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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**AMENDMENT NO. 1**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
*Under The Securities Act of 1933*

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**AngioDynamics, Inc.**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**3841**  
(Primary Standard Industrial  
Classification Code Number)

**11-3146460**  
(I.R.S. Employer  
Identification Number)

**603 Queensbury Avenue**  
**Queensbury, New York 12804**  
**(518) 798-1215**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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**Eamonn P. Hobbs**  
**AngioDynamics, Inc.**  
**603 Queensbury Avenue**  
**Queensbury, New York 12804**  
**(518) 798-1215**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

(continued on next page)

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We cannot sell these securities until the Securities and Exchange Commission declares our registration statement for our prospectus effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated April 15, 2004

**PROSPECTUS**

**1,950,000 Shares**  
**ANGIODYNAMICS®**  
INCORPORATED  
**Common Stock**

This is AngioDynamics, Inc.'s initial public offering. AngioDynamics, Inc. is selling 1,950,000 shares of common stock.

We expect the public offering price to be between \$12.00 and \$14.00 per share. Currently, no public market exists for the shares. After pricing the offering, we expect the common stock will be quoted on the Nasdaq National Market under the symbol "ANGO."

We are a wholly-owned subsidiary of E-Z-EM, Inc. Following completion of this offering, E-Z-EM will own approximately 82.5% of our outstanding shares of common stock.

**Investing in our common stock involves risks. See "Risk Factors" beginning on page 8.**

PRICE \$ PER SHARE

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Net proceeds, before expenses, to AngioDynamics	\$	\$

The underwriters may also purchase up to an additional 292,500 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallocments.

The underwriters expect to deliver the shares on or about , 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

**RBC CAPITAL MARKETS**

**ADAMS, HARKNESS & HILL**

, 2004

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. We are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers or sales are permitted. The information in this prospectus is only accurate on the date of this prospectus. Our business, financial condition or results of operations may have changed since that date.

**For investors outside the United States:** Neither we nor any of the underwriters for the offering of our common stock have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and to observe any restrictions relating to, our offering and the distribution of this prospectus.

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the Risk Factors section and our consolidated financial statements and the related notes.*

### Our Business

We design, develop, manufacture and market innovative medical devices used in minimally invasive, image-guided procedures to treat peripheral vascular disease, or PVD. PVD is a condition in which the arteries or veins that carry blood to or from the legs, arms and organs, other than the heart, become narrowed, obstructed or ballooned. We offer a broad line of therapeutic and diagnostic devices that enable interventional physicians to treat PVD and other non-coronary, or non-heart-related, diseases. Interventional physicians are interventional radiologists, vascular surgeons and others who use image-guided techniques to perform minimally-invasive surgical procedures.

The procedures performed by interventional physicians to treat PVD-related and other non-coronary conditions require a variety of medical devices. We have developed a diversified product line to meet our customers' needs. Our seven current product lines, and the percentage of our fiscal 2003 revenues they accounted for, include: angiographic catheters (35.6%), hemodialysis catheters (24.4%), percutaneous transluminal angioplasty, or PTA, dilation catheters (7.9%), thrombolytic products (7.8%), image-guided vascular access products (6.9%), endovascular laser venous system products (5.5%) and drainage products (3.4%).

We believe that we are well positioned to benefit from growth in the PVD market anticipated to result from ongoing medical and demographic trends. Millennium Research Group reports that over 11 million Americans suffer from PVD. We estimate that aggregate U.S. expenditures on PVD devices that we currently sell will increase from approximately \$760 million in 2002 to over \$1 billion in 2007. Several factors are driving this growth, including an aging population, higher incidence rates of obesity and diabetes, greater adoption of the minimally invasive procedures performed by interventional physicians, greater public awareness of PVD symptoms and treatments, and the introduction of new image-guided procedures.

We sell our products to interventional physicians through a direct sales force in the United States and through distributors in 26 non-U.S. markets. Because physicians believe that the outcome of medical procedures can be significantly affected by the specific device used, they typically influence the purchasing decisions of the hospitals and other institutions in which they practice. Consequently, our physician relationships are critical to our continued growth. In over a decade of serving interventional physicians, our management team and sales representatives have developed valuable relationships with, and brand awareness among interventional physicians. We believe we are the only company whose primary focus is to offer a comprehensive product line for the interventional treatment of PVD. This focus, combined with our responsive, physician-driven product development efforts, engenders brand loyalty among our customer base.

By expanding our sales force and introducing innovative products, we have generated strong, consistent sales growth over the past three fiscal years. Approximately 55% of our net sales for fiscal 2003 were from products introduced during the past five fiscal years. From fiscal 2000 to fiscal 2003, we increased sales from \$21.8 million to \$38.4 million, a compound annual growth rate, or CAGR, of 20.8%. During the same period, we increased earnings from a net loss of \$1.4 million to net earnings of \$1.2 million.

### **Our Strategy**

We enter market segments in which we believe we can successfully compete with larger diversified competitors as well as single or limited product companies. We intend to continue to expand our product offering by entering new and attractive market segments and investing in research and development. The key elements of our strategy include:

- expanding our sales and marketing efforts by adding direct sales representatives in the United States and distributors in non-U.S. markets;
- developing new products and enhancing existing products;
- offering a broad product line;
- vertically integrating manufacturing; and
- acquiring or partnering with complementary businesses.

### **Our History**

We were founded in 1988 as a division of E-Z-EM, Inc., a leading developer and manufacturer of gastrointestinal contrast agents and related imaging accessories. E-Z-EM is a public company that is traded on the American Stock Exchange under the symbol EZM. In 1992, we were organized in the State of Delaware as a wholly-owned subsidiary of E-Z-EM under the name A.D., Inc. In 1996, E-Z-EM transferred the business of its AngioDynamics division to us, and we changed our name to AngioDynamics, Inc. Our corporate offices and manufacturing capabilities are in a single facility located at 603 Queensbury Avenue, Queensbury, New York, 12804. Our phone number is (518) 798-1215 and our website is [www.angiodynamics.com](http://www.angiodynamics.com). Information on our website is not a part of this prospectus.

### **Relationship with E-Z-EM, Inc.**

We are a wholly-owned subsidiary of E-Z-EM. After the completion of this offering, E-Z-EM will own 9,200,000 shares of our common stock. This will constitute approximately 82.5% of the outstanding shares of our common stock, or approximately 80.4% if the underwriters fully exercise their option to purchase additional shares of our common stock. This means that E-Z-EM will control many aspects of our business.

E-Z-EM has advised us that it has determined that the division of its two business segments into two separate publicly-held companies is the best way to maximize value for its stockholders, in particular, by allowing AngioDynamics to gain direct access to the capital markets. In addition, we and E-Z-EM have determined that an initial public offering of our common stock will provide working capital for new product development and other corporate purposes. Our separation from E-Z-EM will be accomplished in two steps: this offering and the subsequent distribution by E-Z-EM of its shares of our common stock to its stockholders. This process will enable the distribution by E-Z-EM to be tax-free to E-Z-EM and its stockholders, and will also provide for an efficient and orderly development of a public market for our common stock prior to the distribution.

We believe that AngioDynamics will realize benefits from its separation from E-Z-EM, including:

- *Direct Access to Capital Markets.* Following the distribution of our shares by E-Z-EM, and subject to the restrictions on our ability to raise capital which are necessary to preserve the tax-free status of the distribution, we will be able to directly access the capital markets to raise equity capital and issue debt securities in an efficient and cost-effective way, as well as to facilitate growth, including through acquisitions.

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- ÿ *Greater Strategic Focus.* We expect that the separation will allow our directors and management to concentrate on developing business and strategic opportunities focused only on our products and customer base.
- ÿ *Increased Speed and Responsiveness.* As a separate company, we believe that we will be able to make decisions more quickly and assign resources more rapidly and efficiently than we could as part of a larger organization.
- ÿ *Better Incentives for Management and Employees and Greater Accountability.* The separation will enable us to offer our employees compensation and incentive programs directly linked to the performance of the AngioDynamics business and the market performance of our stock, which we expect to enhance our ability to attract, retain and motivate qualified personnel.

E-Z-EM will, in its sole discretion, determine the timing, structure and all terms of the distribution. E-Z-EM has agreed with the underwriters that it will not complete the distribution until at least 120 days after the date of this prospectus without the prior written consent of RBC Capital Markets Corporation. The distribution depends on the satisfaction or waiver of a number of conditions. E-Z-EM has received a private letter ruling from the Internal Revenue Service that the distribution of its shares of our common stock to E-Z-EM stockholders will be tax-free to E-Z-EM and its stockholders. E-Z-EM has advised us that it intends to complete the distribution by February 5, 2005. However, E-Z-EM is not obligated to complete the distribution, and there can be no assurance that the distribution will occur.

Prior to the completion of this offering, we intend to enter into agreements related to the separation of our business operations from E-Z-EM, including:

- ÿ master separation and distribution agreement;
- ÿ corporate agreement; and
- ÿ tax allocation and indemnification agreement.

The agreements relating to the separation of our business operations from E-Z-EM are described more fully in “Relationship and Arrangements with E-Z-EM” included elsewhere in this prospectus. Our obligation to indemnify E-Z-EM and its stockholders if our actions cause the distribution by E-Z-EM to fail to qualify as a tax-free spinoff could result in substantial liability for us. The terms of these agreements with E-Z-EM will be established in the context of a parent-subsiary relationship and may be more or less favorable to us than if they had been negotiated with unaffiliated third parties.

Although E-Z-EM will be able to control our activities prior to its distribution of our common stock, we and E-Z-EM will agree in the master separation and distribution agreement that, for a period of five years from the date of this offering and subject to limited exceptions, each company will not engage in any activities or lines of business included within the other’s business at the time of the offering. Additionally, during this five-year period, the master separation and distribution agreement provides that we and E-Z-EM have no right to claim a corporate opportunity in business opportunities that fall within the other company’s current business. Further, we believe that the businesses are sufficiently distinct so as to make it unlikely that each company would be interested in any opportunity that falls outside both of their businesses.

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**The Offering**

Common stock offered by us	1,950,000 shares
Common stock outstanding after the offering	11,150,000 shares
Use of proceeds	We intend to use the net proceeds from this offering for new product development, potential acquisitions, repayment of \$3.0 million of debt to E-Z-EM and general corporate purposes. See “Use of Proceeds.”
Risk factors	See “Risk Factors” and the other information included in this prospectus for a discussion of factors you should consider carefully before deciding to invest in shares of our common stock.
Proposed Nasdaq National Market symbol	“ANGO”



## Summary Consolidated Financial Data

The following tables summarize consolidated financial and operating data regarding our business and should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fifty-two weeks ended			Thirty-nine weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Mar. 1, 2003	Feb. 28, 2004
(in thousands, except share and per share data)					
<b>Statement of earnings data:</b>					
Net sales	\$ 23,390	\$ 30,890	\$ 38,434	\$ 27,199	\$ 34,936
Cost of goods sold	12,418	15,333	18,572	13,170	16,655
Gross profit	10,972	15,557	19,862	14,029	18,281
<b>Operating expenses:</b>					
Sales and marketing	7,089	8,901	11,338	8,028	9,947
General and administrative	1,875	2,317	2,777	2,042	2,530
Research and development	1,426	1,951	2,509	1,769	2,597
Loss on sale of subsidiary and related assets	872	—	—	—	—
Total operating expenses	11,262	13,169	16,624	11,839	15,074
Operating profit (loss)	(290)	2,388	3,238	2,190	3,207
Interest expense, net (a)	(880)	(818)	(983)	(730)	(621)
Earnings (loss) before income tax provision (benefit)	(1,170)	1,570	2,255	1,460	2,586
Income tax provision (benefit)	(1,513)	561	1,069	807	989
Net earnings	\$ 343	\$ 1,009	\$ 1,186	\$ 653	\$ 1,597
<b>Net earnings per common share</b>					
Basic:	\$ .04	\$ .11	\$ .13	\$ .07	\$ .17
Diluted:	\$ .04	\$ .11	\$ .13	\$ .07	\$ .16
<b>Weighted average number of shares used in per share calculations</b>					
Basic:	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000
Diluted:	9,200,000	9,337,425	9,472,233	9,472,281	9,732,432
<b>Cash flow data:</b>					
Net cash provided by (used in) operating activities	\$ 409	\$ 1,206	\$ 680	\$ 547	\$ 1,140
Net cash provided by (used in) investing activities	1,499	(715)	(4,572)	(4,164)	(642)
Net cash provided by (used in) financing activities	\$ (1,761)	\$ 371	\$ 3,306	\$ 3,341	\$ (105)

As of February 28, 2004

	Actual	Pro Forma as Adjusted(b)
<b>Balance sheet data:</b>		
Cash and cash equivalents	\$ 1,332	20,528
Working capital	13,672	32,818
Total assets	29,072	47,930
Non-current liabilities	19,288	3,140
Additional paid-in capital	13,177	48,501
Accumulated deficit	(9,346)	(9,346)
Total stockholders' equity	3,720	39,064

- (a) Interest expense includes imputed interest on debt to E-Z-EM of \$892, \$669 and \$534 for the fifty-two weeks ended May 31, 2003 and the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively. The interest charges are treated as non-cash items for cash flow purposes and increases to additional paid-in capital. Of the \$16,148 debt due to E-Z-EM as of February 28, 2004, \$13,148 will be capitalized prior to the completion of this offering and the remaining \$3,000 will be repaid from the proceeds of this offering.
- (b) Pro forma as adjusted amounts give effect to the issuance and sale of 1,950,000 shares of our common stock at an initial public offering price of \$13.00 per share, the capitalization of \$13,148 of debt due to E-Z-EM prior to completion of this offering, the receipt of the estimated net proceeds of approximately \$22,200 from this offering, after deducting the underwriting discount and estimated offering expenses payable by us, and the repayment of \$3,000 of indebtedness to E-Z-EM.

## ASSUMPTIONS USED IN THIS PROSPECTUS

Throughout this prospectus, our fiscal years ended May 29, 1999, June 3, 2000, June 2, 2001, June 1, 2002 and May 31, 2003 are referred to as fiscal 1999, 2000, 2001, 2002 and 2003, respectively. Our fiscal year consists of 52 or 53 weeks and ends on the Saturday nearest to May 31<sup>st</sup> in the applicable year. Fiscal year 2000 was a 53-week year. All other fiscal years consisted of 52 weeks. The nine-month periods included in this prospectus consist of 39 weeks ended on March 1, 2003 and February 28, 2004.

Unless we indicate otherwise, all of the information in this prospectus:

- assumes the underwriters do not exercise the option granted by us to purchase additional shares in this offering;
- does not give effect to the exercise of outstanding options to purchase 1,331,386 shares of common stock under our 1997 Stock Option Plan;
- does not include an aggregate of 1,166,288 shares of our common stock available for future issuance or grant under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan; and
- does not give effect to the exercise of options for up to 700,000 shares of our common stock that we will issue to holders of E-Z-EM stock options in connection with the distribution of our common stock to the E-Z-EM stockholders.

We have registered the following marks with the U.S. Patent and Trademarks Office: AngioDynamics; Pulse\*Spray; and Soft-Vu. This prospectus also contains trademarks of companies other than AngioDynamics, including elvs, a trademark of biolitec, Inc.

We have also registered the Internet domain names <http://www.angiodynamics.com> and <http://www.elvslaser.com>.

## RISK FACTORS

*An investment in our common stock involves a high degree of risk. You should carefully read and consider the risks described below before making an investment decision. If any of the following risks actually occurs, our business, financial condition, results of operations or cash flows could be seriously harmed. In any such case, the trading price of our common stock could decline and you could lose all or part of your investment. When determining whether to buy our common stock, you should also refer to the other information in this prospectus, including our financial statements and the related notes.*

### Risks Related to our Business

#### **If we fail to develop 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 and improved product introductions, changes in customer requirements and evolving industry standards. To be successful, we must develop and commercialize new products and enhanced versions of our existing products. Our products are technologically complex and require significant planning, design, development and testing before they may be marketed. This process takes at least nine to 12 months and may take up to several years. Our success in developing and commercializing new versions of our products is affected by our ability to:

- 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 versions of our products. As a result of such difficulties and delays, our development expenses may increase and, as a consequence, our results of operations could suffer.

#### **Competition may decrease our market share and cause our revenues to decline.**

The markets for interventional devices are highly competitive, and we expect competition to intensify in the future. We may not be able to compete effectively in these markets and we may lose market share to our competitors. The principal competitors in the markets for our products currently include: Boston Scientific Corporation; Cook, Incorporated; Cordis Corporation, a subsidiary of Johnson & Johnson Inc.; C.R. Bard, Inc.; Diomed, Inc.; Medical Components, Inc., or Medcomp; and VNUS Medical Technologies, Inc. Many of our competitors have substantially greater:

- financial and other resources;
- variety of products;

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- technical capabilities;
- ability to develop and introduce 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 render our products obsolete or noncompetitive. In addition, we may face competition from providers of other medical therapies, such as pharmaceutical companies, which may offer non-surgical therapies for conditions that are currently or intended to be treated using our products. Our products are generally sold at higher prices than those of our competitors. In the current environment of managed care, 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.

