ANGIODYNAMICS INC
Form 10-K
August 14, 2014

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-50761

AngioDynamics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	11-3146460
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14 Plaza Drive Latham, New York	12110
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (518) 795-1400

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such

files). Yes x No ¨

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

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

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

As of November 29, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $545,465,788, computed by reference to the last sale price of the common stock on that date as reported by The NASDAQ Global Select Market.

As of July 31, 2014, there were 35,458,688 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required for Part III of this annual report on Form 10-K is incorporated by reference to the registrant's Proxy Statement for its 2014 Annual Meeting of Stockholders to be filed within 120 days of the registrant's fiscal year ended May 31, 2014.

AngioDynamics, Inc. and Subsidiaries
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Part I

Item 1. Business

(a) General Development of Business

Overview

AngioDynamics, Inc. (together with its subsidiaries, "AngioDynamics," the "Company," "we," "our" or "us") designs, manufactures and sells a wide range of medical, surgical and diagnostic devices used by professional healthcare providers for vascular access, for the treatment of peripheral vascular disease and for use in oncology and surgical settings. Our devices are generally used in minimally invasive, image-guided procedures.

Available Information

Our corporate headquarters is located at 14 Plaza Drive, Latham, New York 12110. Our phone number is (518) 795-1400. Our website is www.angiodynamics.com .

We make available, free-of-charge through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file or furnish such materials to the Securities and Exchange Commission, or SEC. In addition, our website includes, among other things, charters of the various committees of our Board of Directors and our code of business conduct and ethics applicable to all employees, officers and directors. Copies of these documents may be obtained free of charge from our website. Any stockholder also may obtain copies of these documents, free of charge, by sending a request in writing to our investor relations firm: EVC Group, 60 East 42nd Street, Suite 936, New York, NY 10165, Attention: Doug Sherk. Information on our website or connected to our website is not incorporated by reference into this annual report on Form 10-K.

History

AngioDynamics was founded in 1988 and we completed our initial public offering in 2004, raising net proceeds of approximately $21.7 million at an offering price of $11.00 per share. In 2006 we completed a follow-on offering, raising net proceeds of approximately $61.9 million at a public offering price of $24.07 per share.

(b) Narrative Description of Business

Products

Our product offerings fall within three product groupings: Peripheral Vascular, Vascular Access and Oncology/Surgery.

Peripheral Vascular Products

Our Peripheral Vascular products include Fluid Management, Venous, Thrombus Management, Angiographic, as well as other products.

Fluid Management Products

Our Fluid Management product offering includes the NAMIC® Fluid Management portfolio. Since 1969, the NAMIC product line has been the leader in providing clinicians high quality, dependable devices that help in the diagnosis and treatment of cardiovascular and peripheral vascular disease. The NAMIC product line includes an extensive offering of manifolds, contrast management systems, closed fluid systems, guidewires, disposable transducers and interventional accessories. These devices are utilized together and allow clinicians to aspirate or inject contrast, saline, remove waste and monitor invasive blood pressures throughout the procedure.

We manufacture "convenience kits" for customers, which incorporate the NAMIC devices they need for their procedures.

- NAMIC Squeeze Contrast Controller® – Designed to help labs minimize the amount of contrast wasted, the Squeeze Contrast Controller contrast management system contains two one-way check valves that prevent cross contamination of the contrast source, flexible chamber and unique green ball fluid level indicator.
- Perceptor® Manifold and Compensator® Manifold – Provides clinicians a manifold with an integral transducer and allows for single operator re-zeroing during the procedure, in the sterile field. The Perceptor Manifold must remain at heart level during pressure readings, while the Compensator utilizes a compensating line, which allows the user to

move the manifold during pressure readings.

- Protection Station® and Protection Station® Plus – Provides clinicians an OSHA-compliant closed system that helps minimize exposure to blood borne pathogens and simplifies set up and clean up during a procedure.
- Saver-7™ and Acceler-8™ Angiographic Control Syringes – NEW 7 mL and 8 mL Angiographic Control syringes that provide clinicians a small barrel designed to require less force during injection of contrast through a 4F Catheter and to provide smoother aspiration and injection.

Venous Products

Our venous products focus on the treatment of varicose veins and consist of our VenaCure EVLT® laser system and Sotradecol®. An estimated one-half of all Americans older than age 50 suffer from varicose veins, making the market for the treatment large and growing.

Our VenaCure EVLT laser system products are used in endovascular laser procedures to treat superficial venous disease (varicose veins). Superficial venous disease is a malfunction of one or more valves in the leg veins whereby blood refluxes or does not return to the heart. These procedures are a less invasive alternative to vein stripping for the treatment of this condition. Vein stripping is a lengthy, painful and traumatic surgical procedure that involves significant patient recovery time. In contrast, venous laser treatment is an outpatient procedure that generally allows the patient to quickly return to normal activities with minimal post-operative pain.

With our VenaCure EVLT laser system, laser energy is used to stop the reflux by ablating, or collapsing and destroying, the affected vein. The body subsequently re-routes the blood to other healthy veins. Our products are sold as a system that includes diode laser hardware with our family of disposable laser fiber components, training and marketing materials. The disposable components in the system include a laser fiber system featuring our NeverTouch® gold-tip technology, an access sheath, access wires and needles. The procedure kits come in a variety of lengths and configurations to accommodate varied patient anatomies. Our VenaCure EVLT 1470 nanometer wavelength laser allows customers to more efficiently heat the vein wall using lower power settings thereby reducing the risk of collateral damage.

Sotradecol® (sodium tetradecyl sulfate injection) is an FDA approved sclerosing drug that we distribute through a global agreement with the manufacturer. Sotradecol® has been shown to be an effective non-surgical treatment of small, uncomplicated varicose veins of the lower extremities that show simple dilation with competent valves.

Thrombus Management

Our Thrombus Management product offerings include our AngioVac Venous Drainage Cannula and our thrombolytic products.

AngioVac - In fiscal 2013, we released our AngioVac venous drainage system which includes a Venous Drainage Cannula and Cardiopulmonary Bypass Circuit. The cannula is indicated for use as a venous drainage cannula and for removal of fresh, soft thrombi or emboli during extracorporeal bypass for up to six hours. The cardiopulmonary bypass circuit is indicated for use in procedures requiring extracorporeal circulatory support for periods of up to six hours.

The AngioVac devices are for use with other manufacturer’s off-the-shelf pump, filter, and reinfusion cannula, to facilitate venous drainage as part of a extracorporeal bypass procedure for up to six hours.

The AngioVac venous drainage cannula is a 22F coil-reinforced cannula designed with a balloon actuated, expandable funnel shaped distal tip. The proprietary funnel shaped tip enhances venous drainage flow when the balloon is inflated, prevents clogging of the cannula with commonly encountered undesirable intravascular material, and facilitates en bloc removal of such extraneous material.

Thrombolytic Products

Thrombolytic catheters are used to deliver thrombolytic agents, which are drugs that dissolve blood clots in hemodialysis access grafts, arteries, veins and surgical bypass grafts. Our thrombolytic catheters include:

- Pulse*Spray® Infusion Catheters and Uni*Fuse thrombolytic catheters. Our Pulse*Spray and Uni*Fuse catheters improve the delivery of thrombolytic agents by providing a controlled, forceful and uniform dispersion. Patented slits on the infusion catheter operate like tiny valves for an even distribution of thrombolytic agents. These slits reduce the amount of thrombolytic agents required and the time necessary for these procedures, resulting in cost savings and improved patient safety.

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- SpeedLyser®. Our SpeedLyser thrombolytic catheter is used to deliver thrombolytic agents into obstructed dialysis grafts. This catheter features Pulse*Spray slit technology that simplifies catheter insertion and drug delivery.

Angiographic Products and Accessories

Angiographic products and accessories are used during peripheral vascular interventional procedures. These products permit interventional physicians to reach targeted locations within the vascular system to deliver contrast media for visualization purposes and therapeutic agents and devices, such as percutaneous transluminal angioplasty (PTA) balloons. Angiographic products consist primarily of angiographic catheters, but also include entry needles and guidewires specifically designed for peripheral interventions and fluid management products.

We manufacture angiographic catheters and guidewires that are available in more than 500 tip configurations and lengths.

- Soft-Vu®. Our proprietary Soft-Vu angiographic catheter technology incorporates a soft, atraumatic tip that is easily visualized under fluoroscopy.
- AngiOptic™ . The AngiOptic catheter line is distinguished from other catheters because the entire instrument is highly visible under fluoroscopy.
- Accu-Vu®. The Accu-Vu angiographic catheter is a highly visible, accurate sizing catheter used to determine the length and diameter of a vessel for endovascular procedures. Accu-Vu provides a soft, highly radiopaque tip with a choice of platinum radiopaque marker patterns along the shaft for enhanced visibility and accuracy.
- Mariner™ . The Mariner catheter is a hydrophilic-coated angiographic catheter. It uses our patented Soft-Vu catheter technology to deliver contrast media to anatomy that is difficult to reach. The advanced hydrophilic coating technology significantly reduces catheter surface friction, providing smoother navigation through challenging vasculature with optimal handling and control.
- AQUA Liner®. The AQUA Liner guidewire is a technologically advanced guidewire. It is used to provide access to difficult-to-reach locations in interventional procedures requiring a highly lubricious wire. The AQUA Liner guidewire incorporates proprietary advanced coating technology that allows frictionless navigation.

Drainage Products

Drainage products percutaneously drain abscesses and other fluid pockets. An abscess is a tender inflamed mass that typically must be drained by a physician.

Our line of drainage products, The Total Abscession® Family of Drainage Catheters, consists of our Total Abscession General, Biliary, and Nephrostomy drainage catheters. These products feature our proprietary soft shaft with Blue Silk™ finish for a more comfortable patient fit. The kink-resistant shaft recovers rapidly, even if severely bent, knotted, or twisted. This is particularly beneficial when patients roll over and risk a potential kinking of the catheter during sleep. The thermal molded tip allows for less buckling and kinking upon insertion. Also important is that the shaft diameter equals the inner diameter of the catheter hub to maximize flow. Our Total Abscession drainage catheters feature a tamper-resistant locking mechanism called the Vault® which securely fixes the pigtail and prevents tampering or accidental removal. This locking mechanism helps to prevent the drain from becoming unlocked during routine use, thus reducing a physician’s time by avoiding a possible “redo” case, and increasing patient satisfaction by not having to repeat the procedure. The Total Abscession catheter permits aspiration in the locked or unlocked position thus allowing more accurate placement and greater versatility for draining complex situations.

Micro Access Kits

Our Micro Access sets provide interventional physicians a smaller introducer system for minimally-invasive procedures. Our Micro Access product line provides physicians with the means to build a custom set from the wide selection of configurations available, including four wires in two different lengths, seven needle options and three sheath dilator options.

Vascular Access

Image-guided vascular access, or IGVA, involves the use of advanced imaging equipment to guide the placement of catheters that deliver primarily short-term drug therapies, such as chemotherapeutic agents and antibiotics, into the central venous system. Delivery to the circulatory system allows drugs to mix with a large volume of blood as compared to intravenous drug delivery into a superficial vessel. IGVA procedures include the placement of PICC lines, implantable ports and central venous catheters, or CVCs.

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BioFlo®

Our BioFlo products incorporate Endexo Technology into the manufacturing and design of our Vascular Access products. Endexo is a fluorine based additive that creates a non-eluting (permanent), non-heparin based catheter material that is designed to reduce thrombus accumulation and platelet adhesion to all surfaces of the catheter. BioFlo's long-term durability and efficacy is intended to provide clinicians a high degree of safety and confidence in providing better patient care and improved patient outcomes.

PICC Products

A peripherally inserted central catheter, or PICC, is a long thin catheter that is inserted into a peripheral vein, typically in the upper arm, and advanced until the catheter tip terminates in a large vein in the chest near the heart to obtain intravenous access. PICCs can typically be used for prolonged periods of time and provide an alternative to central venous catheters. Our PICC products include:

- BioFlo® PICC: BioFlo is the only power injectable PICC available that incorporates Endexo Technology into the manufacturing and design of the catheter. Advanced features such as large lumen diameters allow the BioFlo® PICC to deliver the power injection flow rates required for contrast-enhanced computed tomography (CT) scans compatible with up to 325 psi CT injections.
- BioFlo® PICC with PASV® Valve Technology: The only power injectable PICC to combine Endexo Technology with PASV® Valve Technology. The PASV® Valve Technology is designed to automatically resist backflow and reduce blood reflux that could lead to catheter-related complications.
- BioFlo® PICC Hybrid with PASV Valve Technology: The BioFlo® Hybrid PICC is the first and only triple lumen PICC with two valved lumens incorporating Endexo Technology and our proprietary PASV Valve Technology with a dedicated non-valved lumen for precise central venous pressure (or CVP) monitoring. With this innovative design, we now have a durable, non-eluting catheter that reduces thrombus accumulation and provides the benefits of two catheters in one.
- Xcela PICC with PASV Valve Technology: The Xcela® PICC with PASV® Valve Technology is designed to provide a high degree of safety, ease and confidence in patient care. Advanced features such as large lumen diameters allow the Xcela® PICC with PASV® Valve Technology to deliver the power injection flow rates required for contrast-enhanced CTs compatible with up to 325 psi CT injections. The PASV® Valve Technology design automatically resists backflow, reducing blood reflux that could lead to catheter-related complications.
- Xcela Power Injectible PICC: The Xcela Power Injectable PICC, with fundamental PICC requirements as its foundation, is also designed to deliver flow rates required for successful contrast-enhanced CTs. Advanced features such as large lumen diameters, reverse tapered catheter body and radiopacity are designed to augment catheter performance, from catheter placement to care and maintenance.
- Xcela PICC Hybrid with PASV Valve Technology: The Xcela Hybrid PICC has two valved lumens incorporating our proprietary PASV Valve Technology and a dedicated non-valved lumen for precise CVP monitoring.
- Morpheus® CT PICC and Morpheus® CT PICC Insertion Kit: Our insertion kit allows our Morpheus CT PICC to be inserted at a patient's bedside instead of in the hospital radiology suite. The kit was specifically designed for interventional radiologists, nurse practitioners, physician assistants and radiology technicians who perform placement of PICC lines. These PICC lines provide short or long-term peripheral access to the central venous system for intravenous therapy and blood sampling. These products are intended for use with CT injectors, allowing physicians to use the existing PICC for both medications and CT imaging, thus avoiding the need for an additional access site.
- Morpheus® Smart PICC: The Morpheus Triple Lumen Smart PICC, the next evolution of our Morpheus CT PICC line, gives practitioners the increased flexibility to both administer medications and perform power injections of contrast media for CT imaging using one PICC line. The Morpheus Smart PICC features Smart Taper™ technology to improve blood flow and reduce the risk of thrombosis while reducing leakage around the insertion site.

Port Products

Ports are implantable devices utilized for the central venous administration of a variety of medical therapies and for blood sampling and diagnostic purposes. Central venous access facilitates a more systemic delivery of treatment agents, while mitigating certain harsh side effects of certain treatment protocols and eliminating the need for repeated

access to peripheral veins. Depending upon needle gauge size and the port size, a port can be utilized for up to approximately 2,000 accesses once implanted in the body. Our ports are used primarily in systemic or regional short and long-term cancer treatment protocols that require frequent infusions of highly concentrated or toxic medications (such as chemotherapy agents, antibiotics or analgesics) and frequent blood samplings.

Our port products and accessories include:

- Vortex® : Our Vortex port technology line of ports is a clear-flow port technology that, we believe, revolutionized port design. With its rounded chamber, the Vortex port is designed to have no sludge-harboring corners or dead spaces. This product line consists of the following titanium, plastic and dual-lumen offerings within its family of products: (i) Vortex VX; (ii) Vortex TR; (iii) Vortex LP; and (iv) Vortex MP.
- SmartPort® : The Smart Port power-injectable port with Vortex technology offers the ability for a clinician to access a vein for both the delivery of medications or fluids and for administering power-injected contrast to perform a Computed Tomography (CT) scan. The ability to access a port for power-injected contrast studies eliminates the need for additional needle sticks in the patient's arm and wrist veins. Once implanted, repeated access to the bloodstream can be accomplished with greater ease and less discomfort. Our Smart Port is now available in mini and low-profiles to accommodate more patient anatomies.
- Vaxcel® Implantable Ports. Vaxcel® : Implantable Ports are available in a choice of port design: titanium or polysulfone port body material; silicone or polyurethane thin wall catheter construction. An option of Mini and Standard Port body designs provides the flexibility to match size to varying clinical requirements.
- Xcela® Power Injectible Ports. Our Xcela® : Power Injectable Ports offer choices in port size, design and material to best suit a wide variety of patient needs.
  - Plastic—Light weight for patient comfort and provides radiolucence for improved imaging.
  - Hybrid of Plastic and Titanium—Combines the light weight and radiolucence of plastic with the durability of titanium.
  - Standard Titanium—Offers a small footprint without compromising septum size for ease of access.
  - Low Profile Titanium—Offers the smallest footprint, providing increased patient comfort and options for placement.
  - Dual Lumen Plastic—Designed to deliver supportive therapies.
- Vaxcel® Implantaable Ports with PASV® Valve Technology: The Vaxcel® Port with PASV® Valve has shown demonstrated results in clinical and economic outcomes. Ports with PASV® Valve Technology have shown significant reductions in inadequate blood draws and occlusion in clinical studies. The PASV® Valve is a proximally located valve in the port body, designed to automatically close after infusion, disconnection or aspiration, and remain closed during normal pressure. An advantage of the PASV® Valve Technology is a proximally located, direction-specific valve that is designed to resist backflow and maintain patency between uses.
- LifeGuard® : The LifeGuard Safety Infusion Set and The LifeGuard Vision are used to infuse our ports and complement our port and vascular access catheters. The needles' low profile design is intended to allow clinicians to easily dress the site.

Dialysis Products

We market a complete line of dialysis products that provide short and long-term vascular access for dialysis patients. Dialysis, or cleaning of the blood, is necessary in conditions such as acute renal failure, chronic renal failure and end-stage renal disease (ESRD).

We currently offer a wide variety of dialysis catheters, including:

- DuraMax® . The DuraMax catheter is a stepped-tip catheter designed to improve ease of use, dialysis efficiency and overall patient outcomes.
- Schon™ . The Schon chronic dialysis catheter is designed to be self-retaining, deliver high flow rates and provide patient comfort. The Schon catheter is for long-term use.
- Evenmore® .. The Evenmore chronic dialysis catheter is a low-profile, end-hole catheter designed to provide very efficient dialysis. It was designed for long-term use with our proprietary Durathane® shaft, which offers high resistance to chemicals used to clean the insertion site.
- Vaxcel® Plus. The tapered Carbothane® Material Catheter Extrusion of Vaxcel® Plus Dialysis Catheter is an alcohol-resistant material designed to provide biocompatibility, durability, flexibility and ease of care. It is designed to facilitate placement, improve kink resistance and reduce the need for catheter manipulation and replacement.
- Dura-Flow 2™ . The Dura-Flow 2 chronic dialysis catheter is designed to be durable, maximize flow rates and provide for easier care and site maintenance. The Dura-Flow chronic dialysis catheter is for long-term use.

SCHON XL® .. The SCHON XL acute dialysis catheter is designed to be kink resistant, deliver high flow rates, offer versatile positioning and provide patient comfort. SCHON XL is for short-term use.

Oncology / Surgery Products

Our Oncology/Surgery product offerings include our Microwave Ablation products, our Radiofrequency Ablation (RFA) and our NanoKnife product lines.

