 1994, (the Effective Date), MEI emerged from Chapter 11, pursuant to the Amended Plan of Reorganization (the Plan) of the Official Committee of Unsecured Creditors for MEI Diversified, Inc. et al, dated September 27, 1994, which was confirmed by the U.S. Bankruptcy Court on September 28, 1994. Under the Plan, NDM was merged into MEI, and MEI then restated its Certificate of Incorporation (the day after the Effective Date) and changed its name to New Dimensions in Medicine, Inc. (New

NDM). Pursuant to the Plan, all assets and liabilities of MEI were distributed to certain liquidating estates established under the Plan, except for certain tax attributes of MEI, the capital stock of certain nonoperating subsidiaries and the capital stock of NDM. As a result of the merger, all assets and liabilities of NDM became assets and liabilities of New NDM except that all obligations and liabilities owed by NDM to MEI or any of its subsidiaries or affiliates were canceled pursuant to the Plan. The Plan also included a provision whereby the trust administrator for the Diversified Liquidating Trust would distribute $2,000 plus payment of certain professional fees to assist with New NDM's working capital requirements. The Plan also approved New NDM's authorization of twenty million shares of common stock. Beginning in April 1995, New NDM plans to formally issue 4,312 of these shares to certain former creditors of MEI. Another half million shares of common stock will be reserved for issuance to satisfy claims being made by certain former creditors of MEI to which the trust administrator, established under the Plan of Reorganization, is objecting. To the extent that these claims are denied, additional shares of common stock will not be issued. If any of these additional shares are issued, their issuance will have no effect on New NDM's opening stockholders' equity balance.

(d) New Basis of Accounting- Fresh Start Reporting (Subsequent Event)--On the day after the Effective Date (October 15, 1994), New NDM adopted American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization" (SOP 90-7). SOP 90-7 requires that New NDM's balance sheet be prepared on the basis that a new reporting entity has been created and that assets and liabilities should be recorded at their estimated fair values as of the Effective Date. This method of accounting is referred to as "fresh-start" reporting.

Estimated fair values on October 15, 1994 were determined by management with the assistance of independent appraisers. The valuation methodologies employed to determine the reorganization value of New NDM included an income capitalization approach, a cost approach, and a sales comparison approach. Property, plant and equipment were valued using a combination of the cost approach and sales comparison approach. Intangible assets were valued using a combination of the cost approach and income capitalization approach. The estimated unleveraged reorganization value of New NDM was computed using a discounted net cash flow technique utilizing an income capitalization approach. This specific technique takes into consideration (i) the discounted free cash flows generated by New NDM through 1999, (ii) the discounted residual value of New NDM at the end of 1999, and (iii) projected excess cash on hand at the Effective Date. For purposes of discounting values, a weighted average cost of capital rate of 16.5% was utilized throughout the analysis.

On the Effective Date, all of the claims against MEI were released and discharged pursuant to the Plan and became claims against the MEI Liquidating Estates. In addition, any and all defaults arising under contracts or agreements of NDM as a result of the merger of NDM into MEI under the Plan, or as a result of the distribution of New NDM stock to creditors as provided under the Plan, shall be unenforceable against New NDM.
The effect of the Plan on New NDM's consolidated balance sheet at October 15, 1994 was as follows:

PRO FORMA CONSOLIDATED BALANCE SHEET
(In Thousands)

	MEI Diversified Inc. Historical	Consummation of Plan of Reorganization: Debt Discharge	Exchange of Stock	Fresh Start	Pro Forma New Dimensions In Medicine, Inc.
Assets					
Current assets:					
Cash and cash equivalents	$ 2,647	$ (1,847)(1)	$ 0	$ 0	$ 800
Marketable securities	8,500	(8,500)(1)	0	0	0
Receivables, net	4,742	(333)(1)	0	0	4,409