### **If we fail to adequately protect our intellectual property rights, 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. These measures may not adequately protect our intellectual property rights.

Our patents may not provide commercially meaningful protection, as competitors may be able to design around our patents to produce alternative, non-infringing designs. 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 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 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 results of operations could suffer.**

Third parties may claim that our products infringe on third-party 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 designs, 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

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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.

In January 2004, Diomed filed an action against us alleging that our elvs products for the treatment of varicose veins infringe on a patent held by Diomed for a laser system that competes with our elvs products. Diomed's complaint seeks injunctive relief and compensatory and treble damages. For fiscal 2003, sales of our elvs products accounted for approximately 5.5% of our total sales. If Diomed is successful in this action, our results of operations could suffer. See "Business—Litigation."

### **We are dependent on single and limited source suppliers, which puts us at risk for supplier business interruptions.**

We currently purchase significant amounts of several key products and product components from single and limited source suppliers. For fiscal 2003, approximately 40% of our revenues were derived from sales of products manufactured for us by third parties. In addition, approximately 67% of our sales growth over our past two fiscal years was attributable to products that we licensed or obtained from third parties. Our principal single source supplier, Medcomp, supplies us with our hemodialysis catheters, which accounted for about 24% of our revenues in fiscal 2003. Medcomp also competes with us by selling a hemodialysis catheter for which it has not granted us exclusive rights and other catheters that we do not license from them. Additionally, we purchase the laser and laser fibers for our elvs products from biolitec, Inc., which also competes with us. Any delays in delivery of or shortages in those 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. 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.

### **If we do not maintain our relationships 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 relationships with interventional physicians are critical to our continued growth. We believe that these relationships are based on the quality of our products, our physician-driven product development efforts, our marketing 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 current relationships, or prevent us from forming new relationships, with interventional physicians and cause our growth to be limited and our business to be harmed.

### **Our lack of customer purchase contracts and our limited order backlog make it difficult to predict sales and plan manufacturing requirements, which can lead to lower revenues, higher expenses and reduced margins.**

We do not generally have long-term purchase contracts with our customers, who order products on a purchase order basis. Our typical order backlog is less than 10 days. These factors make it difficult to accurately forecast our component and product requirements. Our manufacturing and operating expenses

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are largely based on anticipated sales volume and a significant portion of these expenses are and will continue to be fixed. We must plan production and order products and product components several months in advance of customer orders. In addition, lead-times for products and product components that we order vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at any given time. These factors expose us to a number of risks such as:

- if we overestimate our requirements we may be obligated to purchase more inventory than we need;
- if we underestimate our requirements, we may have an inadequate product or product component inventory, which could interrupt manufacturing of our products and cause delays in shipments and revenues; and
- we may experience shortages of product components from time to time, which could delay the manufacturing and shipping of our products.

### **If we do not develop or maintain successful relationships with non-U.S. distributors, our growth may be limited, sales of our products may decrease and our results of operations may suffer.**

For fiscal 2003, we generated approximately 7% of our revenues from sales outside of the United States. All of our non-U.S. sales in recent periods were attributable to third-party distributors, and our success in expanding non-U.S. sales in the future will depend on our ability to develop and manage a network of non-U.S. distributors and on the performance of our distributors. Because we generally do not have long-term contracts with our distributors, our distribution relationships may be terminated on little or no notice. In addition, some of our distributors are not required to purchase any minimum amount of products from us, may sell products that compete with ours or devote more efforts to selling other products, and may stop selling our products at any time. If we lose any significant non-U.S. distributors, or if any of our distributors devote more effort to selling other products than to ours, our non-U.S. sales and results of operations may suffer and our growth may be limited. Additionally, because our products generally compete more on the basis of performance than price, they may not be as attractive to third-party distributors as lower priced products. Consequently, our success in expanding non-U.S. sales may be limited if our distributors lack, or are unable to develop, relationships with important target customers in non-U.S. markets.

### **Our business may be harmed if interventional cardiologists perform more of the procedures that interventional radiologists and vascular surgeons currently perform.**

We market and sell our products primarily to interventional radiologists and vascular surgeons, who currently perform a large percentage of minimally invasive, image-guided interventional procedures for PVD. Many of our competitors have focused their sales efforts on the cardiology market for interventional procedures. Since we have focused our sales and marketing efforts on interventional radiologists and vascular surgeons, our competitors may have advantages over us for sales to cardiologists. Consequently, if cardiologists perform more of the procedures currently performed by interventional radiologists and vascular surgeons, our revenues may decline and our business may 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 are particularly dependant upon the efforts of Eamonn P. Hobbs, our president and chief executive officer, a bio-medical engineer with over 23 years of experience in

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the interventional radiology, interventional cardiology and gastroenterology medical device industries. Mr. Hobbs is also the only business executive from the medical device industry to serve on the strategic planning committee of the Society of Interventional Radiology. We compete for such key personnel with other companies, healthcare institutions, academic institutions, government entities and other organizations. We do not maintain key person life insurance on any of our executive officers, and we do not have employment agreements with our executive officers. 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. We cannot assure you 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. Any insurance policies that we may have 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 the 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 medical devices of the type we produce entail an inherent risk of product liability. Our products are used by physicians to treat seriously ill patients. Those patients may bring claims in a number of circumstances and for a number of reasons, including if our products were misused, if they produced unsatisfactory results and if the instructions for use and operating manuals for our products were found to be inadequate. Claims could also be brought by our customers. We currently are subject to an action claiming that we supplied a defective catheter that contributed to the death of a hemodialysis patient. We believe, based on claims made against us in the past, that our existing product liability insurance coverage, which is provided by E-Z-EM, is reasonably adequate to protect us from any liabilities we might incur. However, E-Z-EM is only obligated to maintain this insurance until the earlier of the anniversary date of the policy and the completion of the distribution by E-Z-EM of our stock to its stockholders. We cannot assure you that our current coverage will be sufficient to satisfy any claim made against us, or that we will be able to replace this insurance at a reasonable cost and on reasonable terms, or 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 any such product liability claim or series of claims is brought against us for uninsured liabilities or is in excess of our insurance coverage, our business could be harmed. 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.

### **Our quarterly operating results are volatile, which may cause our stock price to decline.**

Our quarterly results of operations have varied significantly in the past and are likely to vary significantly in the future due to a number of factors, many of which are outside of our control, including:

- changes in our ability to obtain products and product components that are manufactured for us by third parties, as well as variations in prices of these products and product components;
- delays in the development or commercial introduction of new versions of our products or components we use in our products;



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- our ability to attain and maintain production volumes and quality levels for our products and product components;
- effects of domestic and foreign economic conditions on our industry and/or customers;
- changes in the demand for our products;
- changes in the mix of products and systems we sell;
- delays in obtaining regulatory clearance for new versions of our products;
- increased product and price competition;
- changes in the availability of third-party reimbursement for our products;
- the loss of key sales personnel or distributors; and
- seasonality in the sales of our products.

Due to the factors summarized above, we do not believe that period-to-period comparisons of our results of operations are necessarily meaningful, or should necessarily be relied upon to predict future results of operations. Also, it is possible that in future periods, our results of operations will not meet the expectations of investors or analysts, or any published reports or analyses regarding AngioDynamics. In that event, the price of our common stock could decline, perhaps substantially.

### **Healthcare reform could cause a decrease in demand for our interventional products.**

There are currently widespread legislative efforts to control healthcare costs in the United States and abroad, which we expect will continue in the future. For example, the Medicare Prescription Drug Improvement and Modernization Act of 2003 provides that from 2004 through 2008, reimbursement levels for durable medical equipment will no longer be increased on an annual basis and a competitive bidding program will be introduced. At this time, we are unable to determine whether and to what extent these changes will apply to our products and our business. Similar legislative efforts in the future could negatively impact demand for our products.

### **Inadequate levels of reimbursement from governmental or other third-party payors for procedures using our products may cause our revenues to decline.**

Changes in healthcare systems in the United States or elsewhere could adversely affect the demand for our products, as well as the way we conduct business. 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. These policies, or any reductions in the number of authorizations

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granted for procedures performed using our current and proposed products or in the levels of reimbursement for those procedures, could cause our revenues to decline.

Outside of the United States, reimbursement systems vary significantly by country. Many foreign markets have government-managed healthcare systems that govern reimbursement for new devices and procedures. These systems are subject to the same pressures to curb rising healthcare costs and control healthcare expenditures as those in the United States. If adequate levels of reimbursement from third-party payors outside of the United States are not obtained, sales of our products outside of the United States may decrease and we may fail to achieve or maintain significant non-U.S. sales.

### **If we cannot obtain and maintain 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 foreign countries where 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 from 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 used for our current products. This process usually takes from four to 12 months from the date the application is submitted to, and filed with, 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 premarket approval 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. Achieving premarket approval typically requires clinical trials and may require the filing of numerous amendments over time. 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, our revenues and profitability may decline.

### **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 and complete FDA 510(k) clearance or possibly 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

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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 business could suffer.

**If we or our suppliers fail to comply with the FDA's Quality System Regulation and other applicable post-market requirements, our manufacturing operations could be delayed, and 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. If the FDA finds that we have failed to comply, it can institute a wide variety of enforcement actions.

Our manufacturing processes and those of our suppliers must comply with the FDA's Quality System regulation, 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 products. The FDA enforces the Quality System regulation through unannounced inspections. If we or one of our suppliers fails a Quality System regulation 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 and adverse event reporting requirements.

If we or 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, including an order to shut-down manufacturing operations, a recall of products, fines, civil penalties, seizure of our assets, refusing our requests for 510(k) clearance or PMA approval of new or modified products, withdrawing 510(k) clearance or PMA approvals already granted to us, and criminal prosecution. If we are subject to FDA enforcement action, our product sales and profitability could 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 outside of the United States.

**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 or voluntary recall 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 require additional capital. Failure to attract additional capital 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. Needed financing may not be

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available or, if available, may not be available on terms satisfactory to us and may result in significant shareholder dilution. We are subject to significant restrictions on our ability to issue equity securities or convertible debt to ensure that the distribution by E-Z-EM of our stock will be tax-free to E-Z-EM and its stockholders. In addition, covenants in our industrial bond financing and bank line of credit 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 all of our manufacturing and assembly at a single facility in Queensbury, New York. This facility and our manufacturing equipment would be difficult to replace and, if our facility is affected by a disaster, could require substantial lead-time to repair or replace. Additionally, we might be forced to rely on third-party manufacturers or to delay production of our products. Insurance for damage to our property 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 succeed in obtaining adequate alternative sources of supplies or products. 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.

### **Risks Related to our Relationship with and Separation from E-Z-EM**

**We have limited ability to engage in acquisitions and other strategic transactions using our equity, or to obtain equity financing, because of the Federal income tax requirements for a tax-free distribution.**

For the distribution of our stock by E-Z-EM to qualify as tax-free to E-Z-EM and its stockholders, E-Z-EM must own at least 80% of the voting power of our outstanding voting stock and 80% of the total number of our outstanding shares of capital stock at the time of the distribution. The shares we will issue in this offering will constitute about 17.5% of our outstanding shares immediately after the offering, or 19.6%, if the underwriters exercise their over-allotment option in full. Following this offering, we will not issue equity securities or convertible debt without E-Z-EM's prior consent if the issuance would cause E-Z-EM to own less than 80% of our outstanding equity or voting power on a fully-diluted basis or otherwise cause the distribution of our stock by E-Z-EM not to be tax-free to E-Z-EM and its stockholders. E-Z-EM's consent right will terminate upon the earlier of:

- E-Z-EM notifying us that it is abandoning the distribution;
- completion of the distribution by E-Z-EM;
- February 5, 2005; or
- August 5, 2005 if, by February 5, 2005, E-Z-EM obtains an opinion of counsel that completion of the distribution after February 5, 2005 will not result in the distribution being taxable.

E-Z-EM may be unwilling to give its consent before completing the distribution or may impose conditions in its consent, including the right to acquire such number of our securities so as to enable it to maintain its percentage ownership of our securities. Additionally, for any distribution of our stock by E-Z-EM to qualify as tax-free to E-Z-EM, there must not be a change in ownership of 50% or greater in either the voting power or value of either our stock or E-Z-EM's stock that is considered to be part of a plan

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or series of transactions related to the distribution. This offering of our common stock will be counted towards the 50%, with the result that a subsequent change in ownership (other than as the result of certain transactions in the public markets) of slightly more than 30% of our stock would render the distribution taxable to E-Z-EM. For a change in ownership occurring after the distribution to be characterized as part of a plan, there must have been an agreement, understanding, arrangement or substantial negotiations regarding the acquisition or a similar acquisition at some time during the two-year period ending on the date of the distribution. However, the shorter the time period between the distribution and change in ownership, the greater the burden of establishing that the two events are not part of a plan. Because the distribution may not occur until February 5, 2005 (or later if E-Z-EM elects to proceed under an opinion of counsel), we may be subject to restrictions on our ability to issue equity or convertible debt securities until February 2007, or longer. Under a “safe harbor provision,” a distribution and acquisition will not be considered part of a plan if the distribution is motivated by a corporate business purpose (other than the acquisition) and the acquisition occurs more than six months after the distribution, provided that there was no agreement, understanding, arrangement or substantial negotiations with respect to the acquisition or a similar acquisition during the period that begins one year before the distribution and ends six months thereafter.

For the reasons described above, our ability to use our stock for acquisitions and other similar strategic transactions, to raise capital, or for compensation for employees and others, will be restricted. Many of our competitors use their equity to complete acquisitions, to expand their product offerings and speed the development of new technology and to attract and retain employees and other key personnel, giving them a potentially significant competitive advantage over us.

### **Our obligation to indemnify E-Z-EM if we cause the distribution to not be tax-free could discourage or divert a third party from acquiring us and could result in substantial liability.**

Our master separation and distribution agreement provides that we will indemnify E-Z-EM if the distribution by E-Z-EM of its AngioDynamics shares does not qualify as a tax-free distribution due to actions we take or that otherwise relate to AngioDynamics, including any change of ownership of AngioDynamics. The process for determining whether a change of ownership has occurred under the tax rules is complex. If we do not carefully monitor our compliance with these rules, we might inadvertently cause or permit a change of ownership to occur, triggering our obligation to indemnify E-Z-EM. Our obligation to indemnify E-Z-EM if a change of ownership causes the distribution not to be tax-free could discourage or prevent a third party from making a proposal to acquire us. In addition, our financial obligations under this indemnity obligation could be substantial.

### **If E-Z-EM does not complete its distribution of our common stock, the liquidity of our stock could be limited.**

E-Z-EM has advised us that it plans to distribute to its stockholders all AngioDynamics common stock that it owns by February 5, 2005. However, completion of the distribution depends on the satisfaction or waiver of a number of conditions that are included in our master separation and distribution agreement with E-Z-EM. These conditions are described in greater detail in “Relationship and Arrangements with E-Z-EM—The Distribution”. We anticipate that these conditions will be satisfied or waived by E-Z-EM. Except for restrictions on our ability to attract additional capital and engage in acquisitions and other strategic transactions, we do not anticipate that our separation from E-Z-EM will have any material impact on our future operations or earnings. E-Z-EM is not obligated to make the distribution and it may not occur.

If the distribution is delayed beyond February 5, 2005, the distribution may still be completed in reliance upon an opinion of E-Z-EM’s tax counsel. In any event, if the distribution is delayed or not

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completed, the liquidity of our shares will be constrained unless and until E-Z-EM elects to sell some portion of its equity ownership in us. In addition, E-Z-EM has agreed with the underwriters that it will not complete the distribution until at least 120 days after the date of this prospectus without the prior written consent of RBC Capital Markets Corporation.

### **As long as E-Z-EM owns a majority of our common stock, our other stockholders will be unable to affect the outcome of stockholder voting.**

After the completion of this offering, E-Z-EM will beneficially own at least 80% of the outstanding shares of our common stock. As long as E-Z-EM owns a majority of our outstanding common stock, our other stockholders will generally be unable to affect or change the management or the direction of our company without E-Z-EM's support. Additionally, as long as E-Z-EM owns a majority of our outstanding common stock, E-Z-EM will continue to be able to elect our entire board of directors and, generally, to determine the outcome of all corporate actions requiring stockholder approval. E-Z-EM's interests may differ from or conflict with the interests of our other stockholders. Although E-Z-EM will agree that, for so long as it owns any of our common stock, it will vote its shares to elect to our board of directors the number of independent directors required to comply with the Nasdaq National Market listing requirements, E-Z-EM will be in a position to control all matters affecting our company, including:

- our general corporate direction and policies;
- amendments to our certificate of incorporation and bylaws;
- acquisitions, sales of our assets, mergers or similar transactions, including transactions involving a change of control or a merger of AngioDynamics into E-Z-EM;
- future issuances of common stock or other securities of our company;
- the incurrence of debt by our company;
- the payment of dividends on our common stock;
- compensation, stock option and other human resources policy decisions; and
- the allocation of business opportunities that may be suitable for E-Z-EM and us.