Microwave Ablation Products

The Acculis Microwave Tissue Ablation (MTA) System complements the full range of ablative technologies we offer. When configured for use with the Accu2i pMTA Applicators, it includes the Sulis VpMTA Generator, optional MTA Temperature Probes, Acculis Local Control Station (LCS) and Accu2i pMTA Applicators. Designed for physicians trained in image-guided ablation procedures, intraoperative ultrasound and/or CT guided needle placement, the system is used for thermal coagulation of soft tissue. By utilizing 2.45 Ghz of microwave energy, the Acculis MTA System can complete ablations up to 5 cm in six minutes with a single applicator. Applicators are available in 14 cm, 19 cm and 29 cm lengths, offering flexibility in selecting the appropriate length for the procedure. Additionally, an antenna transmits energy directly to the targeted tissue, eliminating the need for electrosurgical grounding pads, while the single, simple to place insertion applicator eliminates the need to deploy an active array.

Radiofrequency Ablation Products

Radiofrequency Ablation (RFA) products use radiofrequency energy to provide a minimally invasive approach to ablating solid cancerous or benign tumors. Our system delivers radiofrequency energy to raise the temperature of cells above 45-50°C, causing cellular death.

The physician inserts the disposable needle electrode device into the targeted body tissue, typically under ultrasound, computed tomography or magnetic resonance imaging guidance. Once the device is inserted, pushing on the handle of the device causes a group of curved wires to be deployed from the tip of the electrode. When the power is turned on, these wires deliver radiofrequency energy throughout the tumor. In addition, temperature sensors on the tips of the wires measure tissue temperature throughout the procedure.

During the procedure, our system automatically adjusts the amount of energy delivered in order to maintain the temperature necessary to ablate the targeted tissue. For a typical 5cm ablation using our StarBurst ® Xli-enhanced disposable device, the ablation process takes approximately ten minutes. When the ablation is complete, pulling back on the handle of the device causes the curved wire array to be retracted into the device so it can be removed from the body.

The RFA system consists of a radiofrequency generator and a family of disposable devices. We also market the Habib ® 4X ® resection device under a distribution agreement with EMcision Limited. In addition to the intra-operative (open surgery) device Habib 4X, AngioDynamics markets a minimally-invasive version of the Habib 4X device, a Laparoscopic 4X unit, which is used in minimally invasive laparoscopic surgery (MILS) procedures in surgical specialties such as: Hepato-Biliary, GI, Surgical Oncology, Transplant Surgery and Urology (Partial Nephrectomy Resections). It is clinically indicated to assist in coagulation of tissue during intraoperative and laparoscopic procedures.

The following is a list of our RFA products:

	Product Name	Description
Disposable Electrodes:	StarBurst®	Creates a scalable 2-3cm ablation.
	StarBurst XL	Creates a scalable 3-5cm ablation.
	StarBurst Semi-Flex	Creates a scalable 3-5cm ablation and has a partially flexible shaft.
	StarBurst SDE	Creates a 2cm ablation, via a side-deployed array
	StarBurst MRI	Creates a 3-5 cm ablation and is compatible with MRI.
	StarBurst Xli-enhanced	Creates a scalable 4-7cm ablation. Requires an accessory infusion pump for irrigation of saline. Attached tubing standard.
	StarBurst Xli-enhanced Semi-Flex	Creates a scalable 4-7cm ablation. A portion of the shaft is flexible and can bend up to 90 degrees in all directions. Requires an accessory infusion pump for irrigation of saline. Attached tubing standard.
	StarBurst Talon: Straight	Creates a scalable 1-4cm ablation. Requires an accessory infusion pump for irrigation of saline.
	StarBurst Talon: Semi-Flex	Creates a scalable 1-4cm ablation. Requires an accessory infusion pump for irrigation of saline. A portion of the shaft is flexible and can bend up to 90 degrees in all directions.
Resection Device:	Habib® 4X	Surgical resection device.
Generators:	Model 1500X RF Generator	250 Watt Capable Generator with Field-Software Upgradeability.

NanoKnife® Ablation System Products

The NanoKnife® Ablation System is for the surgical ablation of soft tissue. The NanoKnife Ablation System utilizes low energy direct current electrical pulses to permanently open pores in target cell membranes. These permanent pores or nano-scale defects in the cell membranes result in cell death. The treated tissue is then removed by the body's natural processes in a matter of weeks, mimicking natural cell death. Unlike other ablation technologies, NanoKnife Ablation System does not achieve tissue ablation using thermal energy.

The Nanoknife Ablation System consists of two major components: a Low Energy Direct Current, or LEDC Generator and needle-like electrode probes. Up to six (6) electrode probes can be placed into or around the targeted soft tissue. Once the probes are in place, the user enters the appropriate parameters for voltage, number of pulses, interval between pulses, and the pulse length into the generator user interface. The generator then delivers a series of short electric pulses between each electrode probe. The energy delivery is hyperechoic and can be monitored under real-time ultrasound.

All products discussed above have been cleared for sale in the United States by the FDA.

Research & Development

Our growth depends in large part on the continuous introduction of new and innovative products, together with ongoing enhancements to our existing products, through internal product development, technology licensing and strategic alliances. We recognize the importance of, and intend to continue to make investments in, research and development. For fiscal 2014, 2013 and 2012, our research and development ("R&D") expenditures were $27.5 million, $26.3 million and $20.5 million, respectively, and constituted 7.8%, 7.7% and 9.2%, respectively, of net sales.

Our R&D development teams work closely with our sales force to incorporate customer feedback into our development and design process. We believe that we have a reputation among interventional physicians as a strong partner for product development because of our tradition of close physician collaboration, dedicated market focus,

responsiveness and execution capabilities for product development and commercialization.

Competition

We encounter significant competition across our product lines and in each market in which our products are sold. These markets are characterized by rapid change resulting from technological advances and scientific discoveries. We face competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of products.

In addition, we compete with providers of other medical therapies, such as pharmaceutical companies, that may offer non-surgical therapies for conditions that currently, or in the future, may be treated using our products. Our primary device competitors include: Boston Scientific Corporation; Cook Medical; C.R. Bard; Medical Components, Inc., or Medcomp; Arrow International, a subsidiary of TeleFlex Medical; Smiths Medical, a subsidiary of Smiths Group plc; Vascular Solutions; Covidien subsidiaries (Kendall, VNUS, EV3); Merit Medical; Terumo Medical Corporation; Total Vein Systems and Biolitec.

Many of our competitors have substantially greater financial, technological, research and development, regulatory, marketing, sales and personnel resources than we do. Competitors may also have greater experience in developing products, obtaining regulatory approvals, and manufacturing and marketing such products. Additionally, competitors may obtain patent protection or regulatory approval or clearance, or achieve product commercialization before us, any of which could materially adversely affect us.

We believe that our products compete primarily on the basis of their quality, clinical outcomes, ease of use, reliability, physician familiarity and cost-effectiveness. In the current environment of managed care, which is characterized by economically motivated buyers, consolidation among health care providers, increased competition and declining reimbursement rates, we have been increasingly required to compete on the basis of price. We believe that our continued competitive success will depend upon our ability to develop or acquire scientifically advanced technology, apply our technology cost-effectively across product lines and markets, develop or acquire proprietary products, attract and retain skilled development personnel, obtain patent or other protection for our products, obtain required regulatory and reimbursement approvals, manufacture and successfully market our products either directly or through outside parties and maintain sufficient inventory to meet customer demand.

Sales and Marketing

We sell our broad line of quality devices in the United States through a direct sales force and internationally through a combination of direct sales and distributor relationships. We support our customers and sales organization with a marketing staff that includes product managers, customer service representatives and other marketing specialists. Our dedicated sales force, growing portfolio of products and acquisitions have contributed to our strong sales growth.

We focus our sales and marketing efforts on interventional radiologists, interventional cardiologists, vascular surgeons, urologists and interventional and surgical oncologists. There are more than 5,000 interventional radiologists, 5,000 interventional cardiologists, 2,000 vascular surgeons, 9,000 urologists and 2,000 interventional and surgical oncologists in the United States.

Backlog

Historically, we ship the majority of products within 48 hours of receipt of the orders, and accordingly our backlog is not significant.

Manufacturing

We manufacture certain proprietary components and products and assemble, inspect, test and package our finished products. By designing and manufacturing many of our products from raw materials, and assembling and testing our subassemblies and products, we believe that we are able to maintain better quality control, ensure compliance with applicable regulatory standards and our internal specifications, and limit outside access to our proprietary technology. We have custom-designed proprietary manufacturing and processing equipment and have developed proprietary enhancements for existing production machinery.

Raw materials and sub-assemblies used in the manufacture of our products are purchased from a large number of suppliers in diverse geographic locations. Changes in economic conditions and related risks in materials, particularly metals and plastic resins, can have a significant impact on access, availability and total cost of producing certain products. We may experience fluctuations in our margins if these costs cannot be effectively mitigated through or

captured in the price of the products.

We own or lease four primary manufacturing properties providing capabilities which include manufacturing, service, engineering and research, distribution warehouses and offices. These facilities are registered with the FDA and have been certified to ISO 13485 standards, as well as the CMD/CAS Canadian Medical Device Regulations. ISO 13485 is a quality system standard that satisfies European Union regulatory requirements, thus allowing us to market and sell our products in European Union countries. If we were to lose this certification, we would no longer be able to sell our products in these countries until we made the necessary corrections to our operations or satisfactorily completed an alternate European Union approval route that did not rely on compliance with quality system standards. Our manufacturing facilities are subject to periodic inspections by regulatory authorities to ensure compliance with domestic and non-U.S. regulatory requirements. See “Government Regulation” section of this report for additional information. We believe that the properties are maintained in good operating condition and are suitable for their intended use. These sites are as follows:

Manufacturing Location	Approx. Sq. Ft.	Property Type
Glens Falls, NY	189,000	Owned
Queensbury, NY	129,000	Owned
Manchester, GA	60,000	Leased
Denmead, U.K.	7,500	Leased

Intellectual Property

Patents, trademarks and other proprietary rights are very important to our business. We also rely upon trade secrets, manufacturing know-how, technological innovations and licensing opportunities to maintain and improve our competitive position. We regularly monitor and review third-party proprietary rights, including patents and patent applications, as available, to aid in the development of our intellectual property strategy, avoid infringement of third-party proprietary rights, and identify licensing opportunities.

Most of our products are sold under the AngioDynamics trade name or trademark. Additionally, many are also sold under product trademarks and/or registered product trademarks owned by AngioDynamics, Inc., or an affiliate or subsidiary. Some products contain trademarks of companies other than AngioDynamics.

As of May 31, 2014, we owned or had exclusive licenses to 231 U.S. utility patents, 123 pending U.S. utility applications, and 117 foreign issued and pending utility patents. We also own 67 U.S. registered trademarks and 49 common law trademarks. We currently have 119 registered international trademarks and 15 pending international trademarks.

Notwithstanding the foregoing, patent positions of medical device companies, including our company, are uncertain and involve complex and evolving legal and factual questions. The coverage sought in a patent application can be denied or significantly reduced either before or after the patent is issued. Consequently, there can be no assurance that any of our pending patent applications will result in an issued patent. There is also no assurance that any existing or future patent will provide significant protection or commercial advantage, or whether any existing or future patent will be circumvented by a more basic patent, thus requiring us to obtain a license to produce and sell the product. Generally, patent applications can be maintained in secrecy for at least 18 months after their earliest priority date. In addition, publication of discoveries in the scientific or patent literature often lags behind actual discoveries. Therefore, we cannot be certain that we were the first to invent the subject matter covered by each of our pending U.S. patent applications or that we were the first to file non-U.S. patent applications for such subject matter.

If a third party files a patent application relating to an invention claimed in our patent application, we may be required to participate in an interference proceeding declared by the U.S. Patent and Trademark Office to determine who owns the patent. Such proceeding could involve substantial uncertainties and cost, even if the eventual outcome is favorable to us. There can be no assurance that our patents, if issued, would be upheld as valid in court.

Third parties may claim that our products infringe on their patents and other intellectual property rights. Some companies in the medical device industry have used intellectual property infringement litigation to gain a competitive advantage. If a competitor were to challenge our patents, licenses or other intellectual property rights, or assert that

our products infringe its patent or other intellectual property rights, we could incur substantial litigation costs, be forced to make expensive changes to our product design, pay royalties or other fees to license rights in order to continue manufacturing and selling our products, or pay substantial damages. Third-party infringement claims, regardless of their outcome, would not only consume our financial resources but also divert our management's time and effort. Such claims could also cause our customers or potential customers to defer or limit their purchase or use of the affected products until resolution of the claim.

See Part I. Item 3 of this report for additional details on litigation regarding proprietary technology.

We rely on trade secret protection for certain unpatented aspects of our proprietary technology. There can be no assurance that others will not independently develop or otherwise acquire substantially equivalent proprietary information or techniques, that others will not gain access to our proprietary technology or disclose such technology, or that we can meaningfully protect our trade secrets. We have a policy of requiring key employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting relationship with us. Our confidentiality agreements also require our employees to assign to us all rights to any inventions made or conceived during their employment with us. We also generally require our consultants to assign to us any inventions made during the course of their engagement by us. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for us in the event of unauthorized use, transfer or disclosure of confidential information or inventions.

The laws of foreign countries generally do not protect our proprietary rights to the same extent as do the laws of the United States. In addition, we may experience more difficulty enforcing our proprietary rights in certain foreign jurisdictions.

Litigation

We operate in an industry characterized by extensive patent litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or result in significant royalty payments in order to continue selling the products. While it is not possible to predict the outcome of patent litigation incidents to our business, we believe the costs associated with this type of litigation could have a material adverse impact on our consolidated results of operations, financial position, or cash flows. The medical device industry is also susceptible to significant product liability claims. These claims may be brought by individuals seeking relief on their own behalf or purporting to represent a class. In addition, product liability claims may be asserted against us in the future based on events we are not aware of at the present time. At any given time, we are involved in a number of product liability actions. For additional information, see both Part I. Item 3 of this report and Note N to the consolidated financial statements in this annual report on Form 10-K.

Government Regulation

The products we manufacture and market are subject to regulation by the FDA under the Federal Food, Drug, and Cosmetic Act, or FDCA, and, in some instances, state authorities and foreign governments.

United States FDA Regulation - Before a new medical device can be introduced into the market, a manufacturer generally must obtain marketing clearance or approval from the FDA through either a 510(k) submission (a premarket notification) or a premarket approval application, or PMA.

The 510(k) procedure is available only in particular circumstances. The 510(k) clearance procedure is available only if a manufacturer can establish that its device is “substantially equivalent” in intended use and in safety and effectiveness to a “predicate device,” which is a legally marketed device with 510(k) clearance in class I or II or grandfather status based upon commercial distribution on or before May 28, 1976. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require a PMA approval. The 510(k) clearance procedure generally takes from four to 12 months from the time of submission, but may take longer. In some cases, supporting clinical data may be required. The FDA may determine that a new or modified device is not substantially equivalent to a predicate device or may require that additional information, including clinical data, be submitted before a determination is made, either of which could significantly delay the introduction of new or modified device products. If a product does not satisfy the criteria of substantial equivalence, it is placed in class III and premarket approval is required prior to the introduction of that product into the market.

The PMA application procedure is more comprehensive than the 510(k) procedure and typically takes several years to complete. The PMA application must be supported by scientific evidence providing pre-clinical and clinical data relating to the safety and efficacy of the device and must include other information about the device and its components, design, manufacturing and labeling. The FDA will approve a PMA application only if a reasonable assurance that the device is safe and effective for its intended use can be provided. As part of the PMA application review, the FDA will inspect the manufacturer’s facilities for compliance with its Quality System Regulation, or QSR.

As part of the PMA approval the FDA may place restrictions on the device, such as requiring additional patient follow-up for an indefinite period of time. If the FDA's evaluation of the PMA application or the manufacturing facility is not favorable, the FDA may deny approval of the PMA application or issue a "not approvable" letter. The FDA may also require additional clinical trials, which can delay the PMA approval process by several years. After the PMA is approved, if significant changes are made to a device, its manufacturing or labeling, a PMA supplement containing additional information must be filed for prior FDA approval.

Historically, our products have been introduced into the market using the 510(k) procedure and we have never had to use the PMA procedure.

The FDA clearance and approval processes for a medical device are expensive, uncertain and lengthy. There can be no assurance that we will be able to obtain necessary regulatory clearances or approvals for any product on a timely basis or at all. Delays in receipt of or failure to receive such clearances or approvals, the loss of previously received clearances or approvals, or the failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

After a product is placed on the market, the product and its manufacturer are subject to pervasive and continuing regulation by the FDA. The FDA enforces these requirements by inspection and market surveillance. Our suppliers also may be subject to FDA inspection. We must therefore continue to spend time, money and effort to maintain compliance. Among other things, we must comply with the Medical Device Reporting regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur. We must also comply with the FDA's corrections and removal reporting regulation, which requires that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by a device or to remedy a violation of the FDCA that may present a risk to health. The labeling and promotion activities for devices are subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. The FDA actively enforces regulations prohibiting the marketing of devices for unapproved new uses.

The devices manufactured by us also are subject to the QSR, which imposes elaborate testing, control, documentation and other quality assurance procedures. Every phase of production, including raw materials, components and subassemblies, manufacturing, testing, quality control, labeling, tracing of consignees after distribution and follow-up and reporting of complaint information is governed by the FDA's QSR. Device manufacturers are required to register their facilities and list their products with the FDA and certain state agencies. The FDA periodically inspects manufacturing facilities and, if there are alleged violations, the operator of a facility must correct them or satisfactorily demonstrate the absence of the violations or face regulatory action.

We are subject to inspection and marketing surveillance by the FDA to determine our compliance with all regulatory requirements. Recently, the FDA has placed an increased emphasis on enforcement of the QSR and other postmarket regulatory requirements. Non-compliance with applicable FDA requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the FDA to grant marketing approvals, withdrawal of marketing approvals, a recommendation by the FDA to disallow us to enter into government contracts, and criminal prosecutions. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by us.

Other - We and our products are also subject to a variety of state and local laws in those jurisdictions where our products are or will be marketed, and federal, state and local laws relating to matters such as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. In addition, we are subject to various federal and state laws governing our relationships with the physicians and others who purchase or make referrals for our products. For instance, federal law prohibits payments of any form that are intended to induce a referral for any item payable under Medicare, Medicaid or any other federal healthcare program. Many states have similar laws. There can be no assurance that we will not be required to incur significant costs to comply with such laws and regulations now or in the future or that such laws or regulations will not have a material adverse effect upon our ability to do business.

International Regulation - Internationally, all of our current products are considered medical devices under applicable regulatory regimes, and we anticipate that this will be true for all of our future products. Sales of medical devices are subject to regulatory requirements in many countries. The regulatory review process may vary greatly from country to country. For example, the European Union has adopted numerous directives and standards relating to medical devices regulating their design, manufacture, clinical trials, labeling and adverse event reporting. Devices that comply with those requirements are entitled to bear a Conformité Européenne, or CE Mark, indicating that the device conforms to the essential requirements of the applicable directives and can be commercially distributed in countries that are members of the European Union.

In some cases, we rely on our international distributors to obtain regulatory approvals, complete product registrations, comply with clinical trial requirements and complete those steps that are customarily taken in the applicable jurisdictions.

International sales of medical devices manufactured in the United States that are not approved or cleared by the FDA for use in the United States, or are banned or deviate from lawful performance standards, are subject to FDA export requirements.

Before exporting such products to a foreign country, we must first comply with the FDA's regulatory procedures for exporting unapproved devices.