Receivable from Diversified Liquid. Trust	0	1,258	0	0	1,258
Inventories	8,184	(205)(1)	0	0	7,979
Prepaid expenses and other current assets	375	(80)(1)	0	0	295
Total current assets	24,448	(9,707)	0	0	14,741
Property, plant and equipment, net	16,853	(5,319)(1)	0	0(3)	11,534
Nonoperating real estate	4,462	(4,462)(1)	0	0	0
Goodwill, net of accumulated amortization	24,990	0	0	(24,990)(4)	0
Other assets, primarily intangibles	4,255	(1,774)(1)	0	6,921(3)	9,402
Total assets	$ 75,008	$ (21,262)	$ 0	$ (18,069)	$ 35,677
Liabilities and Stockholders' Equity					
Current liabilities:					
Revolving line of credit	$ 2,500	$ 0	$ 0	$ 0	$ 2,500
Current maturities of long-term debt	826	(20)(1)	0	0	806
Accounts payable	4,982	(876)(1)	0	0	4,106
Accrued compensation and benefits	1,862	0	0	0	1,862
Pre-petition liabilities not subject to compromise	1,993	(1,993)(1)	0	0	0
Other accrued liabilities	4,468	(2,170)(1)	0	0	2,298
Total current liabilities	16,631	(5,059)	0	0	11,572
Long-term debt, less current maturities	5,605	0	0	0	5,605
Pre-petition liabilities subject to compromise	116,773	(116,773)(1)	0	0	0
Deferred liabilities	285	(285)(1)	0	0	0
Total liabilities	139,294	(122,117)	0	0	17,177

PRO FORMA CONSOLIDATED BALANCE SHEET -- Continued
(In Thousands)

	MEI Diversified Inc. Historical	Consummation of Plan of Reorganization: Debt Discharge	Exchange of Stock	Fresh Start	Pro Forma New Dimensions In Medicine, Inc.
Stockholders' equity (deficit):					
Common stock, $.05 par value	962	0	(962)(5)	0	0
Common stock, $.01 par value	0	0	45(1)	0	45
Common stock warrants	2,300	0	(2,300)(5)	0	0
Unrealized gain on marketable securities	1,150	(1,150)(5)	0	0	0
Additional paid-in capital	85,687	18,455(1)	3,217(5)	0	18,455
			(88,904)(5)	0	0
Retained earnings (accumulated deficit)	(151,739)	81,097(1)	0	0	
			87,453(5)	0	0
			1,258(2)	0	0
			0	0	(24,990)(4)
		0	0	6,921(3)	0
Treasury stock, 562,000 shares, at cost	(2,646)	2,646(5)	0	0	0
Total stockholders' equity (deficit)	(64,286)	100,855	0	(18,069)	18,500
	$ 75,008	$ (21,262)	$ 0	$ (18,069)	$ 35,677

See accompanying Notes to Pro Forma Consolidated Balance Sheet.

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET

(1) To record the following transactions made in connection with the Plan of Reorganization: a) the transfer of assets and liabilities from MEI Diversified, Inc. to the various Liquidating Trusts; and b) the issuance of New Dimensions in Medicine, Inc. Common Stock including the associated additional paid-in capital.

(2) To record amounts receivable from Diversified Liquidating Trust pursuant to the Plan of Reorganization.

(3) To record adjustments to state New NDM's property, plant and equipment and intangible assets at their fair values.

(4) To record the write-off of goodwill in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7 on Financial Reporting by Entities in Reorganization Under the Bankruptcy Code.

(5) To write off the historical capital structure of New NDM.

(e) Revenue Recognition--The Company recognizes revenue upon shipment of the completed products. Revenues derived from domestic sales through the Baxter Healthcare Corporation (Baxter) distribution system were approximately 76%, 81% and 88% of total revenues in 1994, 1993 and 1992, respectively (see Note 7). Revenue is recorded at the contractual sales prices between Baxter and NDM. Amounts owed to Baxter for distribution services calculated under the terms of the contract are recorded as distribution expense. The amount recorded as distribution expense was $2,300, $2,628 and $2,884 for the 42-week period ended October 14, 1994 and for the years ended December 31, 1993 and 1992, respectively. The Company may not offset amounts owed for distribution services with expected amounts due from Baxter.