### **Members of two families may have significant influence over our affairs due to their current ownership of a majority of E-Z-EM's stock and their ownership of a significant amount of our stock after the distribution by E-Z-EM is completed.**

Members of the Stern and Meyers families and their affiliates own in the aggregate approximately 54% of E-Z-EM's outstanding shares of common stock. These stockholders are able to significantly influence all matters requiring E-Z-EM stockholder approval, including the election of directors and significant corporate transactions, such as mergers or other business combinations, and thus may indirectly affect us with respect to these types of matters. Further, if, as we expect, E-Z-EM completes the distribution to its stockholders of the AngioDynamics stock it owns, these two stockholder groups will own approximately 45% of our outstanding common stock (assuming no other issuances of our or E-Z-EM's stock and no changes in their percentage ownership of E-Z-EM stock) and will be able to significantly influence, if not exercise control over, our important corporate and business matters. This control by E-Z-EM before the distribution, and by these stockholders after the distribution, may delay, deter or prevent a third-party from acquiring or merging with us. As a result, this control may not be in the best interests of our other stockholders, and may in turn reduce the market price of our common stock.

**We cannot rely on E-Z-EM to fund our future capital requirements, and financing from other sources may not be available on favorable terms or at all.**

In the past, most of our capital needs have been funded by E-Z-EM. However, following this offering, E-Z-EM will be under no obligation to provide funds to finance our working capital or other cash requirements. Financing or financial support from other sources, if needed, may not be available on favorable terms or at all.

We believe our capital requirements will vary greatly from quarter to quarter. Capital expenditures, fluctuations in our results of operations, financing activities, acquisitions, investments and inventory and receivables management may contribute to these fluctuations. Although we believe that the proceeds from this offering and our future cash flow from operations will be sufficient to satisfy our working capital, capital expenditure and research and development requirements for at least the next 12 months, we may require or choose to obtain additional debt or equity financing to finance acquisitions or other investments in our business. Future equity financings may be dilutive to the existing holders of our common stock. Future debt financings could involve restrictive covenants.

**Some of our directors may have conflicts of interest because they are also directors of E-Z-EM, and some of our directors and executive officers own E-Z-EM stock or options to purchase E-Z-EM stock.**

When we complete this offering of our common stock, three of our directors, Messrs. Echenberg, Meyers and Stern, will also be directors of E-Z-EM. These directors will have obligations to both companies and may have conflicts of interest with respect to matters involving or affecting us, including, for example, acquisitions and other corporate opportunities that may be suitable for both us and E-Z-EM. After completion of this offering, a number of our directors and executive officers will continue to own E-Z-EM stock or options to purchase E-Z-EM stock they acquired as directors or employees of E-Z-EM. These ownership interests could create, or appear to create, potential conflicts of interest when these directors and executive officers are faced with decisions that could have different implications for our company and E-Z-EM.

**The agreements we are entering into with E-Z-EM in connection with this offering could restrict our operations.**

Before the completion of this offering, we and E-Z-EM will enter into a number of agreements governing our separation from E-Z-EM and our future relationship. The terms and provisions of these agreements may be less favorable to us than terms and provisions we could have obtained in arm's-length negotiations with unaffiliated third parties. Under these agreements with E-Z-EM, we will agree to take actions, observe commitments and accept terms and conditions that are or may be advantageous to E-Z-EM but are or may be disadvantageous to us. The terms of these agreements will include obligations and restrictive provisions, including, but not limited to:

- an agreement to indemnify E-Z-EM, its affiliates, and each of their respective directors, officers, employees, agents and representatives from all liabilities that arise from our breach of, or performance under, the agreements we are entering into with E-Z-EM in connection with the separation and for any of our liabilities;
- an agreement to indemnify E-Z-EM for certain tax liabilities and for any action or inaction by us that, if the distribution by E-Z-EM of our stock to its stockholders occurs, cause the distribution to be taxable to E-Z-EM or its stockholders;

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- an agreement to not change our significant accounting principles for periods in which our financial results are included in E-Z-EM's consolidated financial statements, unless we are required to do so to comply, in all material respects, with generally accepted accounting principles and SEC requirements; and
- an agreement not to compete with E-Z-EM's current business activities for a period of five years.

We will also agree that, so long as E-Z-EM is required to consolidate our company within its financial statements, we will use E-Z-EM's auditors, use reasonable efforts to have our annual audit completed on the same date as E-Z-EM's annual audit and provide information and access to E-Z-EM and its auditors.

For a further discussion of our agreements with E-Z-EM, see "Relationship and Arrangements with E-Z-EM."

### **We face risks associated with being a member of E-Z-EM's consolidated group for Federal income tax purposes.**

For so long as E-Z-EM continues to own at least 80% of the voting power and value of our capital stock, we will be included in E-Z-EM's consolidated group for Federal income tax purposes. Under a tax allocation and indemnification agreement we will enter into with E-Z-EM, we will pay E-Z-EM the amount of Federal income taxes that we would be required to pay if we were a separate taxpayer not included in E-Z-EM's consolidated return. In addition, by virtue of its controlling ownership and the tax responsibility allocation agreement, E-Z-EM will effectively control substantially all of our tax decisions and will have sole authority to respond to and conduct all tax proceedings, including tax audits relating to E-Z-EM's consolidated income tax returns in which we are included. Moreover, notwithstanding the tax allocation and indemnification agreement, Federal law provides that each member of a consolidated group is liable for the group's entire tax obligation. Thus, to the extent E-Z-EM or other members of the group fail to make any Federal income tax payments required of them by law, we could be liable for the shortfall. For a further discussion of these tax issues, see "Relationship and Arrangements with E-Z-EM — Tax Allocation and Indemnification Agreement."

### **Risks Relating to the Offering of our Securities**

#### **We cannot predict the impact of the distribution on the price of our common stock.**

We cannot predict the effect that the distribution by E-Z-EM of our stock to its stockholders will have on the market price of our common stock. E-Z-EM has advised us that it intends to distribute 9,200,000 shares of our common stock, or approximately 82.5% of our common stock following this offering, by E-Z-EM to its stockholders. Of these shares, approximately 4,000,000 will be eligible for immediate resale in the public markets following the distribution. In addition, significant amounts of common stock may be sold in the open market in anticipation of, or following, the distribution by E-Z-EM. Sales of substantial amounts of our common stock in the public market, or the perception that substantial sales might occur, whether as a result of this distribution or otherwise, could cause the market price of our stock to decline significantly.

#### **Our stock price may be volatile because of factors beyond our control, and you may lose all or a part of your investment.**

Any of the following factors could affect the market price of our common stock:

- our failure to maintain profitability;



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- our failure to meet financial analysts' performance expectations;
- changes in earnings estimates and recommendations by financial analysts;
- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, new products, acquisitions, commercial relationships, joint ventures or capital commitments;
- the loss of major customers or product or component suppliers;
- product liability lawsuits or product recalls; and
- general market, political and economic conditions.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's attention and resources that would otherwise be used to benefit the future performance of our business.

### **There is no public market for our common stock, and an active trading market may not develop or be sustained after this offering is completed.**

Before this offering, E-Z-EM held all of our outstanding common stock, and therefore, there has been no public market for shares of our common stock. An active trading market may not develop or be sustained following completion of this offering. The initial public offering price of the shares has been determined by negotiations between us and representatives of the underwriters. The price may bear no relationship to the price at which our common stock will trade upon completion of this offering. The stock market has experienced significant price and volume fluctuations. Fluctuations or decreases in the trading price of our common stock may adversely affect your ability to trade your shares.

### **Future sales of our common stock by E-Z-EM and E-Z-EM's ownership of a majority of our common stock could cause our stock price to decrease.**

Our agreements with E-Z-EM will not prevent E-Z-EM from selling its AngioDynamics common stock. Additionally, if the distribution is delayed or not completed, we may be required to prepare and file with the SEC registration statements covering such sales by E-Z-EM, or prepare offering memorandums for use by E-Z-EM in private offerings of our stock. The sale or potential sale by E-Z-EM of AngioDynamics common stock, even of relatively small amounts, could result in a lower trading price of our stock. Additionally, as a result of E-Z-EM's ability to control our company, some investors may be unwilling to purchase our common stock. If the demand for our common stock is reduced because of E-Z-EM's control of our company, the price of our stock could be materially depressed.

### **Provisions in our charter documents, our rights plan, Delaware law and tax considerations related to the distribution by E-Z-EM may delay or prevent a change in control.**

Provisions in our amended and restated certificate of incorporation and bylaws, our stockholder rights plan and under Delaware law could make it more difficult for other companies to acquire us, even if doing so would benefit our stockholders. Our amended and restated certificate of incorporation and bylaws

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contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- a classified board of directors;
- advance notification procedures for matters to be brought before stockholder meetings;
- a limitation on who may call stockholder meetings;
- a prohibition on stockholder action by written consent after the distribution by E-Z-EM; and
- the ability of our board of directors to issue up to 5,000,000 shares of preferred stock without a stockholder vote.

The issuance of stock under our stockholder rights plan could delay, deter or prevent a takeover attempt that stockholders might consider in their best interests. We are also subject to provisions of Delaware law that prohibit us from engaging in any business combination with any “interested stockholder,” meaning generally that a stockholder who beneficially owns more than 15% of our stock cannot acquire us for a period of three years from the date this person became an interested stockholder unless various conditions are met, such as approval of the transaction by our board of directors. Any of these restrictions could have the effect of delaying or preventing a change in control. For a more complete discussion of these provisions of Delaware law, see “Description of Capital Stock — Anti-Takeover Provisions.”

In addition, our master separation and distribution agreement with E-Z-EM will provide that we will indemnify E-Z-EM for any taxes due if the distribution fails to qualify as tax-free because of our actions or inactions. An acquisition of us by a third party could have such an effect. As a result, these tax considerations may delay or prevent a third party from acquiring us in a transaction you may otherwise have considered favorable or reduce the amount you receive as part of the transaction.

### **As a new investor, you will experience immediate and substantial dilution in net tangible book value.**

The initial public offering price per share of our common stock will exceed the net tangible book value per share of our common stock immediately after this offering. Accordingly, if you purchase common stock in this offering, you will incur immediate dilution in pro forma net tangible book value of approximately \$9.59 per share. If the holders of outstanding options for our common stock exercise these options in the future, you will incur further dilution.

### **We have not paid and have no plans to pay cash dividends.**

We have not previously paid any cash dividends and we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

## FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “should” or “will” or the negative of these terms or other comparable terminology.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including those relating to:

- the unpredictability of our quarterly revenues and results of operations;
- our ability to keep pace with a rapidly evolving marketplace and to develop and market new and enhanced products;
- a highly competitive market for medical devices;
- our reliance on single and limited sources of supply;
- possible product liability lawsuits and product recalls;
- inadequate levels of third-party reimbursement to healthcare providers;
- our ability to obtain U.S. and foreign regulatory clearance for our products;
- the effect of a disaster at our manufacturing facility; and
- various risks related to our relationship with E-Z-EM.

Other risks, uncertainties and factors, including those discussed under “Risk Factors,” could cause our actual results to differ materially from those projected in any forward-looking statements we make.

We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

## **USE OF PROCEEDS**

We estimate the net proceeds to us from the sale of 1,950,000 shares of common stock being offered by us at an assumed initial public offering of \$13.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses, to be approximately \$22.2 million, or \$25.7 million if our underwriters exercise their over-allotment option in full. We intend to use the net proceeds of this offering for working capital and general corporate purposes, including new product development and potential acquisitions of complementary businesses, and to repay debt of \$3,000,000 to E-Z-EM. This debt, which we originally incurred in 1997 and subsequently renewed, bears interest at an annual rate of 1.50% and is payable on November 8, 2006.

Pending the application of the net proceeds, we intend to invest the net proceeds in short-term, interest-bearing investment-grade securities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for additional information regarding our sources and uses of capital.

## **DIVIDEND POLICY**

We have never declared or paid cash dividends. We currently intend to retain any future earnings for the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

## CAPITALIZATION

The following table sets forth our capitalization as of February 28, 2004:

- the “Actual” column shows our capitalization on a historical basis, without any adjustments to reflect subsequent or anticipated events;
- the “Pro Forma” column shows our capitalization with adjustments to reflect the capitalization of \$13,148,000 of long-term debt due to E-Z-EM prior to completion of this offering; and
- the “Pro Forma as Adjusted” column shows our pro forma capitalization with adjustments to reflect (i) receipt by us of the estimated net proceeds from the sale of shares of common stock by us in this offering at an assumed initial public offering price of \$13.00 per share and (ii) the application of a portion of the estimated net proceeds to repay \$3,000,000 of indebtedness to E-Z-EM. See “Use of Proceeds.”

The information in this table does not include:

- an aggregate of 1,331,386 shares of our common stock issuable upon exercise of stock options issued under our 1997 Stock Option Plan at a weighted average exercise price of \$4.51 per share;
- an aggregate of 1,166,288 shares of our common stock that may be issued under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan; and
- up to 700,000 shares of our common stock that will be issuable upon exercise of options we will issue to holders of E-Z-EM stock options in connection with the distribution by E-Z-EM of our common stock to its stockholders.

You should read this table with our “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements, which are included elsewhere in this prospectus.

	February 28, 2004		
	Actual	Pro Forma	Pro Forma as Adjusted
	(in thousands)		
<b>Cash &amp; cash equivalents</b>	\$ 1,332	\$ 1,332	\$ 20,528
<b>Liabilities</b>			
Long-term debt, including current portion	\$ 3,290	\$ 3,290	\$ 3,290
Notes payable to parent	16,148	3,000	—
<b>Total long-term debt</b>	19,438	6,290	3,290
<b>Stockholders’ equity</b>			
Preferred stock, par value \$.01 per share, 5,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, par value \$.01 per share, 45,000,000 shares authorized, 9,200,000 issued and outstanding (actual); 9,200,000 shares issued and outstanding (pro forma); 11,150,000 shares issued and outstanding (pro forma as adjusted)	92	92	112
Additional paid in capital	13,177	26,325	48,501
Accumulated deficit	(9,346)	(9,346)	(9,346)
Accumulated other comprehensive loss	(203)	(203)	(203)
<b>Total stockholders’ equity</b>	3,720	16,868	39,064
<b>Total capitalization</b>	\$ 23,158	\$ 23,158	\$ 42,354

## DILUTION

If you invest in our common stock, your interest will be diluted by the difference between the initial public offering price for each share you purchase and the as adjusted pro forma net tangible book value per share immediately after this offering. Net tangible book value per share represents the amount of our common stockholders equity, less intangible assets, diluted by the number of shares of common stock outstanding. As of February 28, 2004, our pro forma net tangible book value was approximately \$15.8 million or \$1.72 per share, giving effect to the capitalization of \$13,148,000 of long-term debt due to E-Z-EM. After giving effect to the sale of 1,950,000 shares of common stock offered by us in this offering at an assumed initial public offering price of \$13.00 per share and the application of the net proceeds therefrom, our pro forma as adjusted net tangible book value as of February 28, 2004 would have been approximately \$38.0 million, or \$3.41 per share. This represents an immediate increase in net tangible book value of \$1.69 to our existing stockholders and an immediate dilution of \$9.59 per share to new investors. The following table illustrates the substantial and immediate per share dilution to new investors:

Assumed initial public offering price per share		\$ 13.00
Pro forma net tangible book value as of February 28, 2004		1.72
Increase in pro forma net tangible book value per share attributable to new investors		1.69
Pro forma as adjusted net tangible book value per share after the offering		3.41
<b>Dilution per share to new investors</b>		<b>\$ 9.59</b>

If the underwriters exercise their over-allotment option in full, we will issue an additional 292,500 shares of common stock to new investors, the increase in pro forma net tangible book value per share attributable to new investors will be \$1.91 and the dilution per share to new investors will be \$9.37.

The following table sets forth on a pro forma as adjusted basis as of February 28, 2004, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by our existing stockholder and by new investors, before deducting the underwriting discounts and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholder	9,200,000	82.5%	\$ 26,417,000	51%	\$ 2.87
New investors	1,950,000	17.5	25,350,000	49	13.00
<b>Total</b>	<b>11,150,000</b>	<b>100.0%</b>	<b>\$ 51,767,000</b>	<b>100%</b>	<b>\$ 4.64</b>

The discussion and tables above assume no exercise of any outstanding options. As of February 28, 2004, there were 1,331,386 shares of common stock issuable upon exercise of stock options, none of which are currently exercisable, at a weighted average exercise price of \$4.51 per share, and an aggregate of 1,166,288 shares available for future grant or issuance under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan. In addition, in connection with E-Z-EM's distribution of our common stock to its stockholders, we will issue options to purchase up to 700,000 shares of our common stock to holders of E-Z-EM stock options at exercise prices below that of the market price of our stock at the time of issuance. To the extent that these options are exercised, there will be further dilution to new investors.