The process of obtaining approval to distribute medical products is costly and time-consuming in virtually all of the major markets where we sell medical devices. We cannot assure that any new medical devices we develop will be approved in a timely or cost-effective manner or approved at all. There can be no assurance that new laws or regulations regarding the release or sale of medical devices will not delay or prevent sale of our current or future products.

Third-Party Reimbursement

United States - Our products are used in medical procedures generally covered by government or private health plans. In general, a third-party payor only covers a medical product or procedure when the plan administrator is satisfied that the product or procedure improves health outcomes, including quality of life or functional ability, in a safe and cost-effective manner. Even if a device has received clearance or approval for marketing by the FDA, there is no assurance that third-party payors will cover the cost of the device and related procedures.

In many instances, third-party payors use price schedules that do not vary to reflect the cost of the products and equipment used in performing those procedures. In other instances, payment or reimbursement is separately available for the products and equipment used, in addition to payment or reimbursement for the procedure itself. Even if coverage is available, third-party payors may place restrictions on the circumstances where they provide coverage or may offer reimbursement that is not sufficient to cover the cost of our products.

Third-party payors who cover the cost of medical products or equipment, in addition to allowing a general charge for the procedure, often maintain lists of exclusive suppliers or approved lists of products deemed to be cost-effective. Authorization from those third-party payors is required prior to using products that are not on these lists as a condition of reimbursement. If our products are not on the approved lists, healthcare providers must determine if the additional cost and effort required in obtaining prior authorization, and the uncertainty of actually obtaining coverage, is justified by any perceived clinical benefits from using our products.

Finally, the advent of contracted fixed rates per procedure has made it difficult to receive reimbursement for disposable products, even if the use of these products improves clinical outcomes. In addition, many third-party payors are moving to managed care systems in which providers contract to provide comprehensive healthcare for a fixed cost per person. Managed care providers often attempt to control the cost of healthcare by authorizing fewer elective surgical procedures. Under current prospective payment systems, such as the diagnosis related group system and the hospital out-patient prospective payment system, both of which are used by Medicare and in many managed care systems used by private third-party payors, the cost of our products will be incorporated into the overall cost of a procedure and not be separately reimbursed. As a result, we cannot be certain that hospital administrators and physicians will purchase our products, despite the clinical benefits and opportunity for cost savings that we believe can be derived from their use. If hospitals and physicians cannot obtain adequate reimbursement for our products or the procedures in which they are used, our business, financial condition, results of operations, and cash flows could suffer a material adverse impact.

International - Our success in international markets will depend largely upon the availability of reimbursement from the third-party payors through which healthcare providers are paid in those markets. Reimbursement and healthcare payment systems vary significantly by country. The main types of healthcare payment systems are government sponsored healthcare and private insurance. Reimbursement approval must be obtained individually in each country in which our products are marketed. Outside the United States, we generally rely on our distributors to obtain reimbursement approval in the countries in which they will sell our products. There can be no assurance that reimbursement approvals will be received.

Insurance

Our product liability insurance coverage is limited to a maximum of $10,000,000 per product liability claim and an aggregate policy limit of $10,000,000, subject to a self-insured retention of $500,000 per occurrence and $1,250,000 in the aggregate. The policy covers, subject to policy conditions and exclusions, claims of bodily injury and property damage from any product sold or manufactured by us.

There is no assurance that this level of coverage is adequate. We may not be able to sustain or maintain this level of coverage and cannot assure you that adequate insurance coverage will continue to be available on commercially reasonable terms, or at all. A successful product liability claim or other claim with respect to uninsured or underinsured liabilities could have a material adverse effect on our business.

Environmental

We are subject to federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain hazardous and potentially hazardous substances used in connection with our operations. Although we believe that we have complied with these laws and regulations in all material respects and, to date, have not been required to take any action to correct any noncompliance, there can be no assurance that we will not be required to incur significant costs to comply with environmental regulations in the future.

Employees

As of May 31, 2014, we had approximately 1,300 full time employees. None of our employees are represented by a labor union and we have never experienced a work stoppage.

Executive Officers of the Company

The following table sets forth certain information with respect to our executive officers.

Name	Age	Position
Joseph M. DeVivo	47	President and Chief Executive Officer
Mark T. Frost	51	Executive Vice President, Chief Financial Officer
John Soto	50	Executive Vice President, Chief Commercial Officer
Matthew Kapusta	42	Senior Vice President, Business Development
Mark Stephens	46	Senior Vice President, Administration
Stephen A. Trowbridge	40	Senior Vice President and General Counsel

Joseph M. DeVivo became our President and Chief Executive Officer in September 2011. Prior to joining AngioDynamics, Mr. DeVivo served as Global President of Smith & Nephew Orthopedics. Previously, Mr. DeVivo was CEO and President of RITA Medical Systems, serving in that capacity at the time AngioDynamics acquired RITA. Prior to RITA Medical Systems, Mr. DeVivo served as President, Chief Operating Officer and Director of Computer Motion Incorporation (CMI). Mr. DeVivo also previously served as Vice President and General Manager of a $350 million division of TYCO International's Healthcare Business, U.S. Surgical/Davis and Geck Sutures, where he was responsible for sales, marketing, research and development, and finance in its vascular business. During his nine-year tenure at U.S. Surgical, he held various management positions related to sales and marketing. Mr. DeVivo earned his Bachelor of Science degree in Business Administration from the E. Clairborne Robins School of Business at the University of Richmond.

Mark T. Frost became our Executive Vice President and Chief Financial Officer in November 2012. Prior to AngioDynamics, Mr. Frost most recently served as Chief Financial Officer and Senior Vice President of Administration of Albany Molecular Research Inc. (AMRI). He also served five years as vice president of finance at Smith & Nephew Endoscopy, a global medical device division of Smith & Nephew, before joining AMRI. Mr. Frost also spent 14 years with General Electric where he last served as Chief Financial Officer of Groupe Sovac Auto Financial Services based in Paris, France. He earned a Bachelor of Arts in International Relations/Economics, graduating Cum Laude with Honors in Economics, from Colgate University in Hamilton, N.Y.

John Soto joined AngioDynamics as Senior Vice President, Global Franchise, Peripheral Vascular in September 2012 and was appointed Chief Commercial Officer in December 2013. Most recently he was Senior Vice President of Smith & Nephew's Global Hip Franchise. Mr. Soto is the former Senior Vice President of Global Sales for AngioDynamics — a role that he took on after the Company's acquisition of RITA Medical Systems in 2007, where he had served as Executive Vice President of Global Sales and Vice President of International Operations. Prior to joining RITA, he gained leadership experience at Computer Motion, Tyco Healthcare and U.S. Surgical. Mr. Soto graduated from the British Royal Navy with a degree in electronic engineering and has a diploma in medical marketing from the University of California at Los Angeles, CA.

Matthew Kapusta joined AngioDynamics in November 2011 as Senior Vice President of Business Development. Most recently, Mr. Kapusta served as Vice President of Strategic Planning and Financial Analysis for Smith & Nephew Orthopaedics. Mr. Kapusta also spearheaded strategic and financial planning for Smith & Nephew's global Hips,

Knees and Trauma franchises. Prior to Smith & Nephew, Mr. Kapusta was a Managing Director of Healthcare Investment Banking at Collins Stewart in New York City. He also previously served as Vice President of Healthcare Mergers and Acquisitions at Wells Fargo

Securities, and had similar roles at Robertson Stephens and PaineWebber. Mr. Kapusta earned a BBA in Finance, Accounting, from the University of Michigan and has an MBA in Finance, Business Management, from New York University.

Mark Stephens joined AngioDynamics in January 2013 as Senior Vice President, Administration. Prior to joining AngioDynamics, Mr. Stephens most recently led the global human resources organization for Smith and Nephew Orthopaedics. Before joining Smith and Nephew, Mr. Stephens held the position of Vice-President, Human Resources, at Ingersoll Rand Corporation and served as Director of talent management with the Robert Bosch Corporation. He holds a MBA in Human Resources from Murray State University and a BS, Business Administration with a concentration in Economics and finance from the University of Tennessee.

Stephen A. Trowbridge joined AngioDynamics as corporate counsel in June 2008, becoming our Vice President and General Counsel in June 2010 and Senior Vice President and General Counsel in August 2013. Prior to joining AngioDynamics, Mr. Trowbridge was corporate counsel for Philips Healthcare from November 2006 through June 2008, and corporate counsel for Intermagnetics General Corporation from April 2006 until its acquisition by Philips Healthcare in November 2006. Mr. Trowbridge began his career at Cadwalader, Wickersham & Taft LLP in New York City in September 2000. Mr. Trowbridge holds a BS in Science and Technology Studies from Rensselaer Polytechnic Institute, a Juris Doctor from the University of Pennsylvania Law School and an MBA from Duke University’s Fuqua School of Business.

Item 1A. Risk Factors

In addition to the other information contained in this annual report on Form 10-K, the following risk factors should be considered carefully in evaluating the Company's business. Our financial and operating results are subject to a number of factors, many of which are not within our control. These factors include those set forth below. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business, financial condition or results of operations.

Although we expect that the acquisition of Navilyst will result in benefits to us, we may not realize those benefits because of integration difficulties.

We completed the acquisition of Navilyst in May 2012 and have been actively integrating the operations of Navilyst since that time. Completing this integration successfully or otherwise fully realizing any of the anticipated benefits of the acquisition of Navilyst, including anticipated cost savings and additional revenue opportunities, involves a number of challenges. Failure to fully meet these integration challenges could seriously harm our results of operations and the market price of our common stock may decline as a result.

Realizing the benefits of the acquisition will depend in part on the integration of information technology, operations, personnel and sales force. These integration activities are complex and time-consuming and we may encounter unexpected difficulties or incur unexpected costs as we complete the integration, including:

- our inability to achieve the cost savings and operating synergies anticipated in the acquisition, which would prevent us from achieving the positive earnings gains expected as a result of the acquisition;
- diversion of management attention from ongoing business concerns to integration matters;
- difficulties in consolidating and rationalizing information technology platforms and administrative infrastructures;
- complexities associated with managing the combined businesses and consolidating multiple physical locations where management may determine consolidation is desirable;
- difficulties in integrating personnel from different corporate cultures;
- challenges in demonstrating to our customers and to customers of Navilyst that the acquisition will not result in adverse changes in customer service standards or business focus; and
- possible cash flow interruption or loss of revenue as a result of change of ownership transitional matters.

We may not successfully complete the integrate of the operations of the businesses of Navilyst in a timely manner, and we may not realize the anticipated net reductions in costs and expenses and other benefits and synergies of the acquisition of Navilyst to the extent, or in the timeframe, anticipated. In addition to the integration risks discussed above, our ability to realize these net reductions in costs and expenses and other benefits and synergies could be adversely impacted by practical or legal constraints on our ability to combine operations.

If we are unable to manage our growth profitably, our business, financial results and stock price could suffer.

Our future financial results will depend in part on our ability to profitably manage our growth. Management will need to maintain existing customers and attract new customers, recruit, retain and effectively manage employees, as well as expand operations and integrate customer support and financial control systems. If integration-related expenses and capital expenditure requirements are greater than anticipated or if we are unable to manage our growth profitably, our financial results and the market price of our common stock may decline.

We have incurred significant indebtedness which imposes operating and financial restrictions on us which, together with our debt service obligations, could significantly limit our ability to execute our business strategy and increase the risk of default under our debt obligations.

We borrowed an aggregate of approximately $150 million (not including up to $50 million that is available under our revolving credit facility) in connection with the acquisition of Navilyst. The terms of our credit facilities require us to comply with certain financial maintenance covenants. In addition, the terms of our new indebtedness also include certain covenants restricting or limiting our ability to take certain actions.

These covenants may adversely affect our ability to finance future operations or limit our ability to pursue certain business opportunities or take certain corporate actions. The covenants may also restrict our flexibility in planning for changes in our business and the industry and make us more vulnerable to economic downturns and adverse

developments.

Our ability to meet our cash requirements, including our debt service obligations, will be dependent upon our operating performance, which will be subject to general economic and competitive conditions and to financial, business and other factors

affecting our operations, many of which are or may be beyond our control. We cannot provide assurance that our business operations will generate sufficient cash flows from operations to fund these cash requirements and debt service obligations. If our operating results, cash flow or capital resources prove inadequate, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt and other obligations. If we are unable to service our debt, we could be forced to reduce or delay planned expansions and capital expenditures, sell assets, restructure or refinance our debt or seek additional equity capital, and we may be unable to take any of these actions on satisfactory terms or in a timely manner. Further, any of these actions may not be sufficient to allow us to service our debt obligations or may have an adverse impact on our business. Our debt agreements limit our ability to take certain of these actions. Our failure to generate sufficient operating cash flow to pay our debts or to successfully undertake any of these actions could have a material adverse effect on us.

In addition, the degree to which we are leveraged as a result of the indebtedness incurred in connection with the acquisition or otherwise could materially and adversely affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or other purposes, could make us more vulnerable to general adverse economic, regulatory and industry conditions, could limit our flexibility in planning for, or reacting to, changes and opportunities in the markets in which we compete, could place us at a competitive disadvantage compared to our competitors that have less debt or could require us to dedicate a substantial portion of our cash flow to service our debt.

Certain of the benefits we expect from the acquisition of Navilyst, including the anticipated accretion, net reductions in costs and expenses and certain tax benefits, are based on projections and assumptions, which are uncertain and subject to change.

Certain of the benefits we expect from the acquisition of Navilyst, including accretion through fiscal year 2016, cost savings (net of identified incremental costs and excluding transaction and associated one-time costs) of approximately $10 to $15 million by fiscal year 2015 and annual cash tax savings of $11.5 million, or $0.32 per share, each year from fiscal year 2013 through 2023, are based on projections and assumptions that are uncertain and subject to change. These projections and assumptions are based on preliminary information, which may prove to be inaccurate. There can be no assurance that we will realize the accretion per diluted share, the net reductions in costs and expenses from the acquisition or the tax benefits to the extent, or in the time frame, we anticipate. The market price of our common stock may decline if the estimates are not realized or we do not achieve the perceived benefits of the acquisition as rapidly or to the extent anticipated. If we do not generate sufficient taxable income to utilize the acquired net operating loss, or NOL, carryforward before expiration, we will lose the benefit associated with the NOL's acquired in the Navilyst transaction as well as the substantial amounts of NOL's we owned prior to the Navilyst acquisition. There is the possibility that a future ownership change under Internal Revenue Code (or IRC) Section 382 could place a greater limitation on the use of the NOL, resulting in less NOL carryforward available for use.

Subject to certain limitations, the holders of the stock issued in connection with the Navilyst acquisition may sell our common stock, which could cause our stock price to decline.

The shares of our common stock issued following the completion of the acquisition of Navilyst were initially restricted, but the holders may sell the shares of our common stock under certain circumstances. At the closing of the Navilyst acquisition, we entered into a stockholders agreement with certain of the Navilyst stockholders, which granted them certain registration rights with respect to their shares of our common stock and imposed certain additional restrictions on their ability to transfer their shares of our common stock, including, among other things, a twelve month prohibition on the transfer of the shares of our common stock issued in connection with the acquisition of Navilyst (other than transfers to certain permitted transferees). The twelve month prohibition on the transfer of these shares expired on May 22, 2013 and in August 2013 we filed a Form S-3 registration statement with the SEC registering these shares for resale. The sale of a substantial number of our shares by such parties or our other stockholders within a short period of time could cause our stock price to decline, make it more difficult for us to raise funds through future offerings of our common stock or acquire other businesses using our common stock as consideration.

The presence of a significant stockholder may affect the ability of a third party to acquire control of us.

The former Navilyst stockholders, including investment funds affiliated with Avista Capital Partners, beneficially own approximately 27% of our outstanding common stock. Certain of the former Navilyst stockholders entered into a stockholders agreement at the closing of the acquisition that permits investment funds affiliated with Avista Capital Partners to appoint two directors to our Board of Directors until such time as, with respect to the first director, certain of the former Navilyst stockholders' beneficial ownership in us has been reduced below 20% of the then outstanding voting shares and, with respect to the second director, certain of the former Navilyst stockholders' beneficial ownership in us has been reduced below 10% of the then outstanding voting shares. Although these directors will not constitute a majority of the Board of Directors, they may

exercise influence over the decisions of the board. David Burgstahler and Sriram Venkataraman were appointed to our Board of Directors on May 22, 2012.

Having certain of the former Navilyst stockholders as our significant stockholders of us may have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from seeking to acquire, a majority of our outstanding common stock or control of our Board of Directors through a proxy solicitation. In that regard, these stockholders and their controlled affiliates are obligated pursuant to the stockholders agreement, in certain circumstances, not to transfer their shares of our common stock, in whole or in part, pursuant to any recapitalization, reclassification, consolidation, merger, share exchange or other business combination transaction involving us or pursuant to any tender, exchange or other similar offer for our common stock unless, in each case, the Board of Directors recommends such transaction or offer or fails to recommend that our stockholders reject such transaction or offer.

For the period from the date that is one year from the date of the stockholders agreement until the first date that certain of the former Navilyst stockholders no longer beneficially own at least ten percent (10%) of the voting securities outstanding at such time, the applicable former Navilyst stockholders agree to vote all voting securities then owned by them either, in the sole discretion of each stockholder, (1) in accordance with the recommendation of our Board or (2) in proportion to the votes cast with respect to the voting securities not owned by the applicable former Navilyst stockholders with respect to any business or proposal on which our stockholders are entitled to vote. If at any time following one (1) year from the date of the stockholders agreement, certain of the former Navilyst stockholders beneficially own less than fifteen percent (15%) of the voting securities then outstanding and there is no stockholder designee then serving on our Board pursuant to the stockholders agreement, the applicable former Navilyst stockholders may vote all voting securities then owned by them in their own discretion.

If we fail to develop or market new products and enhance existing products, we could lose market share to our competitors and our results of operations could suffer.

The market for interventional devices is characterized by rapid technological change, new product introductions, technological improvements, changes in physician requirements and evolving industry standards. To be successful, we must continue to develop and commercialize new products and to enhance versions of our existing products. Our products are technologically complex and require significant research, planning, design, development and testing before they may be marketed. This process generally takes at least 12 to 18 months from initial concept and may take up to several years. In addition, product life cycles are relatively short because medical device manufacturers continually develop smaller, more effective and less expensive versions of existing devices in response to physician demand.

Our success in developing and commercializing new and enhanced versions of our products is affected by our ability to:

- recruit engineers;
- timely and accurately identify new market trends;
- accurately assess customer needs;
- minimize the time and costs required to obtain regulatory clearance or approval;
- adopt competitive pricing;
- timely manufacture and deliver products;
- accurately predict and control costs associated with the development, manufacturing and support of our products; and
- anticipate and compete effectively with our competitors' efforts.

Market acceptance of our products depends in part on our ability to demonstrate that our products are cost-effective and easier to use, as well as offer technological advantages. Additionally, we may experience design, manufacturing, marketing or other difficulties that could delay or prevent our development, introduction or marketing of new products or new versions of our existing products. As a result of such difficulties and delays, our development expenses may increase and, as a consequence, our results of operations could suffer.

We face intense competition in the medical device industry. We may be unable to compete effectively with respect to technological innovation and price which may have an adverse effect on our revenues, financial condition or results of operations.