(f) Cash and Cash Equivalents--The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Under the Company's long-term debt agreement, the Company is required to make monthly principal payments of $67 to an escrow account, as semiannual installments of $400 are due through May 1, 2002. Funds set aside in escrow amounted to approximately $343, $162 and $164 at October 14, 1994 and December 31, 1993 and 1992, respectively.

The following items represent noncash transactions of the Company for the year ended December 31, 1992:

Reduction of amounts due to Parent through issuance of subordinated note payable to Parent	$20,000
Increase in shareholder's investment and corresponding reduction of amounts due to Parent	15,000

Cash payments for interest for the 42-week period ended October 14, 1994 and for the years ended December 31, 1993 and 1992 amounted to $0, $630 and $1,753, respectively.

(g) Receivables--Receivables consisted of the following at October 14, 1994 and December 31, 1993 and 1992, respectively:

	1994	1993	1992
Trade	$ 4,224	$ 4,597	$ 4,878
Other	621	370	343
Allowance for doubtful accounts	(436)	(30)	(30)
	$ 4,409	$ 4,937	$ 5,191

Trade receivables as of October 14, 1994 and December 31, 1993 and 1992, include $3,004, $2,763 and $3,238, respectively, due from a unit of Baxter (See Note 7). The allowance for doubtful accounts was increased by approximately $500 during the 42-week period ended October 14, 1994 primarily due to a deterioration of the aging of receivables.

(h) Inventories--Inventories are valued at the lower of cost (first-in, first-out) or market value. The components of inventory at October 14, 1994 and December 31, 1993 and 1992, respectively, consist of the following:

	1994	1993	1992
Raw materials	$ 2,894	$ 2,973	$ 2,323
Work in process	54	55	62
Finished goods	6,195	3,584	2,840
Inventory reserves	(1,164)	(720)	(239)
	$ 7,979	$ 5,892	$ 4,986

During the 42-week period ended October 14, 1994, NDM recorded a $603 write-off of excess and obsolete inventory relating primarily to a new product introduction in the patient care product groups.

(i) Property, Plant and Equipment--Property, plant and equipment, stated at cost as of October 14, 1994 and December 31, 1993 and 1992, respectively, consists of:

	1994	1993	1992
Land	$ 475	$ 475	$ 475
Buildings and improvements	3,423	3,399	3,305
Machinery and equipment	11,108	10,030	8,845
Furniture and fixtures	849	814	633
Accumulated depreciation	(4,321)	(3,514)	(2,505)
	$ 11,534	$ 11,204	$ 10,753

Depreciation for financial reporting purposes is provided for using the straight-line method. Accelerated depreciation methods are used for tax reporting purposes. Estimated useful lives for financial reporting purposes are as follows:

	Years
Buildings and improvements	25-33
Machinery and equipment	8-10
Furniture and fixtures	5-10

Expenditures for renewals and improvements that extend the useful life of an asset are capitalized. Expenditures for the repair and maintenance of assets are expensed as incurred.

(j) Goodwill--Goodwill represents the cost of investment in subsidiaries over the fair value of the underlying net assets at the dates of acquisition and is being amortized on a straight-line basis over 40 years. Accumulated amortization was $2,926, $2,374 and $1,680 at October 14, 1994 and December 31, 1993 and 1992, respectively.

(k) Other Intangible Assets--Other intangible assets include patents and trademarks which are amortized on a straight-line basis over their legal or estimated useful lives of 10 to 15 years. Other intangible assets are shown on the accompanying consolidated balance sheets net of accumulated amortization of $3,034, $2,577 and $1,746 as of October 14, 1994 and December 31, 1993 and 1992, respectively.