## SELECTED CONSOLIDATED 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 prospectus. The consolidated statements of earnings data and the selected consolidated operating data for the fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003, and the consolidated balance sheet data as of June 1, 2002 and May 31, 2003 are derived from the audited consolidated financial statements that are included elsewhere in this prospectus. The consolidated statements of earnings data and the selected consolidated operating data for the fifty-two weeks ended May 29, 1999 and the fifty-three weeks ended June 3, 2000 and the consolidated balance sheet data as of May 29, 1999, June 3, 2000 and June 2, 2001 are derived from our audited consolidated financial statements not included in the prospectus. The consolidated statements of earnings data and the selected consolidated operations data for the thirty-nine weeks ended March 1, 2003 and February 28, 2004 and the consolidated balance sheet data as of February 28, 2004 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly our financial position as of February 28, 2004 and results of operations for the thirty-nine weeks ended March 1, 2003 and February 28, 2004. Historical results are not necessarily indicative of the results of operations to be expected for future periods. See Note A of “Notes to Financial Statements” for a description of the method that we used to compute our historical basic and diluted net income (loss) per share attributable to common stockholders.

	<b>Fifty-two weeks ended</b>	<b>Fifty-three weeks ended</b>	<b>Fifty-two weeks ended</b>			<b>Thirty-nine weeks ended</b>	
	<b>May 29, 1999</b>	<b>June 3, 2000</b>	<b>June 2, 2001</b>	<b>June 1, 2002</b>	<b>May 31, 2003</b>	<b>Mar. 1, 2003</b>	<b>Feb. 28, 2004</b>
<b>(in thousands, except share and per share data)</b>							
<b>Statement of earnings data:</b>							
Net sales	\$ 21,471	\$ 21,769	\$ 23,390	\$ 30,890	\$ 38,434	\$ 27,199	\$ 34,936
Cost of goods sold	12,425	11,911	12,418	15,333	18,572	13,170	16,655
Gross profit	9,046	9,858	10,972	15,557	19,862	14,029	18,281
<b>Operating expenses:</b>							
Sales and marketing	6,011	6,823	7,089	8,901	11,338	8,028	9,947
General and administrative	2,400	2,132	1,875	2,317	2,777	1,769	2,597
Research and development	1,625	1,642	1,426	1,951	2,509	2,042	2,530
Loss on sale of subsidiary and related assets	—	—	872	—	—	—	—
Total operating expenses	10,036	10,597	11,262	13,169	16,624	11,839	15,074
Operating profit	(990)	(739)	(290)	2,388	3,238	2,190	3,207
<b>Other income (expenses)</b>							
Interest income	16	12	71	45	38	27	11
Interest expense(a)	(986)	(1,005)	(952)	(863)	(1,021)	(757)	(632)
Other, net	257	19	1	—	—	—	—
Earnings (loss) before income tax provision (benefit)	(1,703)	(1,713)	(1,170)	1,570	2,225	1,460	2,586
Income tax provision (benefit)	(546)	(296)	(1,513)	561	1,069	807	989
Net earnings (loss)	\$ (1,157)	\$ (1,417)	\$ 343	\$ 1,009	\$ 1,186	\$ 653	\$ 1,597

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	Fifty-two weeks ended	Fifty-three weeks ended	Fifty-two weeks ended			Thirty-nine weeks ended	
	May 29, 1999	June 3, 2000	June 2, 2001	June 1, 2002	May 31, 2003	Mar. 1, 2003	Feb. 28, 2004
<b>Earnings per common share:</b>							
Basic	\$ (.13)	\$ (.15)	\$ .04	\$ .11	\$ .13	\$ .07	\$ .17
Diluted	\$ (.13)	\$ (.15)	\$ .04	\$ .11	\$ .13	\$ .07	\$ .16
<b>Weighted average number of shares used in per share calculation:</b>							
Basic	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000
Diluted	9,200,000	9,200,000	9,200,000	9,337,425	9,472,233	9,472,281	9,732,432
<b>Cash flow data:</b>							
Net cash provided (used in) by operating activities	\$ 883	\$ 400	\$ 409	\$ 1,206	\$ 680	\$ 547	\$ 1,140
Net cash provided by (used in) investing activities	(376)	(393)	1,499	(715)	(4,572)	(4,164)	(642)
Net cash provided by (used in) financing activities	—	—	(1,761)	371	3,306	3,341	(105)
<b>As of</b>							
	May 29, 1999	June 3, 2000	June 2, 2001	June 1, 2002	May 31, 2003	Feb. 28, 2004	
<b>Balance sheet data:</b>							
Cash and cash equivalents	\$ 613	\$ 530	\$ 1,948	\$ 1,525	\$ 939	\$ 1,332	
Working capital	9,822	9,207	9,676	10,101	12,360	13,672	
Total assets	18,469	17,872	16,782	20,647	27,056	29,072	
Non-current liabilities	17,098	17,697	15,754	15,165	19,403	19,288	
Accumulated deficit	(12,064)	(13,481)	(13,138)	(12,129)	(10,943)	(9,346)	
Total stockholders' equity (deficit)	(921)	(2,602)	(1,309)	(295)	1,487	3,720	

- (a) Interest expense includes imputed interest on debt to E-Z-EM of \$892, \$669 and \$534 for the fifty-two weeks ended May 31, 2003 and the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively. The interest charges are treated as non-cash items for cash flow purposes and increases to additional paid-in capital. Of the \$16,148 debt due to E-Z-EM as of February 28, 2004, \$13,148 will be capitalized prior to the completion of this offering and the remaining \$3,000 repaid from the proceeds of this offering.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus.*

### Overview

AngioDynamics is a leading provider of innovative medical devices used in minimally invasive, image-guided procedures to treat peripheral vascular disease, or PVD. We design, develop, manufacture and market a broad line of therapeutic and diagnostic devices that enable interventional physicians (interventional radiologists, vascular surgeons and others) to treat PVD and other non-coronary diseases. We believe that we are the only company whose primary focus is to offer a comprehensive product line for the interventional treatment of these diseases. For the past five fiscal years, over 95% of our net sales were from single use, disposable products.

For the past three fiscal years our aggregate net sales from the following product categories have grown at a CAGR of 28.2%:

	2001		2002		2003	
	\$	%	\$	%	\$	%
	<b>(dollars in thousands)</b>					
Angiographic products and accessories	\$ 11,895	50.8%	\$ 13,042	42.2%	\$ 13,701	35.6%
Hemodialysis catheters	3,227	13.8	6,227	20.2	9,371	24.4
PTA dilation catheters	1,387	5.9	2,384	7.7	3,048	7.9
Thrombolytic products	2,623	11.2	2,808	9.1	2,989	7.8
Image-guided vascular access products	808	3.5	1,867	6.0	2,656	6.9
Endovascular Laser Venous System products	—	—	—	—	2,106	5.5
Drainage products	1,018	4.4	1,103	3.6	1,311	3.4
Other	2,432	10.4	3,459	11.2	3,252	8.5
	\$ 23,390	100.0%	\$ 30,890	100.0%	\$ 38,434	100.0%

We sell our broad line of quality device products in the United States through a direct sales force comprised of 35 sales persons, five regional managers and a vice president of sales. Outside the United States, we sell our products indirectly through a network of distributors in 26 markets. For each of our last three fiscal years, less than 10% of our net sales were in markets outside the United States.

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. Approximately 67% of our sales growth over our past two fiscal years was attributable to products in three categories — hemodialysis catheters, image-guided vascular access, or IGVA, products and our elvs product line — that were obtained or developed either under licensing arrangements with or from third parties. We also achieved significant growth in sales of angiographic catheters and PTA dilation catheters, which we developed internally. Additionally, about 55% of our net sales for fiscal 2003 were from products introduced in the last five

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years. For each of the past three fiscal years, we invested at least 6% of our net sales in research and development. We expect our research and development expenditures to exceed 7% of net sales for fiscal 2004 and to approximate 8% of net sales in the future.

For fiscal 2003, approximately 40% of our net sales were derived from products manufactured for us by third parties. Going forward, we intend to manufacture some of these products to achieve lower product costs and increased profitability. We recently expanded our facility to provide us with significantly greater manufacturing capacity and to accommodate additional research, development and administrative requirements. We are not currently operating our facility at full capacity.

There is significant competition among physicians to perform peripheral interventional procedures for PVD and other non-coronary diseases. We believe that the interventional radiologists and vascular surgeons who comprise our primary customer base will continue to capture a significant portion of these procedures due to several factors, including the increased focus by interventional radiologists on improving their clinical practice management skills and the increased partnering of interventional radiologists and vascular surgeons. However, as interventional procedures have gained greater acceptance, other medical specialists, particularly cardiologists, are competing for patients with peripheral vascular and other non-coronary disorders, and we expect this competition to intensify. If these physicians increase their share of interventional treatments at the expense of our primary customers, we may be at a competitive disadvantage. Several of our competitors are focused primarily on cardiology and have established relationships with many cardiologists, and may be better positioned than us to take advantage of any increased opportunities for sales to these physicians. In 2000, we made a strategic decision to focus on the market for interventional therapies for PVD and to exit the cardiovascular disease market due primarily to intensive competition and the significant resource requirements for competing successfully in that market.

To date, our primary sources of financing have been loans and capital contributions from E-Z-EM, long-term bank debt and cash generated from operations. Following the completion of this offering, we will not receive any additional financing from E-Z-EM. Furthermore, we are, and will be for two years following the distribution by E-Z-EM of our stock to its stockholders, subject to restrictions on our ability to raise capital by issuing equity or convertible debt securities, or to use our equity securities to acquire other businesses or assets. Additionally, we have historically provided contract manufacturing services to E-Z-EM. For fiscal 2003, our net sales for these services were \$545,000. These arrangements will continue after our separation from E-Z-EM, but may be discontinued by E-Z-EM at any time on 60 days' prior notice. Further, as a stand-alone publicly held company, we will incur additional expenses, including significantly higher premiums for directors and officers insurance and product liability insurance.

### **Critical Accounting Policies and Use of Estimates**

Our significant accounting policies are summarized in Note A to our consolidated financial statements included elsewhere in this prospectus. 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 Staff Accounting Bulletin No. 104, "Revenue Recognition," which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is

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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 as products are shipped, based on F.O.B. shipping point terms, when title 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, if approved, customers are subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and must have at least 12 months remaining prior to its expiration date.

### *Accounts Receivable*

Accounts receivable are generally due within 30 to 60 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. We perform ongoing customer credit evaluations and adjust credit limits based upon payment history and the customers' current credit worthiness, 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 historical experience and any specific customer collection issues we identify. While such credit losses have historically been within our expectations and allowances, we cannot guarantee the same credit loss rates will be experienced in the future. We write off accounts receivable when they become uncollectible. For the period from the beginning of fiscal 2002 to February 28, 2004, our write offs of accounts receivable aggregated \$27,000.

### *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 earnings. 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, 2003, our valuation allowance and net deferred tax asset were approximately \$1.2 million and \$1.5 million, respectively.

We have a tax allocation and indemnification arrangement with E-Z-EM with whom we file a consolidated Federal tax return. Under this arrangement, we pay Federal income tax based on the amount of taxable income we generate and are credited for Federal tax benefits we generate that can be used by us or other members of the consolidated group. This arrangement does not cover tax liabilities arising from state, local and other taxing authorities to whom we report separately. We will enter into a tax allocation and indemnification agreement with E-Z-EM before this offering is completed generally on the same terms and conditions as our current arrangement, which will govern our relationship after completion of this offering.

### *Inventories*

We value inventories at the lower of cost (on 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

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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. As of June 1, 2002, May 31, 2003, and February 28, 2004, our reserve for excess and obsolete inventory was \$1.0 million, \$1.2 million and \$1.4 million, respectively.

### *Property, Plant and Equipment*

We state property, plant and equipment at cost, less accumulated depreciation, and depreciate these assets principally 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. Any change in condition that would cause us to change our estimate of the useful lives of a group or class of assets may significantly affect depreciation expense on a prospective basis.

### **Results of Operations**

Our operating results for fiscal 2001, 2002 and 2003 and for the thirty-nine weeks ended March 1, 2003 and February 28, 2004 are expressed as a percentage of total net sales in the following table.

	Fifty-two weeks ended			Thirty-nine weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Mar. 1, 2003	Feb. 28, 2004
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	53.1	49.6	48.3	48.4	47.7
Gross profit	46.9	50.4	51.7	51.6	52.3
Operating expenses					
Sales and marketing	30.3	28.8	29.5	29.5	28.5
General and administrative	8.0	7.5	7.2	7.5	7.2
Research and development	6.1	6.3	6.5	6.5	7.4
Loss on sale of subsidiary and related assets	3.7	0.0	0.0	0.0	0.0
Total operating expenses	48.1	42.6	43.2	43.5	43.1
Operating profit (loss)	(1.2)	7.8	8.5	8.1	9.2
Other income (expenses)					
Interest income	0.3	0.1	0.1	0.1	0.0
Interest expense	(4.1)	(2.8)	(2.7)	(2.8)	(1.8)
Other, net	0.0	0.0	0.0	0.0	0.0
Earnings (loss) before income tax provision (benefit)	(5.0)	5.1	5.9	5.4	7.4
Income tax provision (benefit)	(6.5)	1.8	2.8	3.0	2.8
Net earnings	1.5%	3.3%	3.1%	2.4%	4.6%
Earnings per common share:					
Basic	1.5%	3.3%	3.1%	2.4%	4.6%
Diluted	1.5%	3.2%	3.0%	2.3%	4.3%

**Thirty-nine weeks ended February 28, 2004 and March 1, 2003**

**Net sales.** Net sales consist of revenue derived from the sale of our products and related freight charges, less discounts and returns. For the thirty-nine weeks ended February 28, 2004, or the fiscal 2004 period, net sales were \$34.9 million, an increase of \$7.7 million, or 28.5%, compared to the thirty-nine weeks ended March 1, 2003, or the fiscal 2003 period. Sales increased across all of our principal product lines for the fiscal 2004 period compared to the fiscal 2003 period. The increase in our net sales was due to new product introductions, the expansion of our domestic sales force and increased sales of our existing product lines. Sales of hemodialysis catheters for the fiscal 2004 period increased by \$3.1 million compared to the fiscal 2003 period, principally due to our introduction of the Dura-Flow chronic hemodialysis catheter in September 2002. Our elvs product, a device used in the treatment of varicose veins, was introduced in June 2002 and accounted for \$2.7 million of the increase in our net sales for the fiscal 2004 period. Sales of angiographic, vascular access, PTA dilatation catheters and thrombolytic products in the aggregate accounted for \$1.9 million of the increase in our net sales for the fiscal 2004 period. Net sales to non-U.S. markets for the fiscal 2004 period were \$1.8 million, or 5.1% of net sales, compared to \$1.9 million, or 7.0% of net sales, for the fiscal 2003 period. This decrease is due to lower sales of angiographic products resulting from increased pricing competition. Price increases were not a significant factor in the increase of our net 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 resold by us, manufacturing personnel, freight, business insurance, depreciation of property and equipment and other manufacturing overhead. Gross profit for the fiscal 2004 period increased by \$4.3 million, or 30.3%, to \$18.3 million, compared to the fiscal 2003 period. As a percentage of net sales, gross profit decreased to 52.3% for the fiscal 2004 period, from 51.6% for the fiscal 2003 period.

**Sales and marketing.** Sales and marketing expenses consist primarily of the costs of salaries, commissions, travel and entertainment, attendance at medical society meetings, advertising and product promotions and samples. Sales and marketing expenses were \$9.9 million for the fiscal 2004 period, an increase of \$1.9 million, or 23.9%, compared to the fiscal 2003 period. Selling expenses increased due to an expansion of our domestic sales force and to other costs related to the increase in net sales, including increased commissions, promotions and samples, meals and entertainment, and travel and lodging. During the 2004 period, we added three new domestic sales representatives, bringing the total to 35, and one regional sales manager, bringing the total to five. Marketing expenses increased principally due to hiring of additional personnel to support customer orders and elvs marketing efforts. As a percentage of net sales, sales and marketing expenses were 28.5% and 29.5% for the fiscal 2004 period and the fiscal 2003 period, respectively.

**General and administrative.** General and administrative expenses include corporate, finance, human resources, administrative and professional fees, as well as information technology expenses. General and administrative expenses increased to \$2.5 million for the fiscal 2004 period, an increase of \$488,000, or 23.9%, compared to the fiscal 2003 period. This increase was principally due to increased professional fees, overhead costs associated with the expansion of our facility in Queensbury and increased compensation expenses. As a percentage of net sales, general administrative expenses were 7.2% and 7.5% for the fiscal 2004 period and the fiscal 2003 period, respectively.