The markets for our products are highly competitive, and we expect competition to continue to intensify. We may not be able to compete effectively, and we may lose market share to our competitors. Our primary device competitors include: Boston Scientific Corporation; Cook Medical; C.R. Bard; Medical Components, Inc., or Medcomp; Arrow International, a subsidiary of TeleFlex Medical; Smiths Medical, a subsidiary of Smiths Group plc; Vascular Solutions; Covidien subsidiaries (Kendall, VNUS, EV3); Merit Medical; Terumo Medical Corporation; Total Vein Systems and Biolitec. Many of our competitors have substantially greater:

- financial and other resources to devote to product acquisitions, research and development, marketing and manufacturing;
- variety of products;
- technical capabilities;
- history of developing and introducing new products;
- patent portfolios that may present an obstacle to our conduct of business;
- name recognition; and
- distribution networks and in-house sales forces.

Our competitors may succeed in developing technologies and products earlier, in obtaining patent protection or regulatory clearance earlier, or in commercializing new products or technologies more rapidly than us. Our competitors may also develop products and technologies that are superior to those we are developing or that otherwise could render our products obsolete or noncompetitive. In addition, we may face competition from providers of other medical therapies, such as pharmaceutical companies, that may offer non-surgical therapies for conditions that are currently, or in the future, may be treated using our products. Our products are generally sold at higher prices than those of our competitors. However, in the current environment of managed care, which is characterized by economically motivated buyers, consolidation among healthcare providers, increased competition and declining reimbursement rates, we are increasingly being required to compete on the basis of price. If we are not able to compete effectively, our market share and revenues may decline.

Development and sales of our NanoKnife Ablation products are dependent on a number of factors beyond our control, and our inability to successfully complete our research and development, design and marketing strategy with respect to NanoKnife Ablation may adversely affect our business, financial condition and results of operations.

A significant aspect of our growth strategy is the continued development of our NanoKnife Ablation products. There can be no guarantee that we will be able to develop and manufacture additional next generation or updated NanoKnife Ablation products on commercially favorable terms, or at all. NanoKnife Ablation is a developing technology and the inability of NanoKnife Ablation to achieve clinical acceptance could severely limit the sales of NanoKnife Ablation products.

We currently have FDA 510(k) clearance to market NanoKnife Ablation products for soft tissue ablation. If we are not able to secure FDA approval to conduct investigational device exemption (IDE) trials or marketing approval for additional or more specific indications, through 510(k) clearance, pre-market approval or otherwise, our ability to market our NanoKnife Ablation products will be restricted which may have an adverse effect on our business, financial condition and results of operations.

We may be exposed to risks associated with acquisitions, including integration risks and risks associated with methods of financing and the impact of accounting treatment. Accordingly, completed acquisitions may not enhance our financial position or results of operations.

Part of our growth strategy is to acquire businesses and technologies that are complementary to ours. There is no assurance that acquisition opportunities will be available on acceptable terms, or at all, or that we will be able to obtain necessary financing or regulatory approvals. Any acquisitions that we do undertake would be accompanied by the risks commonly encountered in acquisitions, including the:

- potential disruption of our business while we evaluate opportunities, complete acquisitions and develop and implement new business strategies to take advantage of these opportunities;
- inability of our management to maximize our financial and strategic position by incorporating an acquired technology or business into our existing offerings;
- difficulty of maintaining uniform standards, controls, procedures and policies;
- difficulty of assimilating the operations and personnel of acquired businesses;
- potential loss of key employees of acquired businesses, and the impairment of relationships with employees and customers as a result of changes in management; and
- uncertainty as to the long-term success of any acquisitions we may make.

There is no assurance that any completed acquisition will be accretive to our margins or profits in the short term or in the long term. If we proceed with one or more significant acquisitions in which the consideration consists of cash, a substantial portion of our available cash could be used to consummate the acquisitions. If we consummate one or more acquisitions in which the consideration consists of capital stock, our stockholders could suffer significant dilution of their interest in us. In addition, we could incur or assume significant amounts of indebtedness in connection with acquisitions. Further, acquisitions could also result in significant goodwill and/or amortization charges for acquired businesses or technologies.

We may not be successful in achieving expected operating efficiencies and sustaining or improving operating expense reductions, and may experience business disruptions associated with restructuring, facility consolidations, realignment, and other cost reducing initiatives.

During the past year we have begun to implement our operational excellence initiatives which include a number of restructuring, realignment and cost reduction initiatives. While we have realized some efficiencies from these actions, we may not realize the benefits of these initiatives to the extent we anticipated. Further, such benefits may be realized later than expected, and the ongoing difficulties in implementing these measures may be greater than anticipated, which could cause us to incur additional costs or result in business disruptions. In addition, if these measures are not successful or sustainable, we may undertake additional realignment and cost reduction efforts, which could result in significant additional charges. Moreover, if our restructuring and realignment efforts prove ineffective, our ability to achieve our other strategic goals and business plans may be adversely affected

Our strategic initiatives, including acquisitions, may not produce the intended growth in revenue and operating income.

Our strategies include making significant investments to achieve revenue growth and margin improvement targets. During our fiscal year ended May 31, 2013, we completed the acquisition of Vortex Medical and certain assets of Microsulis Medical. If we do not achieve the expected benefits from these investments or otherwise fail to execute on our strategic initiatives, we may not achieve the growth improvement we are targeting and our results of operations may be adversely affected.

If we fail to adequately protect our intellectual property rights, we may not be able to generate revenues from new or existing products and our business may suffer.

Our success depends in part on obtaining, maintaining and enforcing our patents, trademarks and other proprietary rights, and our ability to avoid infringing the proprietary rights of others. We take precautionary steps to protect our technological advantages and intellectual property. We rely upon patent, trade secret, copyright, know-how and trademark laws, as well as license agreements and contractual provisions, to establish our intellectual property rights and protect our products. However, no assurances can be made that any pending or future patent applications will result in the issuance of patents, that any current or future patents issued to, or licensed by, us will not be challenged or circumvented by our competitors, or that our patents will not be found invalid.

Additionally, we may not be able to effectively protect our rights in unpatented technology, trade secrets and confidential information. Although we require our new employees, consultants and corporate partners to execute invention disclosure and confidentiality agreements, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, may not provide adequate remedies.

If we are not able to adequately protect our intellectual property, our market share, financial condition and results of operations may suffer.

If third parties claim that our products infringe their intellectual property rights, we may be forced to expend significant financial resources and management time defending against such actions and our financial condition and our results of operations could suffer.

Third parties may claim that our products infringe their patents and other intellectual property rights. Identifying third-party patent rights can be particularly difficult because, in general, patent applications can be maintained in secrecy for at least 18 months after their earliest priority date. Some companies in the medical device industry have used intellectual property infringement litigation to gain a competitive advantage. If a competitor were to challenge our patents, licenses or other intellectual property rights, or assert that our products infringe its patent or other intellectual property rights, we could incur substantial litigation costs, be forced to make expensive changes to our product design, pay royalties or other fees to license rights in order to continue manufacturing and selling our products, or pay substantial damages. Third-party infringement claims, regardless of their outcome, would not only consume our financial resources but also divert our management’s time and effort. Such claims could also cause our customers or potential customers to purchase competitors’ products or defer or limit their purchase or use of our affected products until resolution of the claim.

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We are dependent on single and limited source suppliers which subjects our business and results of operations to risks of supplier business interruptions.

We currently purchase significant amounts of several key products and product components from single and limited source suppliers and anticipate that we will do so for future products as well. Any delays in delivery of or shortages in those or other products and components could interrupt and delay manufacturing of our products and result in the cancellation of orders for our products. Any or all of these suppliers could discontinue the manufacture or supply of these products and components at any time. Due to FDA and other business considerations, we may not be able to identify and integrate alternative sources of supply in a timely fashion or at all. Any transition to alternate suppliers may result in production delays and increased costs and may limit our ability to deliver products to our customers. Furthermore, if we are unable to identify alternative sources of supply, we would have to modify our products to use substitute components, which may cause delays in shipments, increased design and manufacturing costs and increased prices for our products.

Cost-containment efforts of group purchasing organizations could adversely affect our selling prices, financial position and results of operations.

Many of our existing and potential customers have become members of group purchasing organizations, or GPOs, and integrated delivery network, or IDNs, in an effort to reduce costs. GPOs and IDNs negotiate pricing arrangements with healthcare product manufacturers and distributors and offer the negotiated prices to affiliated hospitals and other members. GPOs and IDNs typically award contracts on a category-by-category basis through a competitive bidding process. Bids are generally solicited from multiple manufacturers with the intention of driving down pricing. Due to the highly competitive nature of the GPO and IDN contracting processes, we may not be able to obtain market prices for our products or obtain or maintain contract positions with major GPOs and IDNs, which could adversely impact our profitability.

Economic instability could continue to adversely affect the Company.

In recent years financial markets and the economies in the United States and internationally have been experiencing a period of upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions, severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. These conditions may continue and could worsen. As a result, the global economic environment may, among other things, create downward pressure on the pricing of our products, increase the sales cycle of certain products and slow the adoption of new technology, any of which could have an adverse effect on our business, financial position and results of operations.

Our industry is experiencing greater scrutiny and regulation by governmental authorities, which has led to certain costs and business distractions as we respond to inquiries and comply with new regulations, and may lead to greater governmental regulation in the future.

Our medical devices and our business activities are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. These authorities and members of Congress have been increasing their scrutiny of our industry. In addition, certain states, including Massachusetts, have recently passed or are considering legislation restricting our interactions with health care providers and requiring disclosure of many payments to them. The federal government has recently introduced similar legislation, which may or may not preempt state laws. Recent Supreme Court case law has clarified that the FDA’s authority over medical devices preempts state tort laws, but legislation has been introduced at the federal level to allow state intervention, which could lead to increased and inconsistent regulation at the state level. We anticipate that the government will continue to scrutinize our industry closely, and that additional regulation by governmental authorities may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Our international sales and operations are subject to risks and uncertainties that vary by country and which could have a material adverse effect on our business and/or results of operations.

Sales outside the United States accounted for approximately 19% of our net sales during our fiscal year ended May 31, 2014. We anticipate that sales from international operations will continue to represent a significant portion of our total sales, and we intend to continue our expansion into emerging and/or faster-growing markets outside the United

States. Our sales and profitability from our international operations are subject to risks and uncertainties that can vary by country, and include those related to political and economic conditions, foreign currency exchange rate fluctuations, changes in tax laws, regulatory and reimbursement programs and policies, and the protection of intellectual property rights. These risks and uncertainties could have a material adverse effect on our business and/or results of operations.

Consolidation in the healthcare industry could have an adverse effect on our revenues and results of operations.
Many healthcare industry companies, including medical device companies, are consolidating to create new companies with greater market power. As the healthcare industry consolidates, competition to provide goods and services to industry participants will become more intense. These industry participants may try to use their market power to negotiate price concessions or reductions for medical devices that incorporate components produced by us. If we are forced to reduce our prices because of consolidation in the healthcare industry, our revenues would decrease and our consolidated earnings, financial condition, or cash flow would suffer.
Healthcare policy changes, including recent laws to reform the U.S. healthcare system, may have a material adverse effect on our revenues, financial position and results of operations.
Healthcare costs have risen significantly over the past decade. There have been, and continue to be, proposals by legislators, regulators, and third-party payors to keep these costs down. Certain proposals, if passed, would impose limitations on the prices we will be able to charge for our products, or the amounts of reimbursement available for our products from governmental agencies or third-party payors. These limitations could have a material adverse effect on our financial position and results of operations.
In March 2010, the Patient Protection and Affordable Care Act (the “PPACA”) was adopted and enacted into law. Effective January 1, 2014, most of the core pieces of the PPACA went into effect. There are many programs and requirements for which the details have not yet been fully established or consequences not fully understood, and it is unclear what the full impact of the legislation will be. The PPACA includes a provision that imposes a 2.3% excise tax on the sale of certain medical devices by a manufacturer, producer or importer of such devices in the United States starting after December 31, 2012. The PPACA also reduces Medicare and Medicaid payments to hospitals and clinical laboratories, which could reduce medical procedure volumes and impact the demand for our products or the prices at which we sell our products. While the PPACA is intended to expand health insurance coverage to uninsured persons in the United States, other elements of this legislation, the impact of any overall increase in access to healthcare on sales of our products remains uncertain. In addition, the costs of compliance with the PPACA’s new reporting and disclosure requirements with regard to payments or other transfers of value made to healthcare providers may have a material, negative impact on our results of operations and our cash flows. Various healthcare reform proposals have also emerged at the state level. We cannot predict the exact effect newly enacted laws or any future legislation or regulation will have on us. However, the implementation of the PPACA, and new legislation and regulation may lower reimbursements for our products, reduce medical procedure volumes and adversely affect our business, possibly materially. In addition, the enacted excise tax may materially and adversely affect our operating expenses and results of operations.
If we do not maintain our reputation with interventional physicians, our growth will be limited and our business could be harmed.
Physicians typically influence the medical device purchasing decisions of the hospitals and other healthcare institutions in which they practice. Consequently, our reputation with interventional physicians is critical to our continued growth. We believe that we have built a positive reputation based on the quality of our products, our physician-driven product development efforts, our marketing and training efforts and our presence at medical society meetings. Any actual or perceived diminution in the quality of our products, or our failure or inability to maintain these other efforts, could damage our reputation with interventional physicians and cause our growth to be limited and our business to be harmed.
Our business could be harmed if we lose the services of our key personnel.
Our business depends upon our ability to attract and retain highly qualified personnel, including managerial, sales and technical personnel. We compete for key personnel with other companies, healthcare institutions, academic institutions, government entities and other organizations. We do not have written employment agreements with our executive officers, other than the CEO. Our ability to maintain and expand our business may be impaired if we are unable to retain our current key personnel or hire or retain other qualified personnel in the future.
Undetected defects may increase our costs and impair the market acceptance of our products.

Our products have occasionally contained, and may in the future contain, undetected defects. When these problems occur, we must divert the attention of our engineering personnel to address them. There is no assurance that we will not incur warranty or repair costs, be subject to liability claims for damages related to product defects, or experience manufacturing, shipping or other delays or interruptions as a result of these defects in the future. Our insurance policies may not provide sufficient

protection should a claim be asserted. In addition, the occurrence of defects may result in significant customer relations problems and injury to our reputation, and may impair market acceptance of our products.

If a product liability claim is brought against us or our product liability insurance coverage is inadequate, our business could be harmed.

The design, manufacture and marketing of the types of medical devices we sell entail an inherent risk of product liability. Our products are used by physicians to treat seriously ill patients. We are periodically subject to product liability claims, and patients or customers may in the future bring claims against us in a number of circumstances and for a number of reasons, including if our products were misused, if a component of our product fails, if their manufacture or design was flawed, if they produced unsatisfactory results or if the instructions for use and operating manuals and disclosure of product related risks for our products were found to be inadequate. In addition, individuals or groups seeking to represent a class may file suit against us. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate amounts, including not only actual damages, but also punitive damages. The magnitude of the potential losses relating to these lawsuits may remain unknown for substantial periods of time.

We carry a product liability policy with a limit of $10,000,000 per product liability claim and an aggregate policy limit of $10,000,000, subject to a self-insured retention of of $500,000 per occurrence and $1,250,000 in the aggregate. We believe, based on claims made against us in the past, our existing product liability insurance coverage is reasonably adequate to protect us from any liabilities we might incur. However, there is no assurance that this coverage will be sufficient to satisfy any claim made against us. In addition, we may not be able to continue to maintain adequate coverage at a reasonable cost and on reasonable terms, if at all. Any product liability claim brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing any coverage in the future. Additionally, if one or more product liability claims is brought against us for uninsured liabilities or is in excess of our insurance coverage, our financial condition and results of operations could be negatively impacted. Further, such claims may require us to recall some of our products, which could result in significant costs to us and could divert management’s attention from our business.

Changes in reimbursement levels by governmental or other third-party payors for procedures using our products may cause our revenues to decline.

Our products are purchased principally by hospitals or physicians which typically bill various third-party payors, such as governmental programs (e.g. Medicare, Medicaid and comparable foreign programs), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of our customers to obtain appropriate reimbursement for products and services from third-party payors is critical to the success of medical device companies because it affects which products customers purchase and the prices they are willing to pay. Reimbursement varies by country and can significantly impact the acceptance of new technology. Implementation of healthcare reforms in the United States and in other countries may limit, reduce or eliminate reimbursement for our products and adversely affect both our pricing flexibility and the demand for our products. Even when we develop a promising new product, we may find limited demand for the product unless reimbursement approval is obtained from private and governmental third party payors.

Third-party payors have adopted, and are continuing to adopt, a number of healthcare policies intended to curb rising healthcare costs. These policies include:

- controls on government-funded reimbursement for healthcare services and price controls on medical products and services providers;
- challenges to the pricing of medical procedures or limits or prohibitions on reimbursement for specific devices and therapies through other means; and
- the introduction of managed care systems in which healthcare providers contract to provide comprehensive healthcare for a fixed cost per person.

We are unable to predict whether federal, state or local healthcare reform legislation or regulation affecting our business may be proposed or enacted in the future, or what effect any such legislation or regulation would have on our business. Changes in healthcare systems in the United States or elsewhere in a manner that significantly reduces reimbursement for procedures using our medical devices or denies coverage for these procedures, or adverse decisions

relating to our products by administrators of these systems in coverage or reimbursement issues, would have an adverse impact on the acceptance of our products and the prices which our customers are willing to pay for them.

If we cannot obtain and maintain marketing clearance or approval from governmental agencies, we will not be able to sell our products.

Our products are medical devices that are subject to extensive regulation in the United States and in the foreign countries in which they are sold. Unless an exemption applies, each medical device that we wish to market in the United States must

receive either 510(k) clearance or premarket approval (PMA) from the U.S. Food and Drug Administration, or the FDA, before the product can be sold. Either process can be lengthy and expensive. The FDA's 510(k) clearance procedure, also known as "premarket notification," is the process we have used for our current products. This process usually takes from four to 12 months from the date the premarket notification is submitted to the FDA, but may take significantly longer. Although we have obtained 510(k) clearances for our current products, our clearances may be revoked by the FDA if safety or effectiveness problems develop with the devices. The PMA process is much more costly, lengthy and uncertain. It generally takes from one to three years from the date the application is submitted to, and filed with, the FDA, and may take even longer. Regulatory regimes in other countries similarly require approval or clearance prior to our marketing or selling products in those countries. We rely on our distributors to obtain regulatory clearances or approvals of our products outside of the United States. If we are unable to obtain additional clearances or approvals needed to market existing or new products in the United States or elsewhere or obtain these clearances or approvals in a timely fashion or at all, or if our existing clearances are revoked, our revenues and profitability may decline.

If we or some of our suppliers fail to comply with the FDA's Quality System Regulation, or QSR, and other applicable postmarket requirements, our manufacturing operations could be disrupted, our product sales and profitability could suffer, and we may be subject to a wide variety of FDA enforcement actions.

After a device is placed on the market, numerous regulatory requirements apply. We are subject to inspection and marketing surveillance by the FDA to determine our compliance with all regulatory requirements. Our failure to comply with applicable regulatory requirements could result in the FDA or a court instituting a wide variety of enforcement actions against us, including a public "Warning Letter"; an order to shut down some or all manufacturing operations; a recall of products; fines or civil penalties; seizure or detention of our products; refusing our requests for 510(k) clearance or a premarket approval, or PMA, of new or modified products; withdrawing 510(k) clearance or PMA approvals already granted to us; and criminal prosecution.