(l) Restructuring Costs--The Company recorded restructuring costs of approximately $832 during the 42-week period ended October 14, 1994 and $342 of restructuring costs during 1993. These costs relate primarily to severance and outplacement costs and are reflected on the accompanying consolidated statements of operations as operating expenses.

(2) Liquidity-

The Company's viability as a going concern is dependent upon its ability to obtain financing, and ultimately, sustained profitability.

The Company's $2.5 million line of credit expires on June 30, 1995. Company management is working with its current lender to extend the availability of its line of credit beyond June 30, 1995 and to increase the amount available under the line of credit. This is dependent on the financial performance of the Company during the interim months. Management has prepared cash projections through December 31, 1995, which are based on budgeted sales for this period. Management believes cash flows will be adequate to fund future operations through December 31, 1995.

The Company has not demonstrated the ability to achieve sustained earnings from operations. The Company expects to improve its profitability due to cost savings generated by the third quarter 1994 restructuring (see Note 1) and improved revenues.

While management continues to pursue alternative borrowing facilities and to work at achieving successful future operations, there can be no assurances that the Company will be able to obtain such borrowing facilities or achieve such operating results. These matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated balance sheet does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor the amounts and classifications of recorded liability amounts that might be necessary should the Company be unable to continue as a going concern.

(3) Acquisitions-

On December 16, 1992, the Company, through a newly organized, wholly owned subsidiary, LRC Holding Company, Inc., acquired certain assets of Chrono Dynamics Ltd. (Chrono) and 55% of the outstanding stock of Chrono's subsidiary, Leg Recovery Centers of America Inc. (LRC). The acquired assets represent a medical device product line used in the treatment of certain conditions of the leg, while LRC licenses the use of the devices to clinics. Neither has had significant historical operating activities.

The cost of the acquisitions was $1,200 in cash for the assets acquired from Chrono and $1 in cash for 1,100 newly issued, no par value, shares of the common stock of LRC. The acquisitions were accounted for using the purchase method and, accordingly, the results of operations since December 16, 1992, are included in the accompanying consolidated statements of operations.

In December 1993 it was determined that the Company's investment in LRC had no future value and the net investment of $251 was written off.

(4) Indebtedness-

(a) Line of Credit--The Company has a revolving line-of-credit agreement with a bank whereby it may borrow up to $2,500, all of which was outstanding as of October 14, 1994. Borrowings under the line of credit bear interest at prime plus one half percent (8.25% at October 14, 1994 and 6.5% at December 31, 1993 and 1992). Borrowings under the line-of-credit are collateralized by substantially all of the Company's assets. The Company is required to maintain a compensating balance of 5% of the available line of credit in its demand deposit accounts.

(b) Long-Term Obligations--The Company's long-term obligations included the following at October 14, 1994 and December 31, 1993 and 1992, respectively:

	1994	1993	1992
Subordinated note payable to Parent at the prime rate (7.75% at October 14, 1994 and 6.0% at December 31, 1993 and 1992), no payments to be made except as permitted by the amended and restated subordination agreement	$ 20,742	$ 20,000	$ 20,000
Floating rate option note (5.2% at October 14, 1994, 3.6% at December 31, 1993 and 3.9% at December 31, 1992), due in semiannual installments of $400 commencing on November 1, 1992	6,400	6,800	7,600
Revolving line of credit, at prime plus one half percent (8.3% at October 14, 1994, 6.5% at			

December 31, 1993 and 1992), due on June 30, 1995	2,500	2,500	600
Other long-term debt	11	15	4
	29,653	29,315	28,204
Less- Current maturities	(3,306)	(3,306)	(804)
	$ 26,347	$ 26,009	$ 27,400

The Company's long-term obligations (excluding the subordinated note payable to Parent) mature as follows:

1994	$ 400
1995	3,306
1996	805
1997	800
1998	800
Thereafter	2,800
	$ 8,911

During 1992, MEI converted $20,000 of amounts due from NDM into a subordinated interest-bearing note. In addition, $15,000 of the amounts due to Parent were converted to equity in the form of contributed capital.