**Research and development.** Research and development expenses include costs to develop new products, enhance existing products, validate new and enhanced products and register, maintain and defend

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our intellectual property. Research and development expenses increased to \$2.6 million for the fiscal 2004 period, an increase of \$828,000, or 46.8%, from the fiscal 2003 period. This increase was due primarily to increased personnel in both our research and development departments and expanded efforts to maintain and register our intellectual property assets. As a percentage of net sales, research and development expenses were 7.4% and 6.5% for the fiscal 2004 and 2003 periods, respectively.

**Other income (expenses).** Other income (expenses) principally includes interest income, interest expense and other miscellaneous items. For the fiscal 2004 period, other income (expenses) decreased to a net expense of \$621,000 from a net expense of \$730,000 for the fiscal 2003 period. This decrease is due to lower interest expense on the E-Z-EM debt. The interest rates on the notes payable to E-Z-EM decreased as the result of renewing the notes as they became due throughout the period. The interest expense to E-Z-EM is an imputed interest charge. Although E-Z-EM waived interest charges on this debt, we recorded imputed interest charges of \$534,000 and \$669,000 for the fiscal 2004 and the fiscal 2003 periods, respectively. These charges are treated as non-cash items for cash flow purposes and as increases to additional paid in capital. As a percentage of net sales, other expenses, net, were 1.8% and 2.7% for the fiscal 2004 period and the fiscal 2003 period, respectively.

**Income tax.** Our effective income tax rates for the fiscal 2004 period and the fiscal 2003 period were 38.2% and 55.3%, respectively, compared to the Federal statutory rate of 34.0%. In both fiscal periods, we recorded expenses that were non-deductible for Federal income tax purposes, principally the imputed interest expense on our debt to E-Z-EM, which contributed to our higher than statutory effective tax rate. Further, in the 2004 fiscal period, the effect of non-deductible expenses was partially offset by utilization of capital loss carryforwards in which no tax benefit was previously recorded.

### **Fiscal Years Ended May 31, 2003 and June 1, 2002**

**Net sales.** Net sales for fiscal 2003 were \$38.4 million, an increase of \$7.5 million, or 24.4%, from fiscal 2002 due to new product introductions, growth in existing products and expansion of our domestic sales force. Sales increased across all of our principal product lines for fiscal 2003 compared to fiscal 2002. Sales of our elvs products, which we introduced in the first quarter of fiscal 2003, accounted for \$2.1 million of our net sales increase. Sales of hemodialysis catheters for fiscal 2003 increased by \$3.1 million, principally due to our Dura-Flow hemodialysis catheter, introduced in the second quarter of fiscal 2003. Sales of the More Flow hemodialysis catheter contributed \$1.5 million, or 26.9% of the increase of our sales of hemodialysis catheters. Sales of image-guided vascular access products increased by \$789,000, or 42.2%, due to increased sales of our existing products. Net sales to non-U.S. markets were \$2.7 million, or 6.9% of net sales, for fiscal 2003 compared to \$2.8 million, or 9.0% of net sales, for fiscal 2002. This decline was due principally to competitive pricing pressure affecting our angiographic products. Price increases were not a significant factor in the increase of our net sales.

**Gross profit.** Gross profit for fiscal 2003 increased by \$4.3 million, or 27.7%, to \$19.9 million. This improvement was due to greater manufacturing efficiencies, lower freight costs and a decrease in our inventory reserves. Our improved manufacturing efficiencies resulted in large part from increased automation in the manufacture of angiographic catheters, PTA balloon catheters and other manufacturing processes. As a percentage of net sales, gross profit was 51.7% and 50.4% for fiscal 2003 and fiscal 2002, respectively.

**Sales and marketing.** Sales and marketing expenses were \$11.3 million for fiscal 2003, an increase of \$2.4 million, or 27.4%, compared to fiscal 2002. Selling expenses increased due to an expansion of our domestic sales force and to other costs related to the increase in our net sales, including for travel, entertainment and product samples. In fiscal 2003, we increased the number of our direct sales

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representatives to 32 from 24 and added one regional sales manager to increase the number of sales regions to four. Marketing expenses increased principally due to new product introductions. As a percentage of net sales, sales and marketing expenses were 29.5% and 28.8% for fiscal 2003 and fiscal 2002, respectively.

**General and administrative.** General and administrative expenses increased to \$2.8 million for fiscal 2003, an increase of \$460,000, or 19.9%, compared to fiscal 2002, due principally to hiring additional employees and increased compensation, travel, meal and entertainment expenses. Other factors that contributed to these increased costs were the expansion of our facility in Queensbury, increased business insurance premiums and general inflation. As a percentage of net sales, general and administrative expenses were 7.2% and 7.5% for fiscal 2003 and fiscal 2002, respectively.

**Research and development.** Research and development expenses increased by \$558,000, or 28.6%, to \$2.5 million for fiscal 2003. This increase was due primarily to our expanded efforts to register and maintain our intellectual property, increases in our research and development staff and increased costs for materials and supplies. As a percentage of net sales, research and development expenses were 6.5% and 6.3% for fiscal 2003 and fiscal 2002, respectively.

**Other income (expenses).** Other income (expenses) increased to a net expense of \$983,000 for fiscal 2003 from a net expense of \$818,000 for fiscal 2002. This increase was due to higher interest expense from the financing of our facility expansion in Queensbury. Between September 2002 and May 2003, we borrowed \$2.7 million against a credit facility of \$3.5 million. Interest expense for fiscal 2003 includes an imputed interest charge on our debt to E-Z-EM. Although E-Z-EM waived interest charges for fiscal 2003, we recorded an imputed interest charge of \$892,000, which is treated as a non-cash item for cash flow purposes and as an increase to additional paid in capital. Interest of \$863,000 was charged on our debt to E-Z-EM for fiscal 2002. As a percentage of net sales, other expenses, net, were 2.6% and 2.7% for fiscal 2003 and fiscal 2002, respectively.

**Income tax.** Our effective income tax rate for fiscal 2003 was 47.4%, compared to the Federal statutory rate of 34%, because we recorded expenses that were non-deductible for Federal income tax purposes, principally the imputed interest expense on our debt to E-Z-EM. For fiscal 2002, our effective income tax rate was 35.7% due to other expenses that were non-deductible for income tax purposes.

### **Fiscal Years Ended June 1, 2002 and June 2, 2001**

**Net sales.** Net sales for fiscal 2002 were \$30.9 million, an increase of \$7.5 million, or 32.1%, from fiscal 2001. This increase was due to new product introductions and increased sales of our existing products. Sales increased across all of our principal product lines in fiscal 2002 compared to fiscal 2001. Sales of hemodialysis catheters for fiscal 2002 were \$6.2 million, an increase of \$3.0 million, or 93.0%, compared to fiscal 2001. Introduced late in the second quarter of fiscal 2002, our More Flow hemodialysis catheter accounted for \$2.6 million of this increase. Increased angiographic catheter sales for fiscal 2002 of \$1.2 million, or 9.6%, were principally due to increased sales of sizing catheters. Our sales of image-guided vascular access products for fiscal 2002 increased by \$1.1 million, or 131.2%. This increase was primarily due to the doubling of our sales of micro access sets. Sales of our PTA dilation catheters increased by \$1.0 million, or 71.9%, in fiscal 2002 compared to fiscal 2001. This increase was primarily due to increased sales of our WorkHorse balloon catheter. Our sales of other products increased by \$867,000, or 54.3%. This increase was primarily due to growth in our sales of biliary stents. Net sales to non-U.S. markets were \$2.8 million, or 9.0% of net sales, for fiscal 2002 compared to \$2.8 million, or 12.0% of net sales, for fiscal 2001. This decline, as a percentage of net sales, is due principally to the elimination of our cardiology product line, as we exited this market in July 2000. Price increases were not a significant factor in the increase of our net sales.

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**Gross profit.** Gross profit for fiscal 2002 increased by \$4.6 million, or 41.8%, to \$15.6 million due primarily to higher manufacturing volume, which resulted in economies of scale and greater manufacturing efficiencies, and increased margin contributions from the sale of new products. As a percentage of net sales, gross profit was 50.4% and 46.9% for fiscal 2002 and fiscal 2001, respectively.

**Sales and marketing.** Sales and marketing expenses were \$8.9 million for fiscal 2002, an increase of \$1.8 million, or 25.6%, compared to fiscal 2001. Selling expenses increased principally due to an expansion of our domestic sales force, higher sales commissions, and increased costs for product samples. We increased the number of our direct sales representatives to 24 from 16 and added one regional sales manager, increasing the number of regional territories to three. Marketing expenses increased principally due to new product introductions and the hiring of additional marketing staff. As a percentage of net sales, sales and marketing expenses were 28.8% and 30.3% for fiscal 2002 and fiscal 2001, respectively.

**General and administrative.** General and administrative expenses increased to \$2.3 million for fiscal 2002, an increase of \$442,000, or 23.6%, compared to fiscal 2001. This increase was due principally to increased compensation costs. As a percentage of net sales, general and administrative expenses were 7.5% and 8.0% for fiscal 2002 and fiscal 2001, respectively.

**Research and development.** Research and development expenses increased to \$2.0 million for fiscal 2002, an increase of \$525,000, or 36.8%, from fiscal 2001. This increase was due primarily to increases in the size of our research and development staff, legal fees for intellectual property maintenance and an increase in our costs for materials and supplies. As a percentage of net sales, research and development expenses were 6.3% and 6.1% for fiscal 2002 and fiscal 2001, respectively.

**Loss on sale of subsidiary and related assets.** In July 2000, we recorded a loss on the sale of our Irish subsidiary and other related assets of \$872,000 in connection with our decision to exit the cardiovascular market. As a result of this sale, the comparison of our operating profit in fiscal 2002 and fiscal 2001 is favorably affected since there was no comparable expense in fiscal 2002.

**Other income (expenses).** Other income (expenses) decreased to a net expense of \$818,000 for fiscal 2002 from a net expense of \$880,000 for fiscal 2001, due to a decline in the interest rate payable on our debt to E-Z-EM. As a percentage of net sales, other expenses, net, were 2.7% and 3.8% for fiscal 2002 and fiscal 2001, respectively.

**Income tax.** Our effective income tax rate for fiscal 2002 was 35.7% compared to the Federal statutory rate of 34%. For fiscal 2001, we recorded an income tax benefit of \$1.5 million on a loss before income tax of \$1.2 million. The 2001 tax benefit resulted primarily from a reduction in our tax valuation allowance of \$1.3 million. Our future projected profitability made it more likely than not that deferred tax assets could be deducted against future taxable earnings. Accordingly, we reversed a portion of our tax valuation allowance.

### **Liquidity and Capital Resources**

During the past three years, we financed our operations primarily through long-term debt and cash flow from operations. At February 28, 2004, \$2.1 million, or 7.1%, of our assets consisted of cash and cash equivalents, excluding restricted cash of \$102,000, and short-term debt securities. Our current ratio was 3.3 to 1, with net working capital of \$13.7 million, at February 28, 2004, compared to a current ratio of 3 to 1, with net working capital of \$12.4 million, at May 31, 2003. The current ratio was 2.75 to 1, with net working capital of \$10.1 million, at June 1, 2002. At February 28, 2004, total debt was \$19.4 million comprised of \$16.1 million of long-term notes payable to E-Z-EM and \$3.3 million of short and long-term bank debt for financing our facility expansion in Queensbury, New York. Total debt was \$19.5 million at May 31, 2003 and \$16.2 million at June 1, 2002.



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For the thirty-nine weeks ended February 28, 2004, capital expenditures were funded by cash provided by operations and cash reserves. For fiscal 2003, capital expenditures and an equity investment at cost were funded by cash from long-term debt, operations and cash reserves. For fiscal 2002, capital expenditures were funded by cash provided by operations. For fiscal 2001, capital expenditures and the repayment of debt to E-Z-EM were funded by proceeds from the sale of our Irish subsidiary and by cash from operations.

Historically, our primary sources of financing have been loans and capital contributions from E-Z-EM. At February 28, 2004, May 31, 2003 and June 1, 2002, notes payable to E-Z-EM were \$16.2 million. Under the master separation and distribution agreement we will enter into with E-Z-EM, E-Z-EM will agree to capitalize \$13.2 million of this amount on or before the date of this prospectus. The remaining \$3.0 million of debt will be repaid from the proceeds of this offering. Effective June 2, 2002 and through May 29, 2004, E-Z-EM agreed to waive interest payments on these notes. However, we recorded imputed interest charges for the thirty-nine weeks ended February 28, 2004 and for fiscal 2003 of \$534,000 and \$892,000, respectively. These imputed interest charges were treated as non-cash items for cash flow purposes and as increases in additional paid in capital.

Net capital expenditures, primarily for facility expansion and machinery and equipment, were \$4.1 million for fiscal 2003, compared to \$682,000 for fiscal 2002 and \$466,000 for fiscal 2001. Of the fiscal 2003 expenditures, \$3.0 million was for the expansion of our headquarters and manufacturing facility. This expansion is expected to cost \$3.5 million and is being financed by industrial revenue bonds. To secure this financing, we entered into agreements with local municipalities, a bank, a trustee and a remarketing agent. These agreements are referred to as the IDA agreements. The proceeds of the bonds are being advanced as construction occurs. As of February 28, 2004, the advances totaled \$3.4 million, with the remaining proceeds of \$102,000 classified as restricted cash. The bonds bear interest based on the market rate on the date the bonds are repriced and require quarterly principal payments ranging from \$25,000 to \$65,000 plus accrued interest through May 2022. We entered into an interest rate swap with a bank to convert the initial variable rate payments to a fixed interest rate of 4.45% per annum. The payments on the bonds are secured by a letter of credit in an initial amount of \$3.6 million, and we are required to pay an annual fee ranging from 1.0% to 1.9% of the outstanding balance depending on our financial results. The current fee is 1.35% and is in effect until November 2005. The IDA agreements contain financial covenants relating to fixed charge coverage and interest coverage. At February 28, 2004, we were in compliance with these covenants. The outstanding debt is secured by a letter of credit and a first mortgage on the land, building and equipment comprising our facility in Queensbury. The debt covenants related to the industrial revenue bond financing and our bank line of credit, and the collateralization of substantially all of our assets to secure these financings, may restrict our ability to obtain debt financing in the future.

We are also restricted in our ability to obtain equity financing due to the anticipated distribution by E-Z-EM of our stock to its stockholders, which E-Z-EM has advised us that it intends to complete by February 5, 2005. We are limited in the amount of equity securities or convertible debt we can issue for a period of two years following the stock distribution by E-Z-EM in order to preserve the tax-free treatment of the distribution and avoid tax liabilities to E-Z-EM, its stockholders and, potentially, to us. Additionally, prior to the distribution, we cannot issue additional equity securities or convertible debt if to do so would reduce E-Z-EM's ownership of our equity securities or voting power to less than 80% level required for the distribution to be tax-free to E-Z-EM and its stockholders. These factors could limit our sources of capital in the future.

We have available a \$3.0 million bank line of credit, of which no amounts are outstanding. Our contractual obligations as of May 31, 2003, are set forth in the table below, as adjusted for the capitalization

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of \$13.2 million debt due to E-Z-EM and the repayment of the \$3.0 million remaining balance from the proceeds of this offering. We have no variable interest entities or other off-balance sheet obligations. As of February 28, 2004, there were no material changes to these obligations.

### Cash Payments Due by Period as of May 31, 2003

	Total	Less than One Year	1-3 Years	3-5 Years	After 5 Years
(in thousands)					
<b>Contractual obligations:</b>					
Notes payable to bank	\$ 3,395	\$ 140	\$ 500	\$ 550	\$ 2,205
Notes payable to parent(a)	3,000	3,000	—	—	—
	<u>\$ 6,395</u>	<u>\$ 3,140</u>	<u>\$ 500</u>	<u>\$ 550</u>	<u>\$ 2,205</u>

(a) At May 31, 2003, we had \$16,148 in notes payable to E-Z-EM. Under the master separation and distribution agreement we will enter into with E-Z-EM, E-Z-EM will capitalize \$13,148 of this debt prior to completion of this offering, and we will repay the \$3,000 remaining balance from the proceeds of this offering. The above contractual commitments have been adjusted to give effect to these agreements.

We believe that the net proceeds from this offering, together with our current cash and investment balances, cash generated from operations and existing lines of credit will provide sufficient liquidity to meet our anticipated needs for capital for at least the next 12 months. If we seek to make significant acquisitions of other businesses or product lines, we will require additional financing. We cannot assure you that such financing will be available on commercially reasonable terms, if at all.

### Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risk from changes in interest rates on investments and financing, which could impact our results of operations and financial position. Although we entered into an interest rate swap with a bank to limit our exposure to interest rate change market risk on our variable interest rate financing, we do not currently engage in any other hedging or other market risk management tools.