Our manufacturing processes and those of some of our suppliers must comply with the FDA's Quality System Regulation, or QSR, which governs the methods used in, and the facilities and controls used for, the design, testing, manufacture, control, quality assurance, installation, servicing, labeling, packaging, storage and shipping of medical devices. The FDA enforces the QSR through unannounced inspections. If we, or one of our suppliers, fail a QSR inspection, or if a corrective action plan adopted by us or one of our suppliers is not sufficient, the FDA may bring an enforcement action, and our operations could be disrupted and our manufacturing delayed. We are also subject to the FDA's general prohibition against promoting our products for unapproved or "off-label" uses, the FDA's adverse event reporting requirements and the FDA's reporting requirements for field correction or product removals. The FDA has recently placed increased emphasis on its scrutiny of compliance with the QSR and these other postmarket requirements.

On May 27, 2011, we received a Warning Letter from the FDA in connection with its inspection of our Queensbury, NY manufacturing facility. In the Warning Letter, the FDA cited deficiencies in the response letter we provided to the FDA pertaining to the inspection that occurred from January 4 to January 13, 2011. The deficiencies related to our internal procedures for medical device reporting, corrections and removals and complaint handling. We responded to the Warning Letter and completed corrective and preventive actions to address the observations noted.

In December 2011, we initiated a comprehensive Quality Call to Action Program to review and augment our Quality Management Systems at our Queensbury, NY facility. To accelerate implementation of the program, we engaged a team of external regulatory and quality experts and reallocated a significant number of engineering and product development resources to support this corporate initiative. From inception of the Quality Call to Action Program through fiscal 2014, we incurred $3.2 million in direct costs associated with the program.

On February 10, 2012, we received from the FDA a Form 483, List of Investigational Observations, in connection with its inspection of our Queensbury, NY facility from November 14, 2011 to February 10, 2012. The Form 483 contained 12 observations related to, among other things, our CAPA (Corrective and Preventive Action) system, MDR (Medical Device Reporting), complaint investigation, corrections and removals, acceptance criteria and

training. Some of the observations contained in the Form 483 were repeat observations from the May 27, 2011 Warning Letter described above.

On February 13, 2012, we received from the FDA a Form 483 in connection with its inspection of our Fremont facility from January 12, 2012 to February 13, 2012. The Form 483 contained six observations related to, among other things, our CAPA system, design controls, risk management and training. We provided responses to FDA within 15 business days of our receipt of the Form 483.

On September 24, 2012, we received from FDA a Form 483 in connection with its subsequent inspection of our Queensbury, NY facility from September 6 to September 14, and September 19 to September 24. This re-inspection followed

our response to the original Form 483 issued by FDA on February 13, 2012. The Form 483 contained five observations related to 510(k) decisions, complaint investigations, acceptance criteria, corrective and preventive actions and training. All but one of the observations in the Form 483 related to events that occurred before the date that we had indicated to FDA in our previous responses that our corrective and remediation activities related to our Quality Call to Action would be completed. We provided responses to FDA within 15 business days of our receipt of the Form 483.

On February 4, 2014, FDA completed a comprehensive follow-up inspection of our Queensbury facility. The inspection began on January 14, 2014 and resulted in FDA issuing a Form 483 containing one observation. The observation related to the inconsistency of certain complaint investigation elements in certain devices that have hardware and disposable components. The Form 483 observation was annotated to reflect that during the inspection we had corrected the issue, and this correction was verified by the inspector. In addition, we provided a response to FDA within 15 business days of our receipt of the Form 483. We believe that the results of this inspection validate that all of the Quality System and current Good Manufacturing Practice issues raised in the 483s described above have been fully addressed.

On March 31, 2014, FDA completed an inspection of our Glens Falls, NY facility. The inspection began on March 17, 2014 and resulted in FDA issuing a form 483 containing 3 observations. The observations were related to 1) inconsistency of a manufacturing product test process used among similar products, 2) a particular verification test of a product, and 3) non-conforming product control procedure. We responded to the FDA within 15 business days of the receipt of the Form 483.

During the fourth quarter of our fiscal year ended May 31, 2014, we received Certificate to Foreign Governments (CFGs) from the FDA covering all Vascular Access and Peripheral Vascular products manufactured in our Queensbury facility.

We will continue to work closely with FDA to resolve any outstanding issues. Unless the items raised in the previously disclosed Warning Letters and Form 483s are corrected to the FDA’s satisfaction or we come to some other arrangement with the FDA finally resolving such matters, we may be subject to additional regulatory or legal action, including the issuance of warning letters, injunction, seizure or recall of products, imposition of fines or penalties or operating restrictions on our facilities. Such actions could significantly disrupt our ongoing business and operations and have a material adverse impact on our financial position and operating results.

If we, or one of our suppliers, violate the FDA’s requirements or fail to take adequate corrective action in response to any significant compliance issue raised by the FDA, the FDA can take various enforcement actions which could cause our product sales and profitability to suffer.

In addition, most other countries require us and our suppliers to comply with manufacturing and quality assurance standards for medical devices that are similar to those in force in the United States before marketing and selling our products in those countries. If we, or our suppliers, should fail to do so, we would lose our ability to market and sell our products in those countries.

Even after receiving regulatory clearance or approval, our products may be subject to product recalls, which may harm our reputation and divert managerial and financial resources.

The FDA and similar governmental authorities in other countries have the authority to order mandatory recall of our products or order their removal from the market if there are material deficiencies or defects in design, manufacture, installation, servicing or labeling of the device, or if the governmental entity finds that our products would cause serious adverse health consequences. A government mandated voluntary recall or field action by us could occur as a result of component failures, manufacturing errors or design defects, including labeling defects. Any recall of our products may harm our reputation with customers and divert managerial and financial resources.

We may be subject to fines, penalties or injunctions if we are determined to be promoting the use of our products for unapproved or “off-label” uses.

If we are incorrect in our belief that our promotional materials and training methods regarding physicians are conducted in compliance with regulations of the FDA and other applicable regulations, and the FDA determines that our promotional materials or training constitutes promotion of an unapproved use, the FDA could request that we modify our training or promotional materials or subject us to regulatory enforcement actions, including the issuance of

a warning letter, injunction, seizure, civil fine and criminal penalties.

On January 24, 2011, we received a Warning Letter from the FDA in connection with our marketing of the NanoKnife System. In the Warning Letter, the FDA states that certain statements we made, including those on our company website, promote the use of the NanoKnife System beyond its currently cleared indications. We responded to the FDA as necessary and intend to work closely with them to resolve any outstanding issues. While we believe we have been fully responsive to the

matters raised by the FDA in the Warning Letter, there can be no assurance that the FDA will be satisfied with our response. Therefore, we may be subject to additional regulatory action by the FDA, including the issuance of a warning letter, injunction, seizure or recall of products, imposition of fines or penalties and any such actions could significantly disrupt our business and operations and have a material adverse impact on our financial position and results of operations. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement.

Modifications to our current products may require new marketing clearances or approvals or require us to cease marketing or recall the modified products until such clearances or approvals are obtained.

Any modification to an FDA-cleared medical device that could significantly affect its safety or effectiveness, or that would constitute a major change or modification in its intended use, requires a new FDA 510(k) clearance or, possibly, a premarket approval. The FDA requires every manufacturer to make its own determination as to whether a modification requires a new 510(k) clearance or premarket approval, but the FDA may review and disagree with any decision reached by the manufacturer. We have modified aspects of some of our devices since receiving regulatory clearance. We believed that some of these modifications did not require new 510(k) clearance or premarket approval and, therefore, we did not seek new 510(k) clearances or premarket approvals. In the future, we may make additional modifications to our products after they have received FDA clearance or approval and, in appropriate circumstances, determine that new clearance or approval is unnecessary. Regulations in other countries in which we market or sell, or propose to market or sell, our products may also require that we make judgments about changes to our products and whether or not those changes are such that regulatory approval or clearance should be obtained. In the United States and elsewhere, regulatory authorities may disagree with our past or future decisions not to seek new clearance or approval and may require us to obtain clearance or approval for modifications to our products. If that were to occur for a previously cleared or approved product, we may be required to cease marketing or recall the modified device until we obtain the necessary clearance or approval. Under these circumstances, we may also be subject to significant regulatory fines or other penalties. If any of the foregoing were to occur, our financial condition and results of operations could be negatively impacted.

We are subject to healthcare fraud and abuse regulations that could result in significant liability, require us to change our business practices and restrict our operations in the future.

We are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws. Violations of these laws are punishable by criminal or civil sanctions, including substantial fines, imprisonment and exclusion from participation in healthcare programs such as Medicare and Medicaid and health programs outside the United States. These laws and regulations are wide ranging and subject to changing interpretation and application, which could restrict our sales or marketing practices. Furthermore, since many of our customers rely on reimbursement from Medicare, Medicaid and other governmental programs to cover a substantial portion of their expenditures, our exclusion from such programs as a result of a violation of these laws could have a material adverse effect on our business, results of operations, financial condition and cash flow.

If our employees or agents violate the U.S. Foreign Corrupt Practices Act or anti-bribery laws in other jurisdictions, we may incur fines or penalties, or experience other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-bribery laws in international jurisdictions, including the UK Anti-Bribery Act, which generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Because of the predominance of government-sponsored healthcare systems around the world, many of our customer relationships outside of the United States are with governmental entities and are therefore subject to such anti-bribery laws. Our sales to customers and distributors outside of the United States have been increasing and we expect them to continue to increase in the future. If our employees or agents violate the provisions of the FCPA or other anti-bribery laws, we may incur fines or penalties, we may be unable to market our products in other countries or we may experience other adverse consequences which could have a material adverse effect on our operating results or financial condition.

Failure to attract additional capital which we may require to expand our business could curtail our growth.

We may require additional capital to expand our business. If cash generated internally is insufficient to fund capital requirements, we will require additional debt or equity financing. In addition, we may require financing to fund any significant acquisitions we may seek to make. Needed financing may not be available or, if available, may not be available on terms satisfactory to us and may result in significant stockholder dilution. Covenants in our existing financing agreements may also restrict our ability to obtain additional debt financing. If we fail to obtain sufficient additional capital in the future, we could be

forced to curtail our growth strategy by reducing or delaying capital expenditures and acquisitions, selling assets, restructuring our operations or refinancing our indebtedness.

Any disaster at our manufacturing facilities could disrupt our ability to manufacture our products for a substantial amount of time, which could cause our revenues to decrease.

We conduct our manufacturing and assembly at facilities in Queensbury, New York, Glens Falls, New York, Manchester, Georgia, and Denmead, England. It would be difficult, expensive and time-consuming to transfer resources from one facility to the other, replace, or repair these facilities and our manufacturing equipment if they were significantly affected by a disaster. Additionally, we might be forced to rely on third-party manufacturers or to delay production of our products. Insurance for damage to our properties and the disruption of our business from disasters may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all. In addition, if one of our principal suppliers were to experience a similar disaster, uninsured loss or under-insured loss, we might not be able to obtain adequate alternative sources of supplies or products or could face significant delays and incur substantial expense in doing so. Any significant uninsured loss, prolonged or repeated disruption, or inability to operate experienced by us or any of our principal suppliers could cause significant harm to our business, financial condition and results of operations.

Our future operating results are difficult to predict and may vary significantly from quarter to quarter, which may adversely affect the price of our common stock.

The ongoing introduction of new products and services that affect our overall product mix make the prediction of future operating results difficult. You should not rely on our past revenue growth as any indication of future growth rates or operating results. The price of our common stock will likely fall in the event that our operating results do not meet the expectations of analysts and investors. Comparisons of our quarterly operating results are an unreliable indication of our future performance because they are likely to vary significantly based on many factors, including:

- the level of sales of our products and services in our markets;
- our ability to introduce new products or services and enhancements in a timely manner;
- the demand for and acceptance of our products and services;
- the success of our competition and the introduction of alternative products or services;
- our ability to command favorable pricing for our products and services;
- the growth of the market for our devices and services;
- the expansion and rate of success of our direct sales force in the United States and internationally and our independent distributors internationally;
- actions relating to ongoing FDA compliance;
- the effect of intellectual property disputes;
- the size and timing of orders from independent distributors or customers;
- the attraction and retention of key personnel, particularly in sales and marketing, regulatory, manufacturing and research and development;
- unanticipated delays or an inability to control costs;
- general economic conditions as well as those specific to our customers and markets; and
- seasonal fluctuations in revenue due to the elective nature of some procedures.

Our stock price may be volatile, which may cause the value of our stock to decline or subject us to a securities class action litigation.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- general economic, industry and market conditions;
- actions by institutional or other large stockholders;
- the depth and liquidity of the market for our common stock;
- volume and timing of orders for our products;
- developments generally affecting medical device companies;
- the announcement of new products or product enhancements by us or our competitors;
- changes in earnings estimates or recommendations by securities analysts;

- investor perceptions of us and our business, including changes in market valuations of medical device companies;
- our results of operations and financial performance.

In addition, the stock market in general, and the NASDAQ Stock Market and the market for medical devices in particular, have experienced substantial price and volume volatility that is often seemingly unrelated to the operating performance of particular companies. These broad market fluctuations may cause the trading price of our common stock to decline. In the past,

securities class action litigation has often been brought against a company after a period of volatility in the market price of its common stock. We may become involved in this type of litigation in the future. Any securities litigation claims brought against us could result in substantial expense and the diversion of management's attention from our business.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could cause our stock price to decline and prevent attempts by our stockholders to replace or remove our current management.

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that may enable our management to resist a change in control. These provisions may discourage, delay or prevent a change in the ownership of our company or a change in our management. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our common stock. Such provisions include:

- our board of directors is authorized, without prior stockholder approval, to create and issue "blank check" preferred stock, with rights senior to those of our common stock;
- our board of directors is classified so that not all members of our board of directors are elected at one time, which may make it more difficult for a person who acquires control of a majority of our outstanding voting stock to replace our directors;
- advance notice requirements for stockholders to nominate individuals to serve on our board of directors or for stockholders to submit proposals that can be acted upon at stockholder meetings;
- stockholder action by written consent is prohibited; and
- stockholders are not permitted to accumulate their votes for the election of directors.

We are also subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including delaying or impeding a merger, tender offer or proxy contest involving our company. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline.

Our goodwill and intangible assets are subject to potential impairment.

A significant portion of our assets consists of goodwill and intangible assets, the carrying value of which may be reduced if we determine that those assets are impaired. At May 31, 2014, goodwill and intangible assets, net represented approximately $566 million, or approximately 71% of our total assets.

Most of our intangible assets have determinable useful lives and are amortized over their useful lives on either a straight-line basis or over the expected period of benefit or as revenues are earned from the sales of the related products. The underlying assumptions regarding the estimated useful lives of these intangible assets are reviewed annually and more often if an event or circumstance occurs making it likely that the carrying value of the assets may not be recoverable and are adjusted through accelerated amortization if necessary.

We review our single reporting unit for potential goodwill impairment in the third fiscal quarter of each year as part of our annual goodwill impairment testing, and more often if an event or circumstance occurs making it likely that impairment exists. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations. The annual goodwill impairment review performed in December 2013 indicated no goodwill impairments.

If actual results differ from the assumptions and estimates used in the goodwill and intangible asset calculations, we could incur future impairment or amortization charges, which could negatively impact our results of operations.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

We own a manufacturing, administrative and warehouse facility of approximately 189,000 square feet in Glens Falls, New York acquired as part of the Navilyst transaction. We own a manufacturing, administrative, engineering and warehouse facility of approximately 129,000 square feet situated on 18 acres in Queensbury, New York. In July 2009, we entered into an agreement to lease, for a ten year period plus two five-year renewal options, a 52,500 square foot office building in Latham, New York to house our corporate headquarters and certain business operations. The lease commencement date was March 1, 2010. See Part II, Item 7 of this annual report, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources,” for a discussion of this lease.

We lease an engineering facility of approximately 31,000 square feet in Marlboro, Massachusetts acquired as part of the Navilyst transaction. We also lease additional properties including a manufacturing facility of approximately 60,000 square feet located in Manchester, Georgia which also includes office space, 1,800 square feet of office space in Walnut Creek, California, 7,800 square feet of sales and administrative offices in the Netherlands, 7,500 square feet of office and manufacturing in the United Kingdom and 1,600 square feet of sales office space in Hamburg, Germany. In addition, we have sales offices in Hong Kong, China; Toronto, Canada; and Sydney, Australia.

Item 3. Legal Proceedings

AngioDynamics v. biolitec

On January 2, 2008, we commenced an action in the United States District Court for the Northern District of New York entitled AngioDynamics, Inc. v. biolitec, Inc. In this action, we are seeking judgment against biolitec for defense and indemnification in two lawsuits which we previously settled. Our claims arise out of a Supply and Distribution Agreement (“SDA”) entered into with biolitec on April 1, 2002. On September 27, 2011, the U.S. District Court for the Northern District of New York granted key portions of our motion for summary judgment in our legal case against biolitec. The Court’s order was filed under seal. The Court also dismissed biolitec’s counterclaims against us. The court denied one portion of our summary judgment motion, which sought to recover additional costs from biolitec, leaving this for adjudication at trial. On November 8, 2012, the Court granted partial judgment to us in the amount of $23.2 million. Biolitec appealed this judgment. On August 23, 2013, the U.S. Court of Appeals for the Second Circuit dismissed biolitec's appeal.

In October 2009, we commenced an action in the United States District Court for the District of Massachusetts entitled AngioDynamics, Inc. v. biolitec AG and Wolfgang Neuberger. The Complaint in this action was amended in March 2010. This action seeks to recover against biolitec, Inc.’s parent entities and CEO for tortiously interfering with biolitec, Inc.’s contractual obligation to defend and indemnify us, and also seeks to pierce the corporate veil of biolitec, Inc. and to invalidate certain alleged fraudulent transfers in order to hold biolitec, Inc.’s parent entities jointly and severally liable for the alleged breach of the SDA. This case is currently in the discovery phase. On September 13, 2012, the Massachusetts Court granted our request for a preliminary injunction prohibiting the downstream merger of biolitec AG with its Austrian subsidiary. On April 1, 2013, the U.S. Court of Appeals for the First Circuit affirmed the preliminary injunction. On March 18, 2014, the District Court entered judgment in our favor against Biolitec AG, Biomed Technology Holdings, Ltd., and Wolfgang Neuberger, jointly and severally, in the amount of $74.9 million. The defendants have appealed this judgment, and the appeal has not yet been briefed.

On August 29, 2013, we become co-plaintiffs in an adversary proceeding in the Unites States Bankruptcy Court for the District of New Jersey entitled Cyganowski, Trustee, et al. v. Biolitec U.S., Inc., et al. In this action, we assert claims of conversion, unjust enrichment, tortious interference, and unfair competition against various biolitec entities for alleged violation of Bankruptcy Court settlement and sale orders under which we acquired certain assets of Biolitec, Inc. On September 3, 2013, we, along with our co-plaintiff, obtained a temporary restraining order against the defendants in this action. The restraining order is still in place, and the Bankruptcy court is seriously considering our request for permanent injunctive relief.

C.R. Bard, Inc. v. AngioDynamics, Inc.

On January 11, 2012, C.R. Bard, Inc. filed a suit in the United States District Court of Utah claiming certain of our implantable port products infringe on patents held by them. Bard is seeking unspecified damages and other relief. The Court denied Bard's motion for pre-trial consolidation with separate actions it filed on the same day against Medical Components, Inc. and Smiths Medical ASD, Inc., but has asked for supplemental briefing on the issue of whether to conduct a common Markman hearing. We filed petitions for reexamination in the U.S. Patent and Trademark Office (PTO) which seek to invalidate all three patents asserted in the litigation. Our petitions have been granted and 40 of 41 patent claims have been rejected. Bard has appealed all rejections to the USPTO Board of Appeals. The case has been stayed pending final resolution of the PTO

process. We believe these claims are without merit and intend to defend them vigorously. We have not recorded an expense related to the outcome of this litigation because it is not yet possible to determine if a potential loss is probable nor reasonably estimable.

