ANGIODYNAMICS INC
Form 10-K/A
January 12, 2015

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

FORM 10-K/A

(Amendment No.1)

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 December 31, 2014, there were 35,821,165 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 filed September 17, 2014.

EXPLANATORY NOTE

For convenience purposes in this filing on Form 10-K/A, AngioDynamics, Inc. together with its subsidiaries, is referred to as "AngioDynamics," the "Company," "we," "our" or "us".

We are filing this Amendment No. 2 (this “Amendment” or “Form 10-K/A”) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2014 to amend the Company’s previously filed Annual Report on Form 10-K for the year ended May 31, 2014 (the “Original Form 10-K”) as originally filed with the Securities and Exchange Commission (the “SEC”) on August 14, 2014 and as amended by Amendment No. 1 on Form 10-K/A filed with the SEC on January 8, 2015 (as so amended, the “Form 10-K”). The Amendment is being filed solely to refile Amendment No. 1 on Form 10-K/A to correct an administrative error which resulted in the filing of an incorrect version of the Exhibits listed below.

Exhibit 23 Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
Exhibit 31.1 Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2 Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1 Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2 Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The correct Exhibits are included in this Amendment and no other changes are being made to the body of the amendment. The below explanatory note describes Amendment No. 1 on Form 10-K/A.

We are filing this Amendment No. 1 (this “Amendment” or “Form 10-K/A”) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2014 following the completion of our interim financial statements for the three months ended August 31, 2014, as discussed below. Our Annual Report on Form 10-K for the year ended May 31, 2014 (the “Form 10-K” or the “Original Form 10-K”) was originally filed with the Securities and Exchange Commission (the “SEC”) on August 14, 2014. At the time of filing our Form 10-K, we determined that our disclosure controls and procedures (“DC&P”) and our internal controls over financial reporting (“ICFR”) were each effective as of May 31, 2014. Management has concluded that there are material weaknesses in ICFR, as management did not maintain effective controls over the preparation, review and approval of certain account reconciliations and did not have a sufficient complement of personnel with financial reporting expertise, as further described below. Accordingly, management has determined that the Company's ICFR and DC&P were not effective as of May 31, 2014.

In addition to the revision in Part II, Item 9A described above, this Amendment revises previously issued financial statements for our failure to recognize the expense associated with prepaid and other assets in accordance with the underlying contractual terms (cumulative impact of approximately $1.2 million) and depreciation expense (cumulative impact of approximately $0.4 million), and other individually immaterial items. Also, approximately $5.4 million of contingent consideration liabilities that had been classified as current are classified as long term in the balance sheet. Management has revised the previously reported disclosure to appropriately classify the components of intangible assets.

The Company corrected its presentation of the acquisition future obligations in its Contractual Obligations table in Part II, Item 7 to align with the amounts presented in the Company's consolidated financial statements.

See “Items Amended by this Filing” below for a description of the items of the Form 10-K that are being amended pursuant to this Amendment.

Controls and Procedures: As part of the preparation of our 10-Q filed with the SEC on October 15, 2014, we identified material weaknesses in our ICFR. The material weaknesses, further discussed in Item 9A, Controls and Procedures, on page 52, are:

We did not maintain effective controls over the preparation, review and approval of certain account reconciliations. Specifically, the Company did not maintain effective controls over the completeness and analysis of supporting

schedules and underlying data supporting account reconciliations prepared for certain prepaid expenses and other assets and fixed assets and accumulated depreciation.

We lacked a sufficient complement of personnel with a level of financial reporting expertise commensurate with our financial reporting requirements, specifically, with respect to resources capable of: monitoring and accurately recording certain routine transactions specifically in prepaid expenses and other assets, fixed assets and

accumulated depreciation; evaluating the presentation and disclosure of contingent consideration liabilities and intangible assets; effectively performing testing related to our enterprise resource planning ("ERP") implementation specifically associated with the configuration of certain intercompany transactions and the conversion of data related to depreciation; and properly performing account reconciliations as noted above.

Items Amended by this Filing
The following items of the Original Form 10-K are being amended:

Part I - Item 1. Business

Part I - Item 1A. Risk Factors

Part II - Item 6. Selected Financial Data

Part II - Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Part II - Item 8. Financial Statements and Supplementary Data

Part II - Item 9A. Controls and Procedures

Part IV - Item 15. Exhibits and Financial Statement Schedules

Other than this Amendment we do not intend to file any other amended Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the revisions. Future Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q will reflect the revisions for financial information included in this Amendment, as applicable. This Amendment includes the updates for the matters discussed above, matters described in Note S to the consolidated financial statements and other inconsequential typographical errors. Accordingly, this Amendment should be read in conjunction with our other filings with the SEC subsequent to the filing of the Form 10-K.

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 an 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.

- 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.

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® Implantable 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.

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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 Orthopedics. 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. Mr. Kapusta resigned as of December 31, 2014.

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.

We have determined that material weaknesses exist in our internal control over financial reporting which could, if not remediated, have a material adverse impact on our ability to produce timely and accurate financial statements.

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. As discussed in Part II - Item 9A, we identified material weaknesses in our internal control over financial reporting as of May 31, 2014. As a result of these material weaknesses, management concluded that our internal control over financial reporting was not effective as of May 31, 2014.

A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Although we continue to devote significant time and attention to remedy the identified material weaknesses in internal control over financial reporting, we expect to complete our remediation plan and testing of the remediated controls during the fiscal year ended May 31, 2015. There is the potential that our remedial efforts may not be successful. Until our remediation plan is fully implemented, our management will continue to devote significant time and attention to these efforts. If we do not complete our remediation in a timely fashion, or at all, or if our remediation plan is inadequate or we encounter difficulties in the implementation or maintenance of our internal control over financial reporting or disclosure controls and procedures, there will be an increased risk that we will be unable to timely file future periodic reports with the SEC. In addition, any failure to implement or any difficulties we encounter with our remediation plan could result in additional material weaknesses or deficiencies in our internal control or future material misstatements in our annual or interim consolidated financial statements.

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 ma