Our excess cash is invested in highly liquid, short-term, investment grade securities with maturities of less than one year. 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 debt securities and therefore affect our cash flows and results of operations. As of February 28, 2004, we were exposed to interest rate change market risk with respect to our investments in tax-free municipal bonds in the amount of \$735,000. The bonds bear interest at a floating rate established weekly. For fiscal 2003, the after-tax interest rate on the bonds approximated 1.30%. Each 100 basis point (or 1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately \$7,000 on an annual basis.

At February 28, 2004, we maintained variable interest rate financing of \$3.3 million in connection with our facility expansion. We have limited our exposure to interest rate risk by entering into an interest rate swap agreement with a bank under which we agreed to pay the bank a fixed annual interest rate of 4.45% and the bank assumed our variable interest payment obligations under the financing.

As of December 29, 2003, we entered into an amended and restated \$3.0 million working capital line of credit with a bank. Advances under this line of credit will bear interest at an annual rate of LIBOR plus 2.85%. We will thus be exposed to interest rate risk with respect to this credit facility to the extent that interest rates rise when there are amounts outstanding under the facility.

### Recent Accounting Pronouncements

As of June 2, 2002, we adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," while retaining many of the requirements of such statement. The adoption of this statement has had no current effect on our financial position or results of operations.

In November 2002, the Emerging Issues Task Force, or EITF, reached a consensus opinion of EITF 00-21, "Revenue Arrangements with Multiple Deliverables." That consensus provides that revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met. The consideration of the arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue criteria should be considered separately for each separate unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Entities may elect to report the change as a cumulative effect adjustment in accordance with APB Opinion 20, "Accounting Changes." The adoption of EITF 00-21 has had no current effect on our financial position and results of operations.

As of January 1, 2003, we adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. The adoption of this statement has had no current effect on our financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. In December 2003, the FASB completed deliberations of proposed modifications to FIN No. 46 (Revised Interpretations) resulting in multiple effective dates based on the nature as well as the creation date of the variable interest entity. Variable interest entities created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. However, the Revised Interpretations must be applied no later than the third quarter of fiscal 2004. Variable interest entities created after January 1, 2004 must be accounted for under the Revised Interpretations. We do not have any variable interest entities that would require consolidation under FIN No. 46. Accordingly, the adoption of FIN No. 46 has had no current effect on our consolidated financial condition or results of operations.

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As of July 1, 2003, we adopted SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The adoption of this statement has had no current effect on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. This statement shall be effective for financial instruments entered into or modified after May 31, 2003 and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. We are currently evaluating the effect of the adoption of SFAS No. 150 on our financial position and results of operations.

In December 2003, the SEC issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition" (SAB No. 104), which codifies, revises and rescinds certain sections of SAB No. 101, "Revenue Recognition", in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material effect on our financial position or results of operations.

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**Quarterly Results of Operations**

The following table sets forth the unaudited quarterly results of operations for each of the 10 quarters in the period from September 2, 2001 through February 28, 2004, as well as the same data expressed as a percentage of net sales. This information includes all adjustments management considers necessary for the fair presentation of such data. The information for each quarter is unaudited and we have prepared it on the same basis as the audited financial statements appearing elsewhere in this document. In our opinion, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited quarterly results. We have historically experienced lower sales in the first and, to a lesser extent, in the second fiscal quarter due to lower volumes of elective surgeries in warmer months and increased purchasing following major medical society meetings that are typically held in our third and fourth fiscal quarters. These seasonal factors may lead to seasonality in our quarterly results of operations. The results of historical periods are not necessarily indicative of results for any future period.

	Results of Quarterly Operations Quarter Ended									
	Fiscal 2002			Fiscal 2003				Fiscal 2004		
	Dec. 1, 2001	March 2, 2002	June 1, 2002	Aug. 31, 2002	Nov. 30, 2002	March 1, 2003	May 31, 2003	Aug. 30, 2003	Nov. 29, 2003	Feb. 28, 2004
	(in thousands, except per share data)									
Net sales	\$ 7,603	\$ 8,134	\$ 8,410	\$ 8,328	\$ 8,768	\$ 10,103	\$ 11,235	\$ 10,630	\$ 11,851	\$ 12,455
Cost of goods sold	3,667	4,318	3,786	4,160	3,974	5,036	5,402	5,095	5,759	5,801
Gross profit	3,936	3,816	4,624	4,168	4,794	5,067	5,833	5,535	6,092	6,654
Operating expenses										
Sales and marketing	2,101	2,047	2,673	2,432	2,696	2,900	3,310	3,004	3,235	3,708
General and administrative	582	603	586	603	700	739	735	837	800	893
Research and development	477	515	609	573	603	593	740	751	870	976
Total operating expenses	3,160	3,165	3,868	3,608	3,999	4,232	4,785	4,592	4,905	5,577
Operating profit	776	651	756	560	795	835	1,048	943	1,187	1,077
Other income (expenses)										
Interest income	12	8	9	9	8	10	11	4	4	4
Interest expense	(216)	(216)	(215)	(223)	(269)	(266)	(263)	(260)	(241)	(132)
Earnings before income tax provision	572	443	550	346	534	579	796	687	950	949
Income tax provision	230	96	203	236	308	262	263	379	344	266
Net earnings (loss)	\$ 342	\$ 347	\$ 347	\$ 110	\$ 226	\$ 317	\$ 533	\$ 308	\$ 606	\$ 683
Earnings (loss) per common share										
Basic	\$ .04	\$ .04	\$ .04	\$ .01	\$ .03	\$ .03	\$ .06	\$ .03	\$ .07	\$ .07
Diluted	\$ .04	\$ .04	\$ .04	\$ .01	\$ .02	\$ .03	\$ .06	\$ .03	\$ .06	\$ .07

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**Results of Quarterly Operations**  
**Quarter Ended**

	Fiscal 2002			Fiscal 2003				Fiscal 2004		
	Dec. 1, 2001	March 2, 2002	June 1, 2002	Aug. 31, 2002	Nov. 30, 2002	March 1, 2003	May 31, 2003	Aug. 30, 2003	Nov. 29, 2003	Feb. 28, 2004
	(in thousands, except per share data)									
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	48.2	53.1	45.0	50.0	45.3	49.8	48.1	47.9	48.6	46.6
Gross profit	51.8	46.9	55.0	50.0	54.7	50.2	51.9	52.1	51.4	53.4
Operating expenses										
Sales and marketing	27.6	25.2	31.8	29.2	30.7	28.7	29.5	28.3	27.3	29.8
General and administrative	7.7	7.4	7.0	7.2	8.0	7.3	6.5	7.8	6.8	7.2
Research and development	6.3	6.3	7.2	6.9	6.9	5.9	6.6	7.1	7.3	7.8
Total operating expenses	41.6	38.9	46.0	43.3	45.6	41.9	42.6	43.2	41.4	44.8
Operating profit	10.2	8.0	9.0	6.7	9.1	8.3	9.3	8.9	10.0	8.6
Other income (expenses)										
Interest income	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Interest expense	(2.8)	(2.7)	(2.6)	(2.7)	(3.1)	(2.7)	(2.3)	(2.4)	(2.0)	(1.0)
Earnings before income tax provision	7.6	5.4	6.5	4.1	6.1	5.7	7.1	6.5	8.0	7.6
Income tax provision	3.1	1.1	2.4	2.8	3.5	2.6	2.3	3.6	2.9	2.1
Net earnings (loss)	4.5%	4.3%	4.1%	1.3%	2.6%	3.1%	4.8%	2.9%	5.1%	5.5%
Earnings (loss) per common share										
Basic	4.5%	4.3%	4.1%	1.3%	2.6%	3.1%	4.8%	2.9%	5.1%	5.5%
Diluted	4.5%	4.2%	4.1%	1.3%	2.5%	3.0%	4.6%	2.9%	5.0%	5.4%

## BUSINESS

### Company Overview

We are a provider of innovative medical devices used in minimally invasive, image-guided procedures to treat peripheral vascular disease, or PVD. We design, develop, manufacture and market a broad line of therapeutic and diagnostic devices that enable interventional physicians (interventional radiologists, vascular surgeons and others) to treat PVD and other non-coronary diseases. PVD is a condition in which the arteries or veins that carry blood to or from the legs, arms and non-cardiac organs (kidney, intestines, brain) become narrowed, obstructed or ballooned. Our current product lines primarily consist of angiographic catheters, hemodialysis catheters, PTA dilation catheters, thrombolytic products, image-guided vascular access products, an endovascular laser venous system and drainage products.

The U.S. market for medical devices used to diagnose and treat PVD is large and growing. Millennium Research Group reports that over 11 million Americans currently suffer from PVD. We believe our markets will expand due to the growth in our target patient population, the increasing adoption of minimally invasive techniques for treating vascular and other non-coronary diseases and the refinement of image-guided procedures. These trends provide opportunities for interventional physicians to perform a greater number and variety of procedures using minimally invasive, image-guided techniques, such as lower limb arterial and venous procedures; aortic, renal and carotid arterial interventions; dialysis and access procedures; and tumor ablation and embolization therapies.

Our principal competitive advantages are our dedicated market focus, established brands and innovative products. We believe we are the only company whose primary focus is to offer a comprehensive product line for the interventional treatment of PVD and other non-coronary diseases. Several larger competitors are primarily focused on the treatment of coronary disease. We believe our dedicated focus enhances patient care and engenders loyalty among our customers. As a provider of interventional devices for over a decade, we believe we have established AngioDynamics as a recognized brand in our target markets. We collaborate frequently with leading interventional physicians in developing our products and rely on these relationships to further support our brands. Our chief executive officer is the only business executive from the medical device industry to serve on the Strategic Planning Committee of the Society of Interventional Radiology. This appointment provides us with knowledge of emerging clinical trends, high visibility among interventional physicians and opportunities to understand and influence the evolution of interventional therapies. In addition, we believe our relationships with interventional physicians are critical to our continued success given that these physicians typically have considerable influence over purchasing decisions.

We sell our broad line of quality devices for minimally-invasive therapies in the United States through a direct sales force of 35 professionals, five regional sales managers and a vice president of sales. We also sell our products in 26 non-U.S. markets through a distributor network. We support our customers and sales organization with a marketing staff that includes product managers, customer service representatives and a clinical specialist. Our dedicated sales force and growing portfolio of products have contributed to our strong sales growth. From fiscal 2000 to fiscal 2003, we increased sales from \$21.8 million to \$38.4 million, a compound annual growth rate, or CAGR, of 20.8%. During the same period, we increased earnings from a net loss of \$1.4 million to net earnings of \$1.2 million.

### Peripheral Vascular Disease

Peripheral vascular disease encompasses a number of conditions in which the arteries or veins that carry blood to or from the legs, arms or non-cardiac organs become narrowed, obstructed or ballooned. Structural deterioration in the blood vessels due to aging and the accumulation of atherosclerotic plaque

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results in restricted or diminished blood flow. Common symptoms include numbness, tingling, persistent pain or cramps in the extremities and deterioration of organ function, such as renal failure or intestinal malabsorption. Common PVDs also include venous insufficiency, a malfunction of one or more valves in the leg veins, which often leads to painful varicose veins and/or potentially life-threatening blood clots, and abdominal aortic aneurysms, or AAA, a ballooning of the aorta, which can lead to a potentially fatal rupture. Individuals who are over age 50, smoke, are overweight, have lipid (i.e., cholesterol) disorders, are diabetic or have high blood pressure are at the greatest risk of developing PVD.

The U.S. market for medical devices used to diagnose and treat PVD and other non-coronary disease is large and growing. Based on data from IMS Health, Medtech Insight and Millennium Research Group, we estimate that aggregate U.S. expenditures on the categories of products we currently sell will increase from approximately \$760 million in 2002 to over \$1 billion in 2007.

### **Peripheral Interventional Medicine**

Peripheral interventional medicine involves the use of minimally invasive, image-guided procedures to treat peripheral vascular and other non-coronary diseases. In these procedures, x-rays, ultrasound, MRI and other diagnostic imaging equipment are used to guide tiny instruments, such as catheters, through blood vessels or the skin to treat diseases. Increasing use of these techniques has accompanied advances in device designs and imaging technologies that enable physicians to diagnose and treat peripheral disorders in a much less invasive manner than traditional open surgery. Interventional procedures are generally less traumatic and less expensive, as they involve less anesthesia, a smaller incision and a quicker recovery time.

Peripheral interventional procedures are performed primarily by physicians specially trained in minimally invasive, image-guided techniques. This group of interventional physicians includes interventional radiologists, vascular surgeons and others. Interventional radiologists are board certified radiologists who are fellowship trained in image-guided, percutaneous (through the skin) interventions. These physicians historically have developed many interventional procedures, including balloon angioplasty, vascular stenting and embolization, and perform the majority of peripheral interventional procedures. There are currently more than 5,000 interventional radiologists in the United States performing over four million procedures annually. Vascular surgeons have traditionally been trained for open surgical repair of arterial and venous disorders. A large number are now increasingly performing interventional procedures. Accredited vascular surgery training programs now generally require instruction in interventional, image-guided peripheral vascular procedures. Increasingly, interventional radiologists and vascular surgeons are forming joint practices to capture additional patient referrals by providing a broader range of interventional treatments. Other physicians who perform peripheral interventional procedures include interventional cardiologists and interventional nephrologists.

We estimate that the number of peripheral interventional procedures in the United States performed by interventional physicians will grow from approximately 8.7 million in 2002 to 13 million in 2007. Several trends are responsible for this projected growth:

- *Demographic trends.* The U.S. population is aging and developing increasing incidences of obesity and diabetes — each a leading risk indicator of PVD. The baby boom generation has largely entered the over-45 age bracket. Average spending on healthcare increases with age. People aged 65 years or over who do not reside in healthcare institutions spend, on average, six times as much for healthcare as do people under the age of 18 and almost three times that of people between the ages of 18 to 65 years. In addition, according to the Center for Disease Control, the percentage of Americans between the ages of 20 and 74 years that are considered obese increased from



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approximately 15% in 1980 to an estimated 27% in 1999. Further, the American Diabetes Association estimates that 18.2 million Americans had diabetes in 2002.

- *Reduced patient risk and trauma.* Patients, physicians and insurers are seeking minimally invasive therapies that involve less patient risk and trauma. Interventions performed with catheter devices inserted through small incisions under local anesthesia are generally safer and less traumatic than invasive open surgical procedures performed under general anesthesia.
- *Lower costs.* Most interventional procedures are performed on an outpatient basis or require only a short hospital stay, which reduces hospital charges and physician fees. With recent significant increases in healthcare costs, U.S. businesses, politicians and consumers are seeking more cost-effective treatment alternatives.
- *New interventional treatments.* Many emerging treatments use interventional approaches. Examples include endovascular grafting for AAA, percutaneous back therapies for lumbar disk disease, greater saphenous vein closures for venous insufficiency, embolizations for tumor or abnormal vessel configurations, retrievable vena cava filters, image-guided vascular access and thermal tumor ablations.
- *Greater public awareness.* Awareness of PVD and minimally invasive treatment alternatives has traditionally been low in the United States, causing patients to be slow to seek treatment. Even primary care physicians may lack a proper understanding of PVD diagnoses and treatments. Recent emphasis on PVD education from medical associations, insurance companies and online medical communities is increasing public and physician awareness of PVD risk factors, symptoms and treatment options.
- *Evolving practice patterns.* Interventional radiologists are increasingly assuming greater control of overall patient management and are more proactively educating patients and primary care physicians about available minimally invasive treatment options. We believe these factors will increase the number of patients that choose minimally invasive procedures over open surgical procedures. Vascular surgeons are also modifying their practice patterns to incorporate minimally invasive procedures, and are increasingly joining interventional radiologists to provide a more comprehensive approach to performing peripheral interventional procedures. We believe this collaboration will increase the number of minimally invasive procedures performed.

### **Our Strategy**

Our goal is to be the leading provider of medical devices to interventional physicians for the treatment of PVD and other non-coronary diseases. The key elements of our strategy include:

- *Expanding sales and marketing.* Since January 1, 2003, we have added four sales representatives and one regional manager and have launched patient education and physician training programs for our elvs products. To expand our coverage of interventional physicians and increase our market penetration, we intend to continue to add direct sales representatives in the United States and distributors in other markets.
- *Developing new products and enhancing existing products.* We intend to increase our annual investment in research and development to approximately 8% of net sales from our historical levels of 6% to 7% to continue to develop new products and enhance existing products. In our current fiscal year, we have launched four new products. We invest approximately 25% of our research and development spending on improvements to our existing products based on customer feedback. This investment protects our market position and drives incremental sales.