We are party to other legal actions that arise in the ordinary course of business. We believe that any liability resulting from any currently pending litigation will not, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Item 4 Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Our common stock is traded on The Global Select Market tier of The NASDAQ Stock Market LLC (formerly the Nasdaq National Market), under the symbol "ANGO."

The following table sets forth, for the fiscal quarters indicated, the high and low sale prices for our common stock as reported by The NASDAQ Stock Market.

	Sale Price	
	High	Low
Year ended May 31, 2014		
Fourth Quarter	$17.10	$13.06
Third Quarter	$19.00	$14.87
Second Quarter	$16.20	$10.87
First Quarter	$12.63	$10.53

	Sale Price	
	High	Low
Year ended May 31, 2013		
Fourth Quarter	$12.62	$9.52
Third Quarter	$12.59	$10.27
Second Quarter	$12.91	$10.00
First Quarter	$12.55	$10.34

As of July 31, 2014, there were 273 record holders of our common stock.

Dividends

We did not declare any cash dividends on our common stock during our last two fiscal years. We do not anticipate paying any cash dividends on our common stock for the foreseeable future.

Share Repurchase Program

On October 5, 2011, our Board of Directors authorized the repurchase of up to $20 million of our common stock, prior to May 31, 2012. In fiscal 2012, we purchased 142,305 shares at a cost of approximately $2.1 million. This repurchase program was no longer in effect during fiscal 2013 or 2014.

Performance Graph

The graph below matches AngioDynamics, Inc.'s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index, the RDG SmallCap Medical Devices index, and the NASDAQ Medical Equipment index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 5/31/2009 to 5/31/2014. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

* $100 invested on 5/31/09 in stock or index, including reinvestment of dividends.

Item 6. Selected Financial Data

You should read the following selected financial data in conjunction with our consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this annual report on Form 10-K. The consolidated statements of operations data for the fiscal years ended May 31, 2014, May 31, 2013, and May 31, 2012, and the consolidated balance sheet data as of May 31, 2014 and May 31, 2013, are derived from the audited consolidated financial statements that are included elsewhere in this annual report on Form 10-K. The consolidated statements of operations data for the fiscal years ended May 31, 2011 and May 31, 2010, and the consolidated balance sheet data as of May 31, 2012, May 31, 2011 and May 31, 2010, are derived from our audited consolidated financial statements not included in this annual report on Form 10-K. Historical results are not necessarily indicative of the results of operations to be expected for future periods. See Note A of “Notes to Consolidated Financial Statements” for a description of the method that we used to compute our historical basic and diluted net income per share attributable to common stockholders.

	Year ended (Amounts in thousands, except per share information)				
	May 31, 2014 (b)	May 31, 2013 (b)	May 31, 2012 (d) (e)	May 31, 2011 (c)	May 31, 2010
Consolidated Statements of Operations Data:					
Net sales	$354,455	$342,026	$221,787	$215,750	$216,035
Cost of sales	174,594	173,037	95,829	90,047	89,066
Gross profit	179,861	168,989	125,958	125,703	126,969
Operating expenses					
Research and development	27,510	26,319	20,511	21,373	19,275
Sales and marketing	83,200	76,121	64,505	58,123	60,923
General and administrative	26,035	26,127	18,334	17,828	16,437
Amortization of intangibles	16,797	16,345	9,406	9,234	9,463
Change in fair value of contingent consideration	(1,718)	1,583	—	—	—
Acquisition, restructuring and other items, net	10,760	13,800	16,164	7,182	—
Medical device excise tax	3,829	1,600	—	—	—
Total operating expenses	166,413	161,895	128,920	113,740	106,098
Operating income (loss)	13,448	7,094	(2,962)	11,963	20,871
Other (expenses) income					
Interest income	—	103	1,090	737	713
Interest expense	(3,656)	(5,271)	(508)	(499)	(672)
Other (expenses) income	(3,412)	(2,569)	(2,902)	(1,503)	(1,293)
Total other (expenses) income, net	(7,068)	(7,737)	(2,320)	(1,265)	(1,252)
Income (loss) before income tax provision	6,380	(643)	(5,282)	10,698	19,619
Income tax (benefit) provision	3,292	(31)	(188)	2,581	7,307
Net income (loss)	$3,088	$(612)	$(5,094)	$8,117	$12,312
Earnings (loss) per share					
Basic	$0.09	$(0.02)	$(0.20)	$0.33	$0.50
Diluted	$0.09	$(0.02)	$(0.20)	$0.32	$0.50
Weighted average number of shares used in per share calculation:					
Basic	35,135,689	34,817,279	25,382,293	24,870,005	24,580,483
Diluted	35,439,850	34,817,279	25,382,293	25,132,763	24,786,841

	As of May 31, 2014	May 31, 2013	May 31, 2012	May 31, 2011	May 31, 2010
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities (a)	$17,914	$23,955	$40,078	$131,542	$100,074
Working capital	79,942	78,079	103,816	168,798	145,334
Total assets	800,150	791,584	721,769	437,421	423,925
Long-term debt	137,660	135,000	142,500	6,275	6,550
Retained earnings	32,651	29,563	30,175	35,269	27,152
Total stockholders' equity	537,894	526,830	523,520	405,639	391,349

(a) Cash, cash equivalents and marketable securities include auction-rate investments of $1.8 million at May 31, 2014, May 31, 2013, May 31, 2012, May 31, 2011 and May 31, 2010, and escrow receivable of $2.5 million at May 31, 2012.

(b) The fiscal 2014 and 2013 results included, in "Acquisition, restructuring and other items, net", $5.7 million and $7.6 million, respectively in transaction and related costs of the Navilyst and Mircrosulis acquisitions, $0.5 million and $2.5 million, respectively in costs associated with the closure of the Cambridge, UK facility, $2.3 million and $2 million, respectively in litigation costs and $1.6 million in impairment costs associated with the discontinuance of a product offering in 2013.

(c) The fiscal 2011 results included, in "Acquisition, restructuring and other items, net", $7.2 million of impairment charges related to our decision to not continue development of the Medron Lightport technology, the write down of Centros prepaid royalties (described in Note I to the Consolidated Financial Statements) for additional information due to lower than anticipated sales and executive transition costs.

(d) The fiscal 2012 results included, in "Acquisition, restructuring and other items, net", $11.2 million in cost related to the Navilyst acquisition, $2.3 million in CEO and executive transition costs, $1.8 million in costs associated with closing the UK facility, $604 thousand related to the Microsulis strategic partnership, $465 thousand in costs related to patent litigation, partially offset by $201 thousand from the sale of the Centros product line.

(e) In addition to the costs related to the Navilyst acquisition defined in the preceding note (e) above, our balance sheet as of May 31, 2012 was impacted by the acquisition which was financed through the issuance of approximately 9.5 million shares of our common stock, $150 million in debt financing and $97 million in cash. Additionally, at May 31, 2012, we had $2.5 million in escrow receivable and $2.4 million in net deferred financing costs, recorded as a component of other assets, on our balance sheet. See Note A to the Consolidated Financial Statements for additional details of assets acquired and liabilities assumed at the date of acquisition.

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

The following information should be read together with the audited consolidated financial statements and the notes thereto and other information included elsewhere in this annual report on Form 10-K.

Forward-Looking Statements

This annual report on Form 10-K, including the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding AngioDynamics' expected future financial position, results of operations, cash flows, business strategy, budgets, projected costs, capital expenditures, products, competitive positions, growth opportunities, acquisitions, plans and objectives of management for future operations, as well as statements that include the words such as "expects," "reaffirms," "intends," "anticipates," "plans," "believes," "seeks," "estima variations of such words and similar expressions, are forward-looking statements. These forward looking statements are not guarantees of future performance and are subject to risks and uncertainties. Investors are cautioned that actual events or results may differ from our expectations. Factors that may affect the actual results include, without limitation, our ability to develop our existing and new products, future actions by the FDA or other regulatory agencies, results of pending or future clinical trials, the results of ongoing litigation, overall economic conditions,

general market conditions, market acceptance, foreign currency exchange rate fluctuations, the effects on pricing from group purchasing organizations and competition, the loss of any of our key customers or reduction in the purchase of our products by an such customers, and our ability to integrate acquired businesses as well as the risk factors listed in Part I, Item 1A of this annual report on Form 10-K.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this annual report on Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in the

forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. We disclaim any obligation to update the forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date stated, or if no date is stated, as of the date of this report.

Overview

The following table sets forth our aggregate net sales from the following product categories for our last three fiscal years ending May 31:

	2014		2013		2012	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Peripheral Vascular	$192,656	54 %	$179,683	53 %	$95,200	43 %
Vascular Access	106,394	30 %	106,690	31 %	63,857	29 %
Oncology/Surgery	49,360	14 %	47,155	14 %	62,730	28 %
Supply Agreement	6,045	2 %	8,498	2 %	—	— %
Total	$354,455	100 %	$342,026	100 %	$221,787	100 %

We sell our products in the United States through a direct sales force and outside the U.S. through a combination of direct sales and distributor relationships. For fiscal years 2014, 2013 and 2012, net sales outside the U.S. were 19%, 20% and 15%, respectively.

Our growth depends in large part on the continuous introduction of new and innovative products, together with ongoing enhancements to our existing products, through internal product development, technology licensing and strategic alliances. We recognize the importance of, and intend to continue to make investments in, research and development. For fiscal 2014, 2013 and 2012, our research and development (“R&D”) expenditures were $27.5 million, $26.3 million and $20.5 million, respectively, and constituted 7.8%, 7.7% and 9.2%, respectively, of net sales. R&D expenses include costs to develop new products, enhance existing products, validate new and enhanced products, manage clinical, regulatory and medical affairs and our intellectual property. (See page 9, Part I, Item 1 for additional information related to R&D.)

We are also seeking to grow through selective acquisitions of complementary businesses and technologies. In January 2007, we completed the acquisition of RITA Medical Systems, Inc., or RITA. The acquisition created a diversified medical technology company with a broad line of access, diagnostic and therapeutic products that enable interventional physicians and surgeons to treat vascular disease and cancerous tumors. In addition, in May 2008, we acquired the Nanoknife ablation system which is complementary to our diverse offering of local oncology therapies, including market-leading RFA systems and Habib Sealer resection devices. In June 2008, we completed the acquisition of certain U.S. and U.K. assets of Diomed, Inc. With this acquisition, we substantially strengthened our position in the market for the treatment of varicose veins. The combination of endovenous laser products with our existing venous product line provides us with a comprehensive venous product offering. In May 2012, we completed the acquisition of Navilyst, providing us with entry into the fluid management business with a market leading product line and significantly enhancing our presence in the vascular access market. In October 2012, we acquired all the outstanding capital stock of Vortex Medical, Inc., a privately-held company focused on the development and commercialization of medical devices for venous drainage and the removal of thrombus, or blood clots, from occluded blood vessels. In March 2012, we established a strategic relationship with, and in February 2013, we completed the acquisition of certain assets of, Microsulis Medical Ltd., a U.K. based company specializing in minimally-invasive microwave ablation technology.

Recent Developments

Operational Excellence Program - On December 5, 2013, we announced a company-wide operational excellence program designed to save between $15 and $18 million during the course of the next three years and expected to create greater efficiencies and drive business performance improvements. (See Note P of Notes to Consolidated

Financial Statements for more information related to the restructuring.)

New Credit Agreement - On September 19, 2013, we entered into a Credit Agreement (the “Credit Agreement”) with the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Keybank National

Association as co-syndication agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and joint lead arrangers.

The Credit Agreement provides for a $100 million senior secured term loan facility ("Term Facility") and a $100 million senior secured revolving credit facility, which includes up to a $20 million sublimit for letters of credit and a $5 million sublimit for swingline loans (the "Revolving Facility", and together with the Term Facility, the "Facilities").

The proceeds of the Term Loan and a portion of the proceeds of the Revolving Facility were used to repay our Credit Agreement (the " Prior Credit Agreement") dated as of May 22, 2012, with the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Keybank National Association as co-syndication agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and joint lead arrangers.

The proceeds of the Revolving Facility may be used for general corporate purposes of AngioDynamics and its subsidiaries. The Facilities have a five year maturity. The Term Loan has a quarterly repayment schedule equal to 5%, 5%, 10%, 15% and 65% of its principal amount in years one through five, respectively. Interest on both the Term Loan and Revolver will be based on a base rate or Eurodollar rate plus an applicable margin which increases as our total leverage ratio increases, with the base rate and Eurodollar rate having ranges of 0.50% to 1.25% and 1.50% to 2.25% respectively. After default, the interest rate may be increased by 2.0%. The Revolver will also carry a commitment fee of 0.20% to 0.35% per annum on the unused portion.

Our obligations under the Facilities are unconditionally guaranteed, jointly and severally, by our material direct and indirect domestic subsidiaries (the "Guarantors"). All obligations of AngioDynamics and the Guarantors under the Facilities are secured by first priority security interests in substantially all of the assets of AngioDynamics and the Guarantors.

On September 19, 2013, we borrowed $100 million under the Term Facility and approximately $41.4 million under the Revolving Facility to repay the Prior Credit Agreement. As of May 31, 2014, $91.3 million and $46.4 million were outstanding under the Term Facility and Revolving Facility, respectively. The Credit Agreement includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. The first financial covenant requires us to maintain, as of the end of each of our fiscal quarters, a ratio of (i) consolidated EBITDA minus consolidated capital expenditures to (ii) consolidated interest expense paid or payable in cash plus scheduled principal payments in respect of indebtedness under the Credit Agreement of not less than 1.35 to 1.00. The second financial covenant requires us to maintain, as of the end of each of our fiscal quarters, a ratio of consolidated total indebtedness to consolidated EBITDA of not greater than 3.75 to 1.00. We were in compliance with both covenants as of May 31, 2014.

On September 19, 2013, we repaid all amounts owed under the Prior Credit Agreement, and as a result, the Existing Credit Agreement was terminated. Pursuant to the terms of the Prior Credit Agreement, we had the option to repay this facility at any time prior to the maturity date without penalty.

(See Note K of Notes to Consolidated Financial Statements for more information related to the Credit Agreement.)

Acquisition of Clinical Devices, B.V. - On August 15, 2013 we acquired all the outstanding shares of capital stock of Clinical Devices, B.V., our exclusive distributor of our fluid management products in the Netherlands. The acquisition includes certain in-process research and development for a next-generation tip location technology.

(See Note B of Notes to Consolidated Financial Statements for more information related to acquisitions.)

Acquisition of Microsulis Medical Ltd. - On March 22, 2012, we established a strategic relationship with Microsulis Medical Ltd. ("Microsulis"), a U.K.-based company specializing in minimally-invasive, microwave ablation technology for the coagulation of soft tissue.

The relationship included an initial $5 million investment in Microsulis through the purchase of senior preferred stock, representing a 14.3% ownership position, exclusive distribution rights to market and sell their microwave ablation systems in all markets outside the United States from May 2012 through December 2013, and an exclusive option to purchase at any time until September 22, 2013, substantially all of the global assets of Microsulis Medical, Ltd.

On February 1, 2013, we completed the acquisition of certain assets of Microsulis, which we have accounted for as a business combination, for cash payments at closing totaling $10.0 million, subject to a working capital adjustment, a $5.0

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million payment due on December 31, 2013 and potential additional cash consideration payable upon performance over the next nine years. We also assumed $1.6 million of liabilities.

The total estimated purchase consideration of $33.6 million included the initial investment of $5.0 million, closing payments totaling $10.5 million, a $5.0 million payment due on December 31, 2013 and the estimated fair value of contingent consideration (Earn out) of $13.2 million. The estimated fair value of contingent consideration is based on projected net sales over the nine year period following the closing of the acquisition. The amount of the Earn out consideration that could be paid on net sales is not limited. (See Note A of Notes to Consolidated Financial Statements for information related to the contingent earn out liability.)

The estimated purchase consideration exceeded the fair value of the acquired net assets by $19.3 million and was recorded as goodwill. Goodwill is deductible for tax purposes. Core technologies are being amortized over their estimated useful lives ranging from 10 to 15 years. During the fiscal years ended May 31, 2014 and 2013, we incurred acquisition related costs of $0.3 million and $0.3 million, respectively, which were expensed to “Acquisition, restructuring and other items, net” in the consolidated statement of operations.

Acquisition of Vortex Medical Inc. - On October 15, 2012, we acquired all the outstanding capital stock of Vortex Medical, Inc., a privately-held company focused on the development and commercialization of medical devices for venous drainage and the removal of thrombus, or blood clots, from occluded blood vessels. Vortex’s principal product is the AngioVac ® system, which includes the AngioVac Cannula and Circuit. The AngioVac Cannula has a proprietary balloon-actuated, expandable, funnel-shaped distal tip that enhances flow, prevents clogging of the cannula and facilitates en bloc, or whole removal of undesirable intravascular material. Both the AngioVac Cannula and Circuit are FDA-cleared for use during extracorporeal bypass for up to six hours. CE Mark approval was received in December 2013.

The total estimated purchase consideration of $75.3 million included an upfront payment of $15.1 million and the estimated fair value of contingent (Earn out) consideration of $60.3 million, $40 million of which is guaranteed. The estimated fair value of contingent consideration is based on projected AngioVac net sales in the ten year period following the closing. The amount of the Earn out consideration that could be paid on AngioVac net sales is not limited. (See Note A of Notes to Consolidated Financial Statements for information related to the contingent earn out liability.)

The estimated purchase consideration exceeded the fair value of the acquired net assets by $29.5 million and was recorded as goodwill. Goodwill is not deductible for tax purposes. Core technologies are being amortized over their estimated useful lives of approximately 15 years as revenues are earned from the sales of related products. During the fiscal year ended May 31, 2013, we incurred acquisition related costs of $0.6 million, which were expensed to “Acquisition, restructuring and other items, net” in the consolidated statement of operations.

Acquisition of Navilyst - On May, 22, 2012, we completed the acquisition of privately-held Navilyst, a global medical device company with strengths in the vascular access, interventional radiology and interventional cardiology markets. The acquisition and related transaction costs were financed through the issuance of approximately 9.5 million shares of our common stock, $150 million in drawn acquisition debt financing and $97 million of cash. Based on the closing price of our stock of $12.44 on the day prior to the transaction, the purchase price was approximately $361 million. The fiscal years ended May 31, 2013 and 2012, included $7.3 million and $11.2 million, respectively, in transaction and severance costs related to the Navilyst acquisition. These costs are included in “Acquisition, restructuring and other items, net” in the consolidated statement of operations. Investment funds affiliated with Avista Capital Partners, former owners of Navilyst, received approximately 9.5 million shares of our common stock and, as of May 31, 2014, held approximately 27% of our outstanding shares. Investment funds affiliated with Avista Capital Partners entered into a stockholders agreement with us as part of the transaction and also appointed two additional directors to our existing Board of Directors.

Goodwill recorded as a result of the acquisition was $144.7 million. Intangible assets acquired, other than goodwill, totaled approximately $107.1 million, of which $49.4 million has been identified as customer relationships (15-year weighted average useful life), $32.5 million of trademarks (of which $28.6 million has been determined to have an indefinite useful life and the remaining $3.9 million has a 7 year weighted average useful life), $15.1 million of in-process research and development (indefinite useful life until completed) and $10.1 million of technology (6-year

weighted average useful life).