The floating rate option note is secured by a letter of credit issued by its lender. The Company has the option to fix the interest rate for periods of 1 to 10 years, as defined. The maturity date of the floating rate option note is May 1, 2002. Borrowings under the floating rate option note are collateralized by substantially all of the Company's assets. The Company also pays an annual letter of credit fee of 1.75% of the outstanding loan balance.

The Company's financing agreements contain various covenants related to payments to affiliates, cash flow, capital expenditures, tangible net worth and working capital, among others. In addition, the Company is prohibited from declaring or paying dividends on its common stock by such covenants. The Company is in compliance with these covenants as of October 14, 1994.

(5) Income Taxes-

The Company is included in the consolidated federal income tax return of MEI. For financial reporting purposes, the Company is allocated an amount generally equivalent to the provision which would have resulted had the Company filed separate income tax returns.

The statutory federal income tax rate differs from the Company's effective tax rate as follows:

	1994	1993	1992
Statutory federal rate	(34.0)%	(34.0)%	34.0%
Effect of:			
Amortization of goodwill	6.3	12.8	14.1
Net operating losses not recognized	27.4	20.9	--
Net operating losses recognized	--	--	(48.5)
Other, net	.3	.3	.4
	-- %	-- %	-- %

As of October 14, 1994, the Company has net operating loss carryforwards for income tax purposes of approximately $18.1 million, which will expire in varying amounts beginning in 2006. The Company's ability to utilize certain net operating loss carryforwards in any future year will be limited by the provisions of Section 382 of the Internal Revenue Code. Due to the uncertainty of utilizing the net operating loss carryforwards as a result of the Company's operating losses, a valuation allowance has been recorded against the net operating loss carryforwards. In addition, no other deferred tax balances have been recognized in the accompanying consolidated balance sheets due to the existence of these net operating loss carryforwards.

(6) Capital Stock-

The Company's capital stock consists of 1,000 shares of $1 par value common stock 100% of which is owned by MEI at October 14, 1994. No dividends were declared or paid during 1994, 1993 or 1992.

(7) Commitments and Contingencies-

(a) Retirement Plans--The Company has a qualified 401(k) and discretionary profit sharing plan. Employees may contribute up to 12% of their annual compensation to the 401(k) plan, and the Company makes matching contributions of up to 2-1/2% of the employee's annual compensation. Discretionary contributions may be made for each plan year in an amount determined by the Company. No discretionary contributions were made during 1994, 1993 and 1992.

(b) Postretirement Health Care Benefits--The Company allows employees, spouses and surviving spouses to participate in the Company's group health insurance programs from retirement to age 65 as required by federal law. The cost of such participation is borne by the former employee or surviving spouse and, accordingly, no liability is recorded by the Company.

(c) Distribution Agreement--Pursuant to the amended and restated distribution agreement effective January 1, 1992, NDM granted Baxter exclusive distribution rights to certain NDM products in the United States through December 31, 1992. Certain agreed-upon customers remain exclusive to Baxter through December 31, 1994. The Company, at its sole discretion, has the option to extend the term for two additional successive one-year periods. The Company has agreed to provide Baxter with additional payments if the aggregate sales revenue distributed under the agreement exceeds an established base amount in effect for such year. The Company did not exceed the established base amount in 1993 or 1992 and, therefore, made no such additional payments. As of October 14, 1994, the Company owed to Baxter approximately $1,511 under the terms of their agreement, which is included in accounts payable in the accompanying consolidated balance sheets.