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- *Offering a broad product line.* We believe our ability to offer a broad line of therapeutic and diagnostic products is a competitive advantage that differentiates us from single product niche device companies. Based on our experience in the medical device market, interventional physicians and healthcare institutions prefer to purchase products from a limited number of suppliers in order to improve their purchasing leverage, reduce their administrative costs and burdens and simplify their vendor and inventory management procedures. We intend to continue to enter complementary product categories in which we feel we can become a market leader.
- *Vertically integrating manufacturing.* In fiscal 2003, approximately 40% of our revenues were derived from products manufactured for us by third parties. We intend to manufacture a greater percentage of these products. We believe this increased vertical integration will enable us to lower production costs and increase profitability.
- *Acquiring or partnering with complementary businesses.* We believe we will be able to leverage our existing sales infrastructure and to supplement our internal development efforts through selective licenses, alliances and acquisitions of technologies and products that will further enhance our presence in interventional medicine.

## Products

Our current product offerings consist of the following product categories:

Product	Fiscal 2003	
	Sales	%
	(dollars in thousands)	
Angiographic products and accessories	\$ 13,701	35.6%
Hemodialysis catheters	9,371	24.4
PTA dilation catheters	3,048	7.9
Thrombolytic products	2,989	7.8
Image-guided vascular access products	2,656	6.9
Endovascular Laser Venous System products	2,106	5.5
Drainage products	1,311	3.4
Other	3,252	8.5
Total	\$ 38,434	100.0%

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

### Angiographic Products and Accessories

Angiographic products and accessories are used during virtually every peripheral vascular interventional procedure. 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 stents or PTA balloons. Angiographic products consist primarily of angiographic catheters. Angiographic accessories include entry needles and guidewires that are specifically designed for peripheral interventions, and fluid management products.

Millennium Research Group reports that the U.S. market for angiographic products and accessories for peripheral vascular applications in 2002 was \$162.2 million and is expected to grow to \$213.2 million in 2007, representing a CAGR of 5.6%. This aggregate market consisted of a \$134.9 million market for peripheral vascular guidewires and a \$27.3 million market for angiographic catheters in 2002, with those markets expected to increase to \$184.2 million and \$29.0 million, respectively, in 2007.

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We manufacture three lines of angiographic catheters that are available in over 500 tip configurations and lengths, either as standard items or made to order.

• *Soft-Vu*. Our proprietary Soft-Vu technology incorporates a soft, atraumatic tip, which is easily visualized under fluoroscopy.

• *ANGIOPTIC*. The ANGIOPTIC line is distinguished from other catheters because the entire instrument is highly visible under fluoroscopy.

• *Accu-Vu*. The Accu-Vu is a highly visible, accurate sizing catheter 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. Sizing catheters are used primarily in preparation for aortic aneurysm stent-grafts, percutaneous balloon angioplasty, peripherally-placed vascular stents and vena cava filters.

We offer several angiographic accessories to support our core angiographic catheter line. These products include standard entry needles and uncoated, Teflon-coated and hydrophilic-coated guidewires. We also manufacture several lines of products used to administer fluids and contain blood and other biological wastes encountered during an interventional procedure.

Our major competitors in the peripheral angiographic market are Boston Scientific, Cook and Cordis. Millennium Research Group reports that in 2002, we had the largest share of the peripheral angiographic catheter market, with 31% of the market. The market for peripheral vascular guidewires consists of markets for diagnostic peripheral guidewires, which accounted for 29.1% of that market in 2002, and for interventional peripheral guidewires, which accounted for 70.9% of that market in 2002. Millennium Research Group reports that in 2002 we had the second largest share, or 25%, of the diagnostic peripheral guidewire market but were not among the top nine competitors by market share in the interventional peripheral guidewire market.

### **Hemodialysis Catheters**

We market a complete line of hemodialysis catheters that provide short- and long-term vascular access for hemodialysis patients. Hemodialysis, or cleaning of the blood, is necessary in conditions such as acute renal failure, chronic renal failure and end stage renal disease, or ESRD. The kidneys remove excess water and chemical wastes from blood, permitting clean blood to return to the circulatory system. When the kidneys malfunction, waste substances cannot be excreted, creating an abnormal buildup of wastes in the bloodstream. Hemodialysis machines are used to treat this condition. Vascular catheters, which connect the patient to the dialysis machine, are used at various stages in the treatment of every hemodialysis patient.

Millennium Research Group reports that in 2002, over 375,000 individuals in the United States were diagnosed with ESRD. This number is expected to increase at a CAGR of 7.0% to 527,000 in 2007. The total U.S. market for hemodialysis catheters was \$84.5 million in 2002 and is expected to grow to \$176.4 million in 2007, representing a CAGR of 15.9%. This growth is due to an anticipated increase in the patient population and the introduction of premium hemodialysis catheters, such as our high flow hemodialysis catheters.

We market a complete line of hemodialysis catheters for short- and long-term vascular access for the hemodialysis patient. We currently offer four high flow hemodialysis catheters that enable blood to be cleaned in a shorter period of time than other similar catheters.

• *Schon*. The Schon chronic hemodialysis catheter is designed to be self-retaining, deliver high flow rates and provide patient comfort. The Schon is for long-term use.

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- *More-Flow*. The More-Flow chronic hemodialysis catheter permits easier insertion and delivers high flow rates. The material conforms well to the vessel anatomy, resulting in higher patient tolerance during extended use. The More-Flow is for long-term use.
- *Dura-Flow*. The Dura-Flow chronic hemodialysis catheter is designed to be durable, maximize flow rates and provide for easier care and site maintenance. The Dura-Flow chronic hemodialysis catheter is for long-term use.
- *Schon XL*. The Schon XL acute hemodialysis 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.

We purchase and resell under our name all of our hemodialysis catheters from Medcomp under an exclusive U.S. and, for some products worldwide, license, except for our More-Flow catheter, which we obtain under a non-exclusive license. Our gross margins on these products are higher than the average gross margins for all of our products. Our agreement with Medcomp expires on March 24, 2007 and extends automatically for an additional five-year term if, throughout the initial term, we satisfy minimum purchase requirements specified in the agreement. For products for which we have an exclusive license, Medcomp may terminate our exclusive rights if we fail to purchase at least 90% of the minimum purchase requirements specified in the agreement. These exclusive rights will automatically terminate if we fail to purchase at least 60% of the minimum purchase requirements. Also, Medcomp may terminate all of our rights to a product if we fail to purchase at least 40% of the minimum purchase requirements specified for that product. We anticipate that we will be able to continue to purchase the minimum quantities required in order to maintain our exclusive rights.

Boston Scientific, C.R. Bard, Kendall Healthcare Products, a subsidiary of Tyco International Ltd., and Medcomp are our major competitors in the development, production and marketing of hemodialysis catheters. Although we are not one of the top five competitors by market share in this market, our sales grew 24.4% from fiscal 2002 to fiscal 2003.

### **PTA Dilation Balloons**

PTA procedures are used to open blocked blood vessels and hemodialysis access sites using a catheter that has a balloon at its tip. When the balloon is inflated, the pressure flattens the blockage against the vessel wall to improve blood flow. PTA is now the most common method for opening a blocked vessel in the heart, legs, kidneys or arms. According to Millennium Research Group, the 2002 U.S. market for PTA balloon catheters was \$77.8 million and is expected to grow to \$118.5 million in 2007, representing a CAGR of 8.8%. PTA dilation balloons used exclusively to treat obstructed hemodialysis access sites address a component of this market.

Our WorkHorse product is a high-pressure balloon catheter offered in 54 configurations. While the WorkHorse can perform other peripheral PTA procedures, we believe the device is used primarily for treating obstructed hemodialysis access sites.

Boston Scientific, Cordis, Cook and C.R. Bard are our primary competitors in the PTA dilation market. We are not one of the top six competitors by market share in this market.

### **Thrombolytic Products**

Thrombolytic catheter products are used to deliver thrombolytic agents, drugs that dissolve blood clots in hemodialysis access grafts, arteries, veins and surgical bypass grafts. Medtech Insight reports that approximately 112,000 peripheral catheter-directed, thrombolytic procedures were performed in the United States in 2002. This number is expected to increase at a CAGR of 7.2% to 142,000 in 2007. Medtech

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Insight reports that sales of catheter-directed thrombolytic devices for peripheral indications were an estimated \$19.6 million in 2002 and are expected to grow to \$25.6 million in 2007, representing a CAGR of 5.5%.

Our Pulse\*Spray and UNI\*FUSE catheters improve the delivery of thrombolytic agents by providing a controlled, forceful, uniform dispersion. Patented slits on the infusion catheter operate like tiny valves for an even distribution of thrombolytic agents. We believe that these slits reduce the amount of thrombolytic agents and time necessary for the procedure, resulting in cost savings and improved patient safety.

According to Medtech Insight, in 2002, we were the second leading provider of catheter-directed thrombolytic devices, with a market share of 28.1%. Our primary competitors in this market include Boston Scientific, Cook and Micro Therapeutics, Inc.

### **Image-Guided Vascular Access Products**

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 circulatory system. Delivery to the central 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 percutaneously inserted central catheter lines, or PICC lines, implantable ports and central venous catheters, or CVCs.

Our IGVA products include:

- ÿ *Chemo-Port*. The Chemo-Port maximizes options for patients with difficult and/or complex venous access needs. The port lock system is easy to attach and provides a secure connection.
- ÿ *Chemo-Cath*. The Chemo-Cath, a central venous access catheter system, provides easy placement, safety and comfort to the patient.
- ÿ *Micro Access Sets*. Our micro access sets provide interventional physicians with an access set with a smaller introducer system for minimally invasive procedures.
- ÿ *V-Cath PICC Lines*. These PICC lines are for short- or long-term peripheral access to the central venous system for intravenous therapy or blood sampling.

Based on Millennium Research Group's estimates of the U.S. markets for PICC lines, ports, CVCs, and IMS Health's estimates of the U.S. market for micro access sets, we estimate that the market opportunity for our IGVA products exceeded \$390 million in 2002. Micro access sets consist of an entry needle, guidewire and dilator, specifically designed for minimally invasive placement of vascular access catheters.

Our competitors in this market include Arrow International, Inc., Boston Scientific, Cook, C.R. Bard, Deltec, Inc., a subsidiary of Smiths Group plc, and Medcomp. According to IMS Health, we were the third leading provider of micro access sets in 2002, with a market share of 7.3%. We were not among the top six competitors by market share in any of the other IGVA markets.

### **Endovascular Laser Venous System (elvs)**

An endovascular laser procedure in the venous system is a less invasive alternative to vein stripping for the treatment of venous insufficiency of the greater saphenous vein. Vein stripping is a lengthy, painful and

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traumatic surgical procedure that involves significant patient recovery time. In contrast, laser treatment is an outpatient procedure that generally allows the patient to quickly return to normal activities with no scarring and minimal post-operative pain. The laser delivers energy that causes the degenerating vein to collapse. The body subsequently routes the blood to other healthy veins. Another treatment alternative to laser treatment is radio frequency ablation, which we believe is a more time consuming and expensive procedure than laser treatment.

We believe the endovascular laser venous market is nascent but poised for significant growth. Approximately 25% of women and 15% of men in the United States have some type of lower extremity venous insufficiency, a disorder characterized by incompetent vein valves and poor blood flow from the legs back to the heart. Of these people, an estimated 20% have visible varicose veins. Varicose vein symptoms include heavy or aching legs, leg swelling and skin discoloration. More serious complications may also result, such as eczema (inflamed tissue), skin ulcerations and thrombus (blood clots). Patients seek treatments for varicose veins because of their potential serious medical complications, as well as aesthetic concerns.

Our Precision 810 and Precision 980 elvs products treat venous insufficiency. When venous valves become incompetent, they allow blood to leak or reflux into thin-walled veins that are close to the skin's surface. The refluxing blood increases the pressure within these veins, causing them to become enlarged, dilate and ultimately result in varicose veins. Laser energy is used to stop the source of the pressure by delivering energy to collapse and destroy the affected vein. With our elvs products, a laser fiber is inserted into an affected vein through a sheath. Our elvs products are sold as a system that includes a diode laser, disposable components and training and marketing material. The diode laser is a self-contained reusable instrument. The disposable components in the system include a Sheath-Lok laser fiber system for which a patent application is pending, an access sheath, access wires and needles. The training and marketing material includes a two-day physician training course, a comprehensive business development package and patient marketing kit.

We purchase the laser and laser fiber used in our Precision 810 and Precision 980 elvs products from biolitec, Inc. Under our agreement with biolitec, we have an exclusive license to sell the biolitec laser and laser fiber components to interventional radiologists and vascular surgeons in the United States and Canada.

We modify biolitec's laser fibers with our patent pending technology. We then incorporate this modified laser fiber into a product offering that also includes the laser, a proprietary, single use elvs procedural kit, elvs procedural education courses and elvs practice development marketing materials.

Our agreement with biolitec expires in March 2007. If we fail to purchase the minimum amounts of products specified in the agreement, our exclusive rights become non-exclusive. biolitec sells its ELVeS 810 and ELVeS 980, which are substantially identical to the lasers in our Precision 810 and Precision 980, to customers other than interventional radiologists and vascular surgeons in the United States and Canada and distributes those products without restriction in the rest of the world. Our elvs is one of only four laser systems that are cleared for sale in the United States by the FDA and is the only laser system built and serviced in the United States.

We believe that our elvs procedural kit provides safety and other advantages over competing laser kits in that it prevents the laser fiber from exiting the delivery sheath past a safe, predetermined length. This prevents painful trauma and perforations to the vein wall, or inadvertently placing the fiber into a vein other than the one being treated.

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Competition for the treatment of venous insufficiency includes surgical vein stripping treatments, RF ablation and other laser treatment of the greater saphenous vein. The leading provider for RF ablation is VNUS Medical. Companies competing in the laser segment include biolitec, Inc., Diomed, Dornier MedTech GmbH and Vascular Solutions, Inc. Because the market for elvs is in its infancy, independent market share data is currently not available.

### **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. According to IMS Health, the 2002 U.S. market size for drainage catheters was approximately \$25.5 million, an increase of 15.6% over the prior year.

Our line of drainage products consists of our ABSCENSION general drainage catheters and ABSCENSION biliary drainage catheters. These products feature our proprietary soft catheter material that is designed for patient comfort. These catheters also recover their shape if bent or severely deformed when patients roll over and kink the catheters during sleep.

Our primary competitors for drainage products include Boston Scientific, Cook and C.R. Bard. We are not among the top five competitors by market share in the market for drainage products.

### **Other**

For fiscal 2003, revenues from our "Other" product category totalled \$3.3 million, or 8.5% of total revenues. Of these revenues, \$1.3 million were from freight charges, \$1.1 million were from biliary stents, \$787,000 were from bulk non-sterile products and products manufactured for E-Z-EM and \$126,000 were from tumor management products.

### **New Products**

We believe that consistently introducing innovative new products to our customers is critical to our ongoing success. In our current fiscal year, we have launched the following new products, all of which have received FDA clearance.

*AQUALiner.* In October 2003, we introduced the AQUALiner, a technologically advanced guidewire. This guidewire is used to provide access to difficult to reach locations in interventional procedures requiring a highly lubricious wire. The AQUALiner guidewire incorporates proprietary advanced coating technology that allows smooth, frictionless navigation.

*WorkHorse II.* In January 2004, we introduced the WorkHorse II, a low-profile, high-pressure, non-compliant PTA balloon catheter. This product is an extension to our WorkHorse PTA catheter. We have enhanced the WorkHorse features to improve product performance during clotting procedures for hemodialysis access sites.

*4F Accu-Vu.* In January 2004, we introduced our 4F Accu-Vu sizing angiographic catheter for use in determining the length and diameter of a vessel in preparation for performing endovascular procedures, such as abdominal aortic aneurysm (AAA) stent graft placement, percutaneous balloon angioplasty, peripherally placed vascular stents, or vena cava filters.

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*elvs 65cm Sheath Kit.* In January 2004, we introduced the elvs 65cm sheath laser vein treatment kit. The kit features a 65cm sheath, which provides physicians the flexibility to treat longer vein segments with our elvs products.

*SPEEDLYSER.* In March 2004, we introduced our SPEEDLYSER thrombolytic catheter, which is used to effectively deliver thrombolytic agents into obstructed dialysis grafts. This new catheter features Pulse\*Spray slit technology that simplifies catheter insertion and drug delivery.

*ANGIOFLOW.* In April 2004, we introduced ANGIOFLOW, a catheter-based flow meter that we believe is the first device to measure blood flow in hemodialysis access sites during an access site clearing procedure. The capability to measure blood flow allows interventional physicians to evaluate the efficacy of an access site clearing procedure while performing the procedure, thus likely improving the outcome and decreasing repeat procedures.

*MORPHEUS.* In April 2004, we introduced for limited marketing the MORPHEUS PICC line, which provides short- or long-term peripheral access to the central venous system for intravenous therapy and blood sampling. This PICC line has a proprietary shaft design with increasing flexibility from the proximal to distal end. This design provides ease of use and enhanced patient safety and comfort.

In addition, in April 2004 we intend to launch the following new products, both of which have received FDA clearance.