The IPR&D assets, which were accounted for as indefinite-lived assets at the time of acquisition, represent the development of a biomedical polymer additive for use in PICC and other vascular access product lines and a power injectable port which are valued at $12.1 million and $3.0 million, respectively. The biomedical polymer additive product recently received regulatory approval and the product was released in the United States in October 2012 and is being amortized over a 10 year useful life. The power injectable port is expected to be released in the United States in fiscal 2014, subject to regulatory

approvals. The fair value of these intangible assets was determined based upon the present value of expected future cash flows adjusted for the probability of technological and commercial risk, utilizing a risk-adjusted discount rate.
Discontinuance of Benephit Product Offering - During the third fiscal quarter of 2013, we made the decision to discontinue our Benephit product offering. Accordingly, we recorded $1.6 million of expenses during the year ended May 31, 2013. These costs are included in “Acquisition, restructuring and other items, net” in the consolidated statement of operations.
Closure of UK facility - During the first fiscal quarter of 2012, we made the decision to close our Cambridge, UK facility and transfer the production of lasers to our Queensbury, NY facility. We completed the transfer in January 2013. The total cost of this project was approximately $4.3 million. The consolidated statement of operations for the year ended May 31, 2013 included charges of $2.5 million for costs incurred associated with this closure and included $1.8 million for fiscal 2012. The charge is included in “Acquisition, restructuring and other items, net” in the consolidated statement of operations.

Critical Accounting Policies and Use of Estimates

Our significant accounting policies are summarized in Note A to Notes to Consolidated Financial Statements included elsewhere in this annual report on Form 10-K. While all these significant accounting policies affect the reporting of our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require us to use a greater degree of judgment and/or estimates. Actual results may differ from those estimates. The accounting policies identified as critical are as follows:

Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the SEC’s authoritative guidance on revenue recognition which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence that an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has occurred or services have been rendered. Decisions relative to criterion (iii) regarding collectability are based upon our judgments, as discussed under “Accounts Receivable” below, and should conditions change in the future and cause us to determine this criterion is not met; our results of operations may be affected. We recognize revenue, net of sales taxes assessed by any governmental authority, as products are shipped, based on F.O.B. shipping point terms when title and risk of loss passes to customers. We negotiate shipping and credit terms on a customer-by-customer basis and products are shipped at an agreed upon price. All product returns must be pre-approved by us and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and have at least 12 months remaining prior to its expiration date.

Accounts Receivable

Accounts receivable, principally trade, are generally due within 30 to 90 days and are stated at amounts due from customers, net of an allowance for sales returns and doubtful accounts. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer’s current creditworthiness, as determined by a review of their current credit information. We continuously monitor aging reports, collections and payments from customers, and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we identify. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that the same credit loss rates will be experienced in the future. We write off accounts receivable when they are determined to be uncollectible. For fiscal years 2014, 2013 and 2012, our write offs of accounts receivable have been insignificant.

Income Taxes

In preparing our financial statements, we calculate income tax expense for each jurisdiction in which we operate. This involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. We periodically evaluate deferred tax assets, capital loss carryforwards and tax credit carryforwards to determine their recoverability based primarily on our ability to generate future taxable income and capital gains. Where their recovery is not likely, we estimate a valuation allowance and record a corresponding additional tax expense in our statement of operations. If actual results

differ from our estimates due to changes in assumptions, the provision for income taxes could be materially affected. As of May 31, 2014, our valuation allowance and net deferred tax asset were approximately $1.5 million and $13.2 million, respectively. We have a total of $164.9 million of Federal net operating loss carryforwards and $32.7 million of state net operating loss carryforwards (“NOL”). $161.5 million of our

Federal net operating loss was generated by acquired companies and are subject to Internal Revenue Code ("IRC") Section 382 limitations which are expected to significantly limit our ability to utilize these net operating losses on an annual basis. As a result of our IRC Section 382 analyses, it is estimated that approximately $26.1 million of remaining Federal net operating losses and $13.0 million of state net operating losses will expire prior to utilization. The gross deferred income tax asset ("DTA") related to the NOL reflects these limitations.

In order to ensure the realizability of our deferred tax assets, we need to generate $10.0 million of taxable income each year from 2015 to 2023 and $6.5 million per year until 2033. If we are unable to meet these minimum taxable levels, the deferred tax assets may still be utilized in future years if we can make up previous year taxable income shortfalls prior to the expiration of the net operating loss carryforwards. We have determined that we have sufficient existing levels of pre-tax earnings to generate sufficient taxable income to realize the net deferred tax assets recorded on our balance sheets.

In order to support the realizability of our net deferred tax asset, we projected our pre-tax income utilizing a combination of historical and projected results. Utilizing this projected pre-tax income, we have projected taxable income taking into consideration existing levels of permanent differences including stock option exercise deductions and non-deductible expenses and the reversal of significant temporary differences.

Our Federal net operating loss carryforwards as of May 31, 2014, after considering IRC Section 382 limitations, are $138.8 million. The expiration of the Federal net operating loss carryforwards are as follows: $30.7 million between 2017 and 2026 and $108.0 million between 2027 and 2033.

Our state net operating loss carryforwards as of May 31, 2014 after considering remaining IRC Section 382 limitations are $19.8 million which expire in various years from 2027 to 2033.

We file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world. The Internal Revenue Service ("IRS") completed an examination of our Federal income tax returns for fiscal years 2006 and 2007 in February 2009, which did not result in a material impact on our results of operations or financial position. During fiscal year 2012, New York State completed an examination of our New York State Franchise Tax returns for fiscal years 2005 to 2008. In relation to this examination, income tax expense in fiscal 2011 includes an out-of-period benefit of $300,000 to correct an error that originated in prior years related to certain state tax credits. Additionally, as a result of the audit, we were able to claim state tax credits of $210,000 that are recorded in fiscal year 2012. Fiscal years 2011 through 2013 remain open to examination by the various tax authorities. New York State is currently auditing Navilyst's franchise tax filings for 2009 through 2011, although we do not anticipate any material adjustments will result. We analyzed filing positions in all of the Federal and state jurisdictions where we are required to file income taxes, as well as all open tax years in these jurisdictions and believe that our income tax filing positions and deductions will be sustained on audit and we do not anticipate any adjustments will result in a material adverse effect on our financial condition, results of operations or cash flows.

We do not anticipate that the amount of unrecognized tax benefits will significantly change in the next twelve months.

Inventories

Inventories are stated at the lower of cost (at standard cost which approximates the first-in, first-out method) or market. On a quarterly basis, we review inventory quantities on hand and analyze the provision for excess and obsolete inventory based primarily on product expiration dating and our estimated sales forecast, which is based on sales history, and anticipated future demand. Our estimates of future product demand may not be accurate and we may understate or overstate the provision required for excess and obsolete inventory. Accordingly, any significant unanticipated changes in demand could have a significant impact on the value of our inventory and results of operations. Inventory acquired through a business acquisition is evaluated as part of purchase accounting and, where applicable, a step-up in basis may be recorded. Any applicable step-up is expensed through cost of goods sold.

Property, Plant and Equipment

We state property, plant and equipment at cost, less accumulated depreciation, and depreciate these assets using the straight-line method over their estimated useful lives. We determine this based on our estimates of the period over which the assets will generate revenue. We evaluate these assets for impairment annually or as changes in circumstances or the occurrence of events suggest the remaining value is not recoverable. Any change in condition

that would cause us to change our estimate of the useful lives of a group or class of assets may result in impairment and/or significantly affect depreciation expense on a prospective basis.

Goodwill and Intangible Assets

Intangible assets other than goodwill, indefinite lived intangible assets and IPR&D are amortized over their estimated useful lives, which range between three and twenty years, on either a straight-line basis over the expected period of benefit or as revenues are earned from the sales of the related products. We periodically review the estimated useful lives of our intangible assets and review such assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Our determination of impairment is based on estimates of future cash flows. If an intangible asset is considered to be impaired, the amount of the impairment will equal the excess of the carrying value over the fair value of the asset.

Acquired IPR&D is not amortized until completion and development of the project, at which time the IPR&D becomes an amortizable asset with an appropriate useful life and an amortization method is determined. If the related project is not completed in a timely manner or the project is terminated or abandoned, we may have an impairment related to the IPR&D, calculated as the excess of the asset's carrying value over its fair value.

Our policy defines IPR&D as the value assigned to those projects for which the related products have not received regulatory approval and have no alternative future use. Determining the portion of the purchase price allocated to IPR&D requires us to make significant estimates. The amount of the purchase price allocated to IPR&D is determined by estimating the future cash flows of each project or technology and discounting the net cash flows back to their present values. The discount rate used is determined at the time of measurement in accordance with accepted valuation methods. These methodologies include consideration of the risk of the project not achieving commercial feasibility.

At the time of acquisition, we expect that all acquired IPR&D will reach technological feasibility, but there can be no assurance that the commercial viability of these products will actually be achieved. The nature of the efforts to develop the acquired technologies into commercially viable products consists principally of planning, designing, and conducting clinical trials necessary to obtain regulatory approvals. The risks associated with achieving commercialization include, but are not limited to, delay or failure to obtain regulatory approvals to conduct clinical trials, delay or failure to obtain required market clearances, or delays or issues with patent issuance, or validity and litigation. If commercial viability were not achieved, we would likely look to other alternatives to provide these therapies.

Goodwill and other intangible assets that have indefinite useful lives are not amortized, but rather, are tested for impairment annually or more frequently if impairment indicators arise. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Goodwill and intangible assets have been recorded at either incurred or allocated cost. Allocated costs were based on respective fair market values at the date of acquisition. We have one intangible asset which has been assigned an indefinite life, the NAMIC trademark that was recently acquired as part of our acquisition of Navilyst, and is valued at $28.6 million.

For goodwill, the impairment test requires a comparison of the estimated fair value of the reporting unit to which the goodwill is assigned to the sum of the carrying value of the assets and liabilities of that unit. If the sum of the carrying value of the assets and liabilities of a reporting unit exceeds the fair value of the reporting unit, the carrying value of the reporting unit's goodwill is reduced to its implied fair value through an adjustment to the goodwill balance, resulting in an impairment charge. Our determination of impairment is based on estimates of future cash flows.

Effective June 1, 2012, we consider our business to be a single operating segment entity – the development, manufacture and sale on a global basis of medical devices for vascular access, surgery, peripheral vascular disease and oncology.

Stock-based compensation

We recognize compensation expense for all share-based payment awards made to our employees and directors including employee stock options and employee stock purchases related to our Stock Purchase Plan based on estimated fair values. We recognize compensation expense for our stock awards on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

For fiscal 2014, stock based compensation was $5.4 million pre-tax ($3.4 million after tax). For fiscal 2013, stock based compensation was $4.6 million pre-tax ($3.0 million after tax). For fiscal 2013, stock based compensation was $4.1 million pre-tax ($2.7 million after tax).

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Under the provisions of the guidance adopted, we expect to recognize the following future expense for awards granted prior to May 31, 2014 ($ in thousands):

	Unrecognized Compensation Cost	Weighted-Average Remaining Vesting Period (in years)
Stock options	$3,382	2.13
Non-vested stock awards	$5,625	2.37
	$9,007	2.28

Unrecognized compensation cost for stock options is presented net of 12% assumed annual forfeitures.

The amount of stock-based compensation recognized is based on the value of the portion of awards that are ultimately expected to vest. Guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term “forfeitures” is distinct from “cancellations” or “expirations” and represents only the unvested portion of the surrendered option. We currently expect, based on an analysis of our historical forfeitures, that approximately 88% of our options will vest annually, and we have therefore applied a 12% annual forfeiture rate in determining the stock-based compensation charge recorded. We will re-evaluate this estimate periodically and adjust the forfeiture rate on a prospective basis as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that actually vest.

For the fiscal years ended May 31, 2014, 2013 and 2012, we used the Black-Scholes option-pricing model (“Black-Scholes”) as our method of valuation and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The fair value of share based payment awards on the date of the grant as determined by the Black-Scholes model is affected by our stock price as well as other assumptions. These assumptions include, but are not limited to the expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, and a risk-free interest rate. The risk-free interest rate is based on factual data derived from public sources. The expected stock-price volatility and option life assumptions require significant judgment which makes them critical accounting estimates.

We utilize our historical volatility when estimating expected stock price volatility. We use yield rates on U.S. Treasury securities for a period approximating the expected term of the award to estimate the risk-free interest rate. The expected term is based on our actual historical results. The dividend yield is based on the history and expectation of dividend payments. We have not paid dividends in the past nor do we expect to pay dividends in the foreseeable future.

Results of Operations

Our operating results for fiscal 2014, 2013 and 2012 are expressed as a percentage of total net sales in the following table.

	Years ended					
	May 31, 2014		May 31, 2013		May 31, 2012	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	49.3	%	50.6	%	43.2	%
Gross profit	50.7	%	49.4	%	56.8	%
Operating expenses			—			
Research and development	7.8	%	7.7	%	9.2	%
Sales and marketing	23.5	%	22.3	%	29.1	%
General and administrative	7.3	%	7.6	%	8.3	%
Amortization of intangibles	4.7	%	4.8	%	4.2	%
Change is fair value of contingent consideration	(0.5	)%	0.5	%	—	%
Acquisition, restructuring and other items, net	3.0	%	4.0	%	7.3	%
Medical device excise tax	1.1	%	0.5	%	—	%
Total operating expenses	46.9	%	47.3	%	58.1	%
Operating income (loss)	3.8	%	2.1	%	(1.3	)%
Other (expenses) income			—			
Interest income	—	%	—	%	0.5	%
Interest expense	(1.0	)%	(1.5	)%	(0.2	)%
Other expense	(1.0	)%	(0.8	)%	(1.3	)%
Total other (expenses) income, net	(2.0	)%	(2.3	)%	(1.0	)%
(Loss) income before income tax provision	1.8	%	(0.2	)%	(2.4	)%
Income tax (benefit) provision	0.9	%	—	%	(0.1	)%
Net (loss) income	0.9	%	(0.2	)%	(2.3	)%

For the fiscal year ended May 31, 2014, we reported net income of $3.1 million, or $0.09 per basic and diluted common share, on net sales of $354.5 million compared to a fiscal 2013 net loss of $0.6 million, or ($0.02) loss per basic and diluted common share, on net sales of $342 million. Fiscal 2012 results reported a net loss of $5.1 million, or ($0.20) loss per diluted common share, on net sales of $221.8 million. Fiscal 2014 results included $6.1 million in acquisition costs, $2.2 million in litigation costs and $1.4 million in costs related to our NY plant consolidation program. Fiscal 2013 results included $7.6 million in acquisition costs, $2.5 million in costs associated with the closure of the Cambridge, UK facility, $1.6 million in impairment costs associated with a discontinuance of a product offering and $1.4 million in litigation costs.

Gross profit was 50.7% in fiscal 2014, 49.4% in fiscal 2013 and 56.8% in fiscal 2012. In fiscal 2014, gross margin was reduced by $0.2 million due to acquisition related inventory basis step-up. In fiscal 2013, gross margin was reduced by $3.8 million of acquisition related inventory basis step-up and approximately $0.9 million relating to our Quality Call to Action program.

For the years 2014 and 2013, we did not use net operating losses to offset the amount of cash paid for Federal and state income taxes. Under purchase accounting rules, the use of acquired NOLs is accounted for in deferred tax assets; therefore, the related cash tax savings is not reflected in our provision for income taxes in the statements of operations. For fiscal 2012 we were able to use net operating losses (“NOLs”) accumulated by acquired companies to offset the amount of cash we paid for Federal and state income taxes by approximately $1.1 million.

Fiscal years ended May 31, 2014 and May 31, 2013

Net sales. Net sales are derived from the sale of our products and related freight charges, less discounts and estimated sales returns and allowances. Net sales for fiscal 2014 of $354.5 million, increased 4% over fiscal 2013 sales of $342

million. This increase was primarily attributable to increased sales of EVLT procedure kits, sales of the recently introduced AngioVac

product and increased microwave product sales. These overall increases were partially offset by decreased sales of fluid management and RFA products as well as a decrease in products sold through our supply agreement.

From a product line perspective, Peripheral Vascular sales increased 7% to $192.7 million from the prior year period. This increase was primarily attributable to sales of EVLT procedure kits and sales of the recently introduced AngioVac product. Vascular Access sales were consistant at $106.4 million in fiscal 2014 as compared to $106.7 million in the prior year period. Oncology/Surgery sales were $49.4 million, an increase of 5% from the prior year and is primarily due to increased sales of our microwave and NanoKnife products, partially offset by a decline in the radiofrequency ablation products.

From a geographic perspective, U.S. sales increased 5% to $280.1 million in fiscal 2014 compared to $266.3 million in fiscal 2013, again attributable to EVLT and AngioVac performance. International sales increased 2% to $68.2 million in fiscal 2014 primarily due to increased sales of PICCs, microwave and NanoKnife products, partially offset by radiofrequency ablation declines.

Gross profit. Gross profit consists of net sales less the cost of goods sold, which includes the costs of materials, products purchased from third parties and sold by us, manufacturing personnel, royalties, freight, business insurance, depreciation of property and equipment and other manufacturing overhead. Our gross profit as a percentage of sales was 50.7% in fiscal 2014 compared with 49.4% in fiscal 2013. The increase in gross profit percentage in fiscal 2014 was primarily attributable to $3.8 million in step-up basis amortization related to Navilyst inventory acquired in the prior year, as well as growth in higher margin products such as AngioVac.

Research and development expenses. Research and development ("R&D") expenses include costs to develop new products, enhance existing products, validate new and enhanced products, manage clinical, regulatory and medical affairs and our intellectual property. R&D expenses increased by $1.2 million, or 5%, to $27.5 million in fiscal 2014 compared to the prior year. The increase is primarily due to increased R&D spending on clinical trials and other new product development. As a percentage of net sales, R&D expenses were 7.8% for fiscal 2014, compared to 7.7% for fiscal 2013.

Sales and marketing expenses. Sales and marketing ("S&M") expenses consist primarily of salaries, commissions, travel and related business expenses, attendance at medical society meetings, product promotions and samples. S&M expenses increased $7.1 million or 9% to $83.2 million in fiscal 2014 compared to $76.1 million in fiscal 2013. This increase is primarily due to investments made during fiscal 2013 in the US and International sales forces to drive improved sales performance. In addition, the geographic mix of sales created higher commission expense as compared to the prior year period. As a percentage of net sales, S&M expenses were 23.5% for fiscal 2014 compared to 22.3% for fiscal 2013.

General and administrative expenses. General and administrative ("G&A") expenses includes the cost of executive management, finance, accounting, legal, human resources and information technology and the administrative and professional costs associated with those activities. G&A expenses decreased by approximately $0.1 million when compared to fiscal 2013. G&A expenses decreased to 7.3% of net sales in fiscal 2014 when compared to 7.6% of net sales in fiscal 2013.

Amortization of intangibles. Amortization of intangibles was $16.8 million in fiscal 2014 compared to $16.3 million in fiscal 2013. The $0.5 million increase was primarily related to amortization of intangibles acquired in the Vortex and Microsulis acquisitions. As a percentage of net sales, amortization decreased to 4.7% from 4.8%.

Change in fair value of contingent consideration. The fiscal 2014 results include a net benefit of $1.7 million as a result of a $5 million gain upon revaluation of the Vortex contingent consideration based on a revised sales forecast. This gain was partially offset by changes in fair value of the contingent consideration associated with Microsulis and Clinical Devices. Fiscal 2013 included expenses of $1.6 million related to the change in fair value of the contingent consideration associated with the Vortex and Microsulis acquisitions.