The distribution agreement includes provisions for the assessment of penalties to Baxter by the Company if the exclusive rights are violated. Based on audits initiated by the Company in 1994 and 1993 to determine the amount of sales of competitive products by Baxter to exclusive accounts, the Company was due approximately $300 and $250 from Baxter as a result of such violations at October 14, 1994 and December 31, 1993, respectively.

(d) Litigation--The Company is involved in various litigation arising in the normal course of business. In particular, the Company is currently defending a patent infringement action brought by a competitor related to one of the Company's products. The Company has obtained an opinion from its patent counsel that the product does not infringe on the competitor's patent, and the Company is vigorously defending its position. In the opinion of management, the ultimate disposition of any litigation should not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

(8) Related Party Transactions-

(a) Management Fees--The Company paid $60, $144 and $120 to MEI for general management, financial, administrative, legal, and certain staff functions and services provided to the Company in 1994, 1993 and 1992, respectively. These fees are included in selling, general and administrative expenses in the accompanying consolidated statements of operations. These fees, which management considers to be reasonable, were based on the actual costs to provide these services.

(b) Due to Parent--The Company incurred interest charges of approximately $1,085, $1,217 and $1,760 during 1994, 1993 and 1992 based on average intercompany borrowings from MEI of approximately $21,760, $20,000 and $27,700, respectively.

(9) Subsequent Events (Unaudited)-

(a) Litigation--In July, 1995 the Company was informed that a U.K. patent court had ruled in favor of a competitor (plaintiff) related to the patent infringement suit discussed in Note 6(d). This ruling has effectively impaired the Company's ability to market its footpump compression products in the United Kingdom. The Company is still evaluating whether it will pursue its right to appeal the decision. Additionally, as a result of the unfavorable ruling, the court has the option to rule that the Company reimburse all or a portion of the litigation costs incurred by the plaintiff in this action. The Company's patent counsel has been informed that the plaintiff's litigation costs may approximate $500. No provision has been made in the accompanying consolidated financial statements to cover plaintiff litigation costs. The Company intends to vigorously contest the reimbursement of such costs.

(b) Line of Credit and Industry Conditions--On June 12, 1995, the Company and its lender signed an amendment to the loan agreement whereby the Company's line of credit was increased to $4 million and the maturity of the facility was extended to June 30, 1997. In July, 1995, the Company borrowed an additional $1.2 million under the line of credit facility.

The Company's Board of Directors has evaluated its business, results of operations, financial position and prospects were it to continue operations as an independent entity. Although the Company has been profitable in the six months ended June 30, 1995, it does not expect to be profitable for the remainder of 1995. In addition, the Board of Directors believes that industry conditions; primarily the general consolidation occurring in the health care industry, make it extremely difficult for the Company to continue as an independent entity without a substantial infusion of equity capital. The Board of Directors has determined that the sale of the Company's assets is in the best interests of the Company and its shareholders.

(c) Sale of Assets--On October 18, 1995, the Company jointly announced with CONMED Corporation (CONMED) that it had entered into a definitive agreement, whereby CONMED would acquire for approximately $32.1 million substantially all of the assets of the Company, except for the Company's footpump compression and international would care business. Additionally, pursuant to a separate letter-of-intent agreement dated July 22, 1995 between the Company and Paul Hartmann AG (Hartmann), the Company will sell the assets and technology of the international would care business to Hartmann for a purchase price of $5 million. The Company is in the process of finalizing a definitive agreement with Hartmann related to the purchase of the international would care business.

Pursuant to the above transactions, the Company intends to wind-down operations and liquidate its remaining assets. Additionally, the Company intends to distribute the net proceeds from the above discussed asset sales to its shareholders. These proposed transactions are subject to regulatory approvals and approval by the Company's shareholders. The consolidated financial statements do not reflect any adjustments to the carrying amounts of its assets and liabilities to adopt the liquidation basis of accounting. Under the liquidation basis of accounting, assets would be adjusted to their estimated realizable value and liabilities would be adjusted to their estimated settlement amount.