Acquisition, restructuring and other items, net. Acquisition, restructuring and other items, net totaled $10.8 million for fiscal 2014 and primarily consisted of $6.1 million in acquisition costs, $2.2 million in litigation costs and $1.4 million in costs related to our NY plant consolidation program. Fiscal 2013 acquisition, restructuring and other items totaled $13.8 million and primarily includes $7.6 million in transaction and related costs of the Navilyst and Microsulis acquisitions, $2.5 million in costs associated with the closure of the Cambridge, UK facility, $1.6 million

in impairment costs associated with a discontinuance of a product offering and $1.4 million in litigation costs.

Medical device excise tax. Fiscal 2014 and 2013 included $3.8 million and $1.6 million of expense attributed to the Medical Device Excise Tax enacted into law effective January 1, 2013.

Operating income. We reported operating income of $13.4 million for fiscal 2014 compared to operating income of $7.1 million for fiscal 2013. As a percentage of sales, operating income increased to 3.8% from 2.1%.

Other expenses. Other expenses for fiscal 2014 totaled $7.1 million, or 2% of net sales compared to fiscal 2013 results of $7.7 million, or 2.3% of net sales. The decrease is due to a reduction in interest expense as a result of our recent debt refinancing but was offset by increases in other expenses.

Income tax provision (benefit). Our effective tax rate was 52% for fiscal 2014 compared with 5% for the prior year. The current year rate reflects the benefit of the $5.0 million nontaxable adjustment to the contingent liability related to Vortex Medical, Inc., offset by the impact of a New York State tax law change that resulted in a $1.2 million net write off of tax assets, non-deductible interest expense related to contingent payments, decreased non-US income, a seven month benefit from the R&D tax credit that expired on December 31, 2013, true ups of our fiscal year 2013 US income tax returns and the impact of the elimination of the ASC 718 APIC pool. Our ASC 718 APIC pool, which has been historically reduced when share-based compensation cost previously recognized by us was greater than the deduction allowed for income tax purposes based on the price of our common stock on the date of exercise or vesting, is fully depleted. This depletion resulted in a discrete tax expense in fiscal 2014. The prior year rate reflects the impact of non-deductible costs related to the acquisition of Vortex, non-deductible interest expense related to contingent payments, the utilization of fully reserved capital losses, increased non-US income, the retroactive renewal of the previously expired R&D tax credit, the elimination of the Domestic Production Activities Deduction caused by reduced taxable income and the larger impact of non-deductible expenses also caused by the reduced taxable income in fiscal 2013.

During the fiscal third quarter of 2013, The American Taxpayer Relief Act of 2012 was enacted and retroactively extended the research credit from January 1, 2012 to December 31, 2013. This legislation led to a prior period tax benefit in fiscal 2013 of $73,000 for the research credit generated from January 1, 2012 to May 31, 2012. This credit has not been renewed since the December 31, 2013 expiration.

Net income (loss). For fiscal 2014, we reported net income of $3.1 million compared to a net loss of $0.6 million in the prior year.

Fiscal years ended May 31, 2013 and May 31, 2012

Net sales. Net sales are derived from the sale of our products and related freight charges, less discounts and estimated sales returns and allowances. Net sales for fiscal 2013 of $342.0 million, increased 54% over fiscal 2012 sales of $221.8 million. This increase was primarily attributable to sales of products acquired in the Navilyst acquisition and microwave products, partially offset by the absence of LC Beads sales following the end of distribution rights on December 31, 2011. LC Bead sales were $21.3 million during fiscal 2012.

From a product line perspective, Peripheral Vascular sales increased $93.0 million or 98% from the prior year period to $188.2 million. This increase was primarily attributable to sales of Navilyst fluid management products. Vascular Access sales were $106.7 million, an increase of $42.8 million or 67% from the prior year period. This increase is attributable to sales of Navilyst PICCs and port products. Oncology/Surgery sales were $47.2 million, a decrease of 25% from the prior year. The decrease was primarily attributed to the decrease in LC Beads sales described earlier, partially offset by increased Nanoknife and Microwave product sales. Nanoknife sales totaled $12.8 million in fiscal 2013 and $11.6 million in fiscal 2012.

From a geographic perspective, U.S. sales increased 46% to $274.8 million in fiscal 2013 compared to $188.2 million in fiscal 2012, despite the cessation of the distribution of LC Beads in December 2011. The addition of product revenue from the Navilyst acquisition was the primary driver of the increase. International sales were $ 67.2 million in fiscal 2013, double the $33.6 million of reported sales in fiscal 2012. Products acquired in the Navilyst acquisition were responsible for the majority of the increase along with Microwave product sales.

Gross profit. Gross profit consists of net sales less the cost of goods sold, which includes the costs of materials, products purchased from third parties and sold by us, manufacturing personnel, royalties, freight, business insurance, depreciation of property and equipment and other manufacturing overhead. Our gross profit as a percentage of sales was 49.4% in fiscal 2013 compared with 56.8% in fiscal 2012. The decrease in gross profit percentage in fiscal 2013 was primarily attributable to $3.8 million in costs for step-up in inventory associated with the Navilyst acquisition and a full year inclusions of the Navilyst products which yield lower gross profit.

Research and development expenses. Research and development (“R&D”) expenses include costs to develop new products, enhance existing products, validate new and enhanced products, manage clinical, regulatory and medical

affairs and our intellectual property. R&D expenses increased by $5.8 million, or 28%, to $26.3 million in fiscal 2013 compared to the prior year. The increase is primarily due to increased R&D personnel and projects following the Navilyst acquisition. As a percentage of net sales, R&D expenses were 7.7% for fiscal 2013, compared to 9.2% for fiscal 2012.

Sales and marketing expenses. Sales and marketing ("S&M") expenses consist primarily of salaries, commissions, travel and related business expenses, attendance at medical society meetings, product promotions and samples. S&M expenses increased $11.6 million or 18% to $76.1 million in fiscal 2013 compared to $64.5 million in fiscal 2012. This increase is primarily due to the addition of Navilyst sales and marketing personnel and increased International sales expenses as we continue to expand our International business. As a percentage of net sales, S&M expenses were 22.3% for fiscal 2013 compared to 29.1% for fiscal 2012.

General and administrative expenses. General and administrative ("G&A") expenses includes the cost of executive management, finance, accounting, legal, human resources and information technology and the administrative and professional costs associated with those activities. G&A expenses increased $7.8 million, or 43%, to $26.1 million in fiscal 2013 compared to $18.3 million in fiscal 2012 primarily due to the addition of Navilyst personnel. G&A expenses decreased to 7.6% of net sales in fiscal 2013 compared to 8.3% of net sales in fiscal 2012.

Amortization of intangibles. Amortization of intangibles was $16.3 million in fiscal 2013 compared to $9.4 million in fiscal 2012. The $6.9 million increase was primarily related to amortization of intangibles acquired in the Navilyst acquisition.

Change in fair value of contingent consideration. The fiscal 2013 results include expense of $1.6 million related to the change in fair value of the contingent consideration associated with the Vortex and Microsulis acquisitions. There were no similar contingent consideration arrangements in the prior year period.

Acquisition, restructuring and other items, net. Acquisition, restructuring and other items, net totaled $13.8 million in fiscal 2013 and primarily includes $7.6 million in transaction and related costs of the Navilyst and Microsulis acquisitions, $2.5 million in costs associated with the closure of the Cambridge, UK facility, $1.6 million in impairment costs associated with a discontinuance of a product offering and $1.4 million in litigation costs. The fiscal 2012 results included $16.2 million in costs chiefly comprised of $11.8 million in transaction and related costs of the Navilyst acquisition and Microsulis strategic relationship, $2.3 million in costs for CEO and executive transition costs and $1.8 million in costs associated with the decision to close our UK facility.

Medical device excise tax. Fiscal 2013 included $1.6 million of expense attributed to the Medical Device Excise Tax enacted into law effective January 1, 2013.

Operating income (loss). We reported operating income of $7.1 million for fiscal 2013 compared to an operating loss of $3.0 million for fiscal 2012.

Other expenses. Other income and expenses for fiscal 2013 was $7.7 million of net expense, or 2.3% of net sales compared to fiscal 2012 results of $2.3 million of net expense, or 1.0% of net sales. The incremental expense is primarily due to interest on the debt incurred to finance the Navilyst acquisition.

Income tax provision (benefit). Our effective tax rate was 5% for fiscal 2013 compared with 4% for the prior year. The current year rate reflects the impact of non-deductible costs related to the acquisition of Vortex, non-deductible interest expense related to contingent payments, the utilization of fully reserved capital losses, increased non-US income, the retroactive renewal of the previously expired R&D tax credit, the elimination of the Domestic Production Activities Deduction caused by reduced taxable income and the larger impact of non-deductible expenses also caused by the reduced taxable income in fiscal 2013. The prior year rate reflects the impact of non-deductible costs related to the acquisition of Navilyst, the December 31, 2011 expiration of the R&D tax credit, the reduction in the Domestic Production Activities Deduction caused by reduced taxable income and the larger impact of non-deductible expenses also caused by the reduced taxable income in fiscal 2012.

During the fiscal third quarter of 2013, The American Taxpayer Relief Act of 2012 was enacted and retroactively extended the research credit from January 1, 2012 to December 31, 2013. This legislation led to a prior period tax benefit in fiscal 2013 of $73,000 for the research credit generated from January 1, 2012 to May 31, 2012.

Net (loss) income. For fiscal 2013, we reported net loss of $0.6 million compared to a net loss of $5.1 million in the prior year.

Liquidity and Capital Resources

Our cash and cash equivalents totaled $16.1 million as of May 31, 2014, compared with $21.8 million as of May 31, 2013. Marketable securities totaled $1.8 million and $2.2 million as of May 31, 2014 and 2013, respectively, and consist of U.S. government issued or guaranteed securities, auction rate securities and corporate bonds. As of May 31,

2014, total debt was $137.7 million primarily comprising short and long-term bank debt that financed our acquisition of Navilyst in May 2012, which was refinanced on September 2013. As a result of the Vortex, Microsulis and Clinical Devices acquisitions, the estimated fair value of contingent milestone payments as of May 31, 2014, totaled $67.4 million, of which $51.1 million was

reflected in "Contingent consideration net of current portion" and $16.3 million was reflected in "current portion of contingent consideration" on the consolidated balance sheet.

The table below summarizes our cash flows for the fiscal years 2014, 2013 and 2013:

	May 31, 2014	May 31, 2013	May 31, 2012
	(in thousands)		
Cash provided by (used in):			
Operating activities	$25,280	$26,883	$11,497
Investing activities	(17,047)	(22,238)	(176,360)
Financing activities	(14,016)	(6,286)	142,338
Effect of exchange rate changes on cash and cash equivalents	86	(65)	49
Net change in cash and cash equivalents	$(5,697)	$(1,706)	$(22,476)

Net cash provided by operating activities during fiscal 2014 of $25.3 million was largely the result of net income excluding non-cash expense items, such as depreciation and amortization, stock based compensation and deferred income taxes. However, these items were partially offset by an increase in accounts receivables and inventories.

Net cash used in investing activities during fiscal 2014 of $17 million consisted primarily of fixed asset additions and the acquisition of Clinical Devices.

Net cash used in financing activities during fiscal 2014 of $14 million consisted primarily of the payment of contingent consideration related to the acquisition of Vortex and the refinancing of long-term debt, partially offset by proceeds from the exercise of stock options and purchases related to our employee stock option plan.

Our contractual obligations as of May 31, 2014 are set forth in the table below (in thousands). We have no variable interest entities or other off-balance sheet obligations.

	Cash Payments Due By Period as of May 31, 2014				
	Total	Less than One Year	1-3 Years	3-5 Years	After 5 Years
Contractual Obligations:					
Long term debt and interest	$103,213	$6,982	$25,991	$70,240	$—
Operating leases(1)	7,914	1,991	2,830	2,186	907
Purchase obligations(1)	12,534	2,823	8,637	1,074	—
Acquisition future obligations	47,713	15,013	20,000	12,700	—
	$171,374	$26,809	$57,458	$86,200	$907

(1) The non-cancelable operating leases and inventory purchase obligations are not reflected on our consolidated balance sheets under accounting principles generally accepted in the United States of America.

We believe that our current cash and investment balances and cash generated from operations will provide sufficient liquidity to meet our anticipated needs for capital for at least the next 12 months. However, if we seek to make significant acquisitions of other businesses or technologies, we may require additional financing. We cannot be assured that such financing will be available on commercially reasonable terms, if at all.

Recent Accounting Pronouncements

In February 2013, the FASB expanded the disclosure requirements related to changes in accumulated other comprehensive income (AOCI). The new guidance requires disclosure of the amount of income (or loss) reclassified out of AOCI to each respective line item on the statement of operations where net income is presented. The guidance allows disclosure of the reclassification either in the notes to the financial statements or parenthetically on the face of the financial statements. This requirement is effective for reporting periods beginning after December 15, 2012 (fourth quarter of our fiscal year 2013). Since the guidance only impacts disclosure requirements, its adoption did not have a material impact on our consolidated financial statements.

In July 2013, the FASB issued guidance related to the presentation of certain tax information. This new pronouncement provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss

carryforward, or similar tax loss, or a tax credit carryforward exists. This pronouncement is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2013 (our fiscal year 2015). Since the guidance only impacts presentation requirements, its adoption will not have a material impact on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single, comprehensive accounting model for revenues arising from contracts with customers that supersedes most of the existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue is recognized at an amount that an entity expects to be entitled to upon transferring control of goods or services to a customer, as opposed to when risks and rewards transfer to a customer under existing revenue recognition guidance. ASU 201-09 is effective for the Company beginning in its fiscal year 2018, and may be applied retrospectively to all prior periods presented or through a cumulative adjustment to the opening retained earnings balance in the year of adoption. The Company is currently in the process of evaluation the impact of ASU 2014-09 on its consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates on investments and financing that could impact our results of operations and financial position. In June 2012, we entered in an interest rate swap agreement, with an initial notional amount of $100 million, to limit the effect of variability due to interest rates on our debt. The swap agreement, which qualifies for hedge accounting under authoritative guidance, is a contract to exchange floating interest rate payments for fixed interest rate payments of 3.26% of the outstanding balance of loan over the life of the swap agreement without the exchange of the underlying notional amounts. We do not currently engage in any other hedging or market risk management tools.

On September 19, 2013, we entered into a Credit Agreement (the "Credit Agreement") with the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Keybank National Association as co-syndication agents, and J.P Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and join lead arrangers. The Credit Agreement provides for a $100 million senior secured term loan facility (“ Term Loan") and a $100 million senior secured revolving credit facility, which includes up to a $20 million sublimit for letters of credit and a $5 million sublimit for swingline loans (the “Revolving Facility", and together with the Term Loan, the "Facilities"). Interest on both the Term Loan and Revolver will be based on a base rate or Eurodollar rate plus an applicable margin which increases as our total leverage ratio increases, with the base rate and Eurodollar rate having ranges of 0.50% to 1.25% and 1.50% to 2.25% respectively. In the event of default, the interest rate may be increased by 2.0%.

The proceeds of the Term Loan and a portion of the proceeds of the Revolving Facility were used to repay our Credit Agreement dated as of May 22, 2012, with the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent,Bank of America, N.A. and Keybank National Association as co-syndication agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and joint lead arrangers.

Nearly all of our sales have historically been denominated in United States dollars. Although not significant, we transact sales in other currencies, particularly the Euro, British pound and Canadian dollar. Approximately 7% of our sales in fiscal 2014 were denominated in currencies other than the U.S. dollar; primarily the Euro and British pound. We currently have no significant direct foreign currency exchange risk and such risk in the future is expected to be modest.

Our excess cash is invested in highly liquid, short-term, investment grade securities with maturities primarily of less than two years. These investments are not held for speculative or trading purposes. Changes in interest rates may affect the investment income we earn on cash, cash equivalents and marketable securities and therefore affect our cash flows and results of operations. We hold investments in auction rate securities (“ARS”) in order to generate higher than typical money market investments. ARS typically are high credit quality, generally achieved with municipal bond insurance. Credit risks are eased by the historical track record of bond insurers, which back a majority of this market.

Sell orders for any security traded through an auction process could exceed bids. Such instances are usually the result of a drastic deterioration of issuer credit quality. Should there be a failed auction, we may be unable to liquidate our position in the securities in the near term. We have $1.8 million in investments in two auction rate securities issued by New York state and local government authorities that have failed auctions. The authorities are current in their interest payments on the securities.

Item 8. Financial Statements and Supplementary Data

Financial statements and supplementary data required by Part II, Item 8 are included in Part IV of this report as indexed as Item 15 (a) (1) and (2) of this report, and are incorporated by reference into this Item 8.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us (including our consolidated subsidiaries) in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting in the fiscal year ended May 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We are in the process of a multi-year implementation of a Strategic Business System project (which is our global enterprise resource planning or ERP system). In fiscal 2014, we deployed the system at our U.S. operations, the largest of our global operations and in varying degrees at our non-U.S. operations. We expect to complete the full global implementation during fiscal 2015. In response to business integration activities related to the new system, we will align and streamline the design and operation of the financial reporting controls environment to be responsive to the changing operating environment.

During the preparation of this annual report on Form 10-K, management identified an immaterial accounting error related to the January 2014 implementation of our ERP system. Management has concluded the error does not have a material impact on the Company's fiscal 2014 third quarter results and has revised its third quarter presentation. (See Note Q of Notes to Consolidated Financial Statements.)

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our board of directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of May 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (1992).

Based on its assessment and these criteria, subject to the foregoing, management believes that we maintained effective internal control over financial reporting as of May 31, 2014.

Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting. That report appears on page 52 of this annual report on Form 10-K.

Item 9B. Other Information

None

Part III

Certain information required by Part III is omitted from this annual report on Form 10-K because we will file a definitive proxy statement within 120 days after the end of our fiscal year pursuant to Regulation 14A (the "Proxy Statement") for our annual meeting of Stockholders, currently scheduled for October 2014. The information included in the Proxy Statement under the respective headings noted below is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance

Information required in this annual report on Form 10-K with respect to Executive Officers is contained in the discussion titled "Executive Officers of the Company" in Part I of this annual report on Form 10-K. The balance of the information required by Item 10 is incorporated herein by reference to our Proxy Statement under the heading "Election of Directors".

Item 11. Executive Compensation

The information required by Item 11 is incorporated herein by reference to our Proxy Statement under the heading "Executive Compensation".

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this caption is incorporated herein by reference to our Proxy Statement under the heading "Ownership of Securities".

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this caption is incorporated herein by reference to our Proxy Statement under the heading "Certain Relationships and Related Transactions".

Item 14. Principal Accounting Fees and Services

The information required by this caption is incorporated herein by reference to our Proxy Statement under the headings "Audit Matters—Principal Accounting Fees and Services and—Policy on Audit Committee Pre-approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm".

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements

The following consolidated financial statements and supplementary data of Registrant and its subsidiaries required by Part II, Item 8, are included in Part IV of this report:

(2) Financial Statement Schedules

The following consolidated financial statement schedule is included in Part IV of this report:

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

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
AngioDynamics, Inc.

In our opinion, the consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of stockholders' equity, and of cash flows listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of AngioDynamics, Inc. and its subsidiaries at May 31, 2014 and May 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Albany, New York
August 14, 2014

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years ended		
	May 31, 2014	May 31, 2013	May 31, 2012
Net sales	$354,455	$342,026	$221,787
Cost of sales	174,594	173,037	95,829
Gross profit	179,861	168,989	125,958
Operating expenses			
Research and development	27,510	26,319	20,511
Sales and marketing	83,200	76,121	64,505
General and administrative	26,035	26,127	18,334
Amortization of intangibles	16,797	16,345	9,406
Change in fair value of contingent consideration	(1,718)		