*Dynamic Flow.* Our Dynamic Flow chronic hemodialysis catheter is intended for long-term use in dialysis patients. The catheter features a Durathane shaft that offers higher chemical resistance than polyurethane, simplifying site care requirements. The Dynamic Flow also features a user-friendly split tip design and a proximal shaft that reduces the chance of kinking post placement.

*Mariner.* Our Mariner is a hydrophilic-coated angiographic catheter features the 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.

### **Research & Development**

Our future success will depend in part on our ability to continue to develop new products and enhance existing products. We recognize the importance of, and intend to continue to make investments in, research and development. Approximately 55% of our net sales for fiscal 2003 were from products we introduced in the last five fiscal years. For fiscal 2001, 2002 and 2003, our research and development expenditures were \$1.4 million, \$2.0 million and \$2.5 million, respectively and constituted between 6% and 7% of net sales. We expect that our research and development expenditures will exceed 7% of net sales in fiscal 2004 and approximate 8% of net sales in the future. However, downturns in our business could cause us to reduce our research and development spending.

We have separated our research and development group into distinct research and product development units. The research group is responsible for developing new product concepts and design innovations. The product development group converts the best ideas into marketable products. As of March 1, 2004, there were eight full-time employees in the research group and 13 full-time employees in the product development group. We commit approximately 25% of our annual research and development spending to enhancing our existing products to ensure these products continue to meet our customers' evolving demands.



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Our research and product 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 being a good partner for product development because of our tradition of close physician collaboration, dedicated market focus, responsiveness and execution capabilities for product development and commercialization.

We conduct clinical research activities to support our product development efforts. Our preclinical studies are used to develop and evaluate new products and enhance existing products. We also manage clinical studies performed by investigators and institutions to study the clinical outcomes of our products. In addition to offering administrative support and funding, our research group assists investigators in writing protocols and collecting data when necessary.

Our products are subject to our design control validation procedures throughout the various stages of product development. These procedures include bench testing, animal testing, human use testing conducted by independent physicians and post initial marketing surveillance of product performance. We use feedback received from these physicians to confirm product functionality, safety and effectiveness before commencing full-scale marketing of any product.

### **Competition**

We encounter significant competition from various entities 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. In the product lines in which we compete, 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, which may offer non-surgical therapies for conditions that are currently or intended to be treated using our products. Our primary device competitors include: Boston Scientific, Cook, Cordis, C.R. Bard, Diomed, Medcomp and VNUS Medical. Medcomp supplies us with all of our hemodialysis catheters, but also competes with us by selling More-Flow catheters, which we buy from them on a non-exclusive basis, and other hemodialysis catheters that we do not license from them. Many of our competitors have substantially greater financial, technological, research and development, regulatory, marketing, sales and personnel resources than we do. Certain of these competitors may also have greater experience in developing products, obtaining regulatory approvals, and manufacturing and marketing such products. Certain of these 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, ease of use, reliability, physician familiarity and cost-effectiveness. In some cases, they are sold at higher prices than those of our competitors. In the current environment of managed care, economically motivated buyers, consolidation among healthcare 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.

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### **Sales and Marketing**

We focus our sales and marketing efforts on interventional radiologists and vascular surgeons. There are over 5,000 interventional radiologists and 2,000 vascular surgeons in the United States. We educate these physicians on the clinical efficacy, performance, ease of use, value and other advantages of our products.

We sell our products through a direct sales force in the United States and a network of distributors in international markets. As of March 1, 2004, we employed 35 direct sales persons, five regional sales managers and a vice president of sales. In non-U.S. markets, as of March 1, 2004, we employed two sales directors, had a network of 25 distributors and sold our products in 26 markets. We support our distributors with clinical support staff and regional sales personnel, as well as by developing and funding promotional programs and materials.

As of March 1, 2004, our marketing staff included four product managers, who have global product-line responsibility, five customer service representatives, a coordinator of elvs products training and a vice president of marketing. The elvs products training is a comprehensive two-day training course offered free of charge to physicians who have purchased our elvs products. We use the elvs products training and other training programs to foster future collaboration with physicians and increase brand awareness and loyalty. We also seek to create patient awareness of this new treatment through our website, print materials and video news releases.

We promote our products through medical society meetings that are well attended by interventional radiologists, vascular surgeons, interventional cardiologists and interventional nephrologists. Our attendance at these meetings is one of the most important methods we use to communicate with our customers. At these meetings, we receive direct feedback from customers and present new ideas and products. Our attendance at these meetings also reflects our support and commitment to the medical societies, as these societies rely on industry participation and support in order to effectively hold these meetings. The support we provide includes sponsorship of medical society research foundations, general financial support for holding these meetings, and special awards to physicians and others.

### **Manufacturing**

Our manufacturing facility is located in Queensbury, New York, and includes over 32,000 square feet of manufacturing and distribution space. We believe this facility has sufficient capacity to meet our anticipated manufacturing needs for the next five years.

We manufacture certain proprietary components 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 can 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.

Our management information system includes order entry, invoicing, on-line inventory management, lot traceability, purchasing, shop floor control and shipping and distribution analysis, as well as various accounting-oriented functions. This system enables us to track our products from the inception of an order through all parts of the manufacturing process until the product is delivered to the customer. Our efficient

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manufacturing capabilities enable us to ship 95% of products sold in the United States within 48 hours of when an order is placed.

We purchase components from third parties. Most of our components are readily available from several supply sources. We also purchase finished products from third parties. One supplier, Medcomp, currently supplies all of our hemodialysis catheters. Medcomp products accounted for approximately 24% of our net sales for fiscal 2003. Another supplier, biolitec, Inc., supplies us with the laser and laser fibers for our elvs products. To date, we have been able to obtain adequate supplies of all product and components in a timely manner from existing sources.

In fiscal 2003, 60% of our net sales were derived from products we manufactured ourselves, with the balance being derived from products manufactured for us by third parties. We intend to manufacture more of these outsourced products in our facility in 2004, which we believe will enable us to lower production costs and increase profitability. We believe our facility in Queensbury has sufficient available capacity for us to undertake production of these outsourced products and do not anticipate incurring higher average labor costs or requiring material capital expenditures in connection with implementing this strategy.

We believe our manufacturing operations meet or exceed all applicable domestic and foreign regulations and standards. Our Queensbury facility is registered with the FDA and has been certified to EN 46001 and ISO 9001 standards, as well as the CMD/CAS Canadian Medical Device Regulations. ISO 9001 and EN46001 are quality system standards. Obtaining ISO 9001 and EN 46001 certifications enables us to satisfy regulatory requirements of the European Union and thus to market and sell our products in European Union countries. If we were to lose these certifications, 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.”

### **Intellectual Property**

In the United States, we own 23 patents and have exclusive licenses to 14 patents. We have 21 pending patent applications and exclusive licenses to three pending patent applications for fields of use related to our business. Internationally, we have 24 issued patents and 18 pending patent applications, all of which are foreign counterparts of the U.S. cases.

We currently hold U.S. patents covering certain aspects of the following products:

<u>Product</u>	<u>Patent(s) Expiry Date</u>
Soft-Vu angiographic catheter lines	2015
Pulse*Spray Infusion Systems	2011
UNI*FUSE Infusion System	2011 and 2018
CO <sub>2</sub> Ject carbon dioxide angiographic systems	2010 and 2013
PULSE*VU bloodless angiographic needle	2010 and 2014
Halo angiographic flush catheters	2012 and 2015
VISTAFLEX and OMNIFLEX peripheral and biliary stents	2010, 2012 and 2019
ANGIOFLUSH fluid delivery systems	2022 and 2015

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In addition, we hold foreign patents or pending foreign patent applications for some of these products in certain non-U.S. jurisdictions.

We also hold U.S. patents for the following devices and potential products:

<u>Product</u>	<u>Patent(s) Expiry Date</u>
Retrievable IVC filters	2017
Convertible IVC filters	2020 and 2023
Needles	2018
Angioplasty balloons	2016 and 2017
Stent delivery systems	2015 and 2016
Thrombolytic devices	2012 and 2020
Dialysis devices	2018
Drainage catheters	2010

We hold U.S. patent applications for angiographic catheters, PICC lines and venous therapies. We also hold foreign patent applications regarding other devices and potential products including IVC filters, needles, thrombolytic devices, PICC lines, venous therapies and dialysis devices.

We have licenses for U.S. patents regarding the following potential products:

<u>Product</u>	<u>Patent(s) Expiry Date</u>
Angiographic catheters	2013, 2014, 2016 and 2017
Guidewires	2016
Micro-catheters	2020
Microwave tumor therapies	2008, 2011, 2015 and 2019
Hemostasis sheaths	2015 and 2015

We believe that our success is dependent, to a large extent, on patent protection and the proprietary nature of our technology. We intend to file and prosecute patent applications for our technology and in jurisdictions where we believe that patent protection is effective and advisable. Generally, for products that we believe are appropriate for patent protection, we will attempt to obtain patents in the United States and Canada, France, Germany, Italy, Japan and Spain. However, depending on circumstances, we may not apply for patents in all or any of those jurisdictions, or we may pursue patent protection elsewhere.

Notwithstanding the foregoing, the 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.

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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 designs, 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.

In January 2004, Diomed filed an action against us alleging that our elvs products for the treatment of varicose veins infringe on a patent held by Diomed. Diomed's complaint seeks injunctive relief and compensatory and treble damages. If Diomed is successful in this action, our results of operations could suffer. See " — Litigation".

We rely on trade secret protection for certain unpatented aspects of other 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.

### **Government Regulation**

The products we manufacture and market are subject to regulation by the FDA and, in some instances, state authorities and foreign governments.

#### *United States 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.

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The 510(k) procedure is less rigorous than the PMA procedure, but 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” to a “predicate device”, which is a legally marketed device with 510(k) clearance or grandfather status based upon commercial distribution prior to May 29, 1976. The 510(k) procedure applies both to new products and to modifications of existing products with 510(k) clearance. The 510(k) clearance procedure generally takes from four to 12 months from the time of submission, but may take longer. 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, premarket approval is required prior to the introduction of that product into the market.

The PMA application procedure is more comprehensive than is the 510(k) procedure and typically takes several years to complete. The PMA application must be supported by scientific evidence providing preclinical and clinical data relating to the safety and efficacy of the device and include a variety of other information about the device and its components, design, manufacturing and labeling. The standard used by the FDA in determining whether to approve a PMA application is that there must be a reasonable assurance that the device is safe and effective for its intended use. As part of the PMA application review, the FDA will inspect the manufacturer’s facilities for compliance with the Quality System Regulation. 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 used the more rigorous PMA procedure. No current clinical trials are pending for any of our products.

The FDA clearance and approval processes for a medical device are expensive, uncertain and lengthy, and a number of products for which FDA clearance or approval has been sought by other companies have never been approved for marketing. 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.

If and when FDA marketing approvals are granted for a device, the products and their manufacture are subject to pervasive and continuing regulation by the FDA, including record keeping requirements and 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. The labeling and promotion activities with respect to 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 are subject to the Quality System Regulations. Device manufacturers are required to register their facilities and list their facilities with the FDA and certain state agencies. Every

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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 FDA regulations. The FDA periodically conducts inspections of 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 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. For example, we are registered with the Office of the Professions of the New York State Department of Education. 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.

### *Non-U.S. 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 with 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 non-U.S. distributors to obtain premarket approvals, complete product registrations, comply with clinical trial requirements and complete those steps that are customarily taken in the applicable jurisdictions in connection in those countries to comply with governmental and quasi-governmental regulation. In the future, we expect to continue to rely on distributors in this manner in those countries where we continue to market and sell our products through them.

Non-U.S. 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.

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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 where patients expect that coverage will be available from third-party payors, which can be government or private health plans. Therefore, our sales volumes and the prices we charge for our products depend significantly on the extent to which those third-party payors, such as Medicare, Medicaid, other government programs and private insurance plans, cover our products and the procedures performed with them.

In the United States, third-party payors generally pay healthcare providers directly for the procedures they perform, and in certain instances for the products they use. However, in many cases third-party payors operate by reimbursing patients for all or part of the charges that patients pay for procedures and products used in connection with those procedures. In either case, our sales volumes depend on the extent to which third-party payors cover our products and the procedures in which they are used. 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 cover the procedures performed using our products using 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. Many of the products that compete with ours are less expensive. Therefore, although coverage may be available for our products and the related procedures, the levels of approved coverage may not be sufficient to justify using our products instead of those of competitors.

Third-party payors are increasingly challenging the prices charged for medical products and procedures and, where a reimbursement model is used, introducing maximum reimbursements for the procedures they cover. We believe that the minimally invasive procedures in which our products are used are generally less costly than open surgery. However, there is no guarantee that these procedures will be reimbursed. Third-party payors may not consider these minimally invasive procedures to be cost-effective and therefore refuse to authorize coverage.

In certain cases in which third-party payors will cover the cost of medical products or equipment in addition to a general charge for the related procedure, they 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. If our products are not on the approved lists, healthcare providers must determine if the additional cost and effort required to obtain prior authorization is justified by the clinical benefits that we believe our products offer, in light of the uncertainty of actually obtaining coverage.

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



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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 there will be no separate reimbursement for our products. 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 and results of operations could suffer a material adverse impact.

### *Non-U.S.*

Our success in non-U.S. 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 in non-U.S. markets 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 the distributors who sell our products to obtain reimbursement approval for those countries in which they will sell our products. There can be no assurance that reimbursement approval will be received.

### **Insurance**

Our product liability insurance coverage is currently provided under E-Z-EM's liability policy. This coverage is limited to a maximum of \$5.0 million per product liability claim and an aggregate policy limit of \$20.0 million, subject to a deductible of \$500,000 per occurrence. Under the master separation and distribution agreement we will enter into with E-Z-EM, E-Z-EM will maintain this coverage until the earlier of the anniversary date of that policy and the completion of the distribution by E-Z-EM of our shares to its stockholders.

We cannot assure you that our current product liability insurance is adequate. We will endeavor to obtain our own product liability coverage to commence upon termination of our coverage under E-Z-EM's policy. However, we cannot assure you that such insurance coverage will 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 us.

### **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.

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### **Employees**

As of December 31, 2003, we employed 218 full-time employees and three part-time employees, including 12 in administration; 35 in research, product development and regulatory approval/quality assurance; 55 in sales and marketing; and the balance in manufacturing functions. None of our employees is represented by a labor union and we have never experienced a work stoppage.

### **Facilities**

We own a 56,000 square foot manufacturing, administrative, engineering and warehouse facility situated on 13 acres in Queensbury, New York. We financed a recent expansion of this facility with the proceeds of industrial revenue bonds, and the land and buildings are subject to a first mortgage in favor of a bank. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." We believe that this facility has sufficient capacity to meet our anticipated manufacturing and other needs for the next five years.

### **Litigation**

On January 6, 2004, Diomed filed an action against us entitled Diomed, Inc. v. AngioDynamics, Inc., civil action no. 04 10019 RGS in the U.S. District Court for the District of Massachusetts. Diomed's complaint alleges that we have infringed on Diomed's U.S. patent no. 6,398,777 by selling a kit for the treatment of varicose veins (the "elvs Procedure Kit") and two diode laser systems: the Precision 980 Laser and the Precision 810 Laser, and by conducting a training program for physicians in the use of our elvs Procedure Kit. The complaint alleges our actions have caused, and continue to cause, Diomed to suffer substantial damages. The complaint seeks to prohibit us from continuing to market and sell these products, as well as conducting our training program, and asks for compensatory and treble money damages, reasonable attorneys' fees, costs and pre-judgment interest. We believe, based on our analysis of Diomed's patent and a written opinion of non-infringement from our patent counsel, that our product does not infringe the Diomed patent. We purchase the lasers and laser fibers for our laser systems from biolitec, Inc. under a supply and distribution agreement. biolitec has engaged counsel on our behalf to defend this action.

We have been named as a defendant in an action entitled Duhon, et. al v. Brezoria Kidney Center, Inc., case no. 27084 filed in the District Court of Brezoria County, Texas, 239<sup>th</sup> Judicial District on December 29, 2003. The complaint alleges that we and our co-defendants, E-Z-EM and Medcomp, designed, manufactured, sold, distributed and marketed a defective catheter that was used in the treatment of, and caused the death of, a hemodialysis patient, as well as committing other negligent acts. The complaint seeks compensatory and other monetary damages in unspecified amounts.

Under our distribution agreement with Medcomp, Medcomp is required to indemnify us against all our costs and expenses, as well as losses, liabilities and expenses (including reasonable attorneys' fees) that relate in any way to products covered by the agreement. We have tendered the defense of the Duhon action to Medcomp, and Medcomp has accepted defense of the action. Based upon our prior experience with Medcomp, we expect Medcomp to honor its indemnification obligation to us if it is unsuccessful in defending this action.

We are party to other legal actions that arise in the ordinary course of our 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 or results of operations.

## MANAGEMENT

### Executive Officers and Directors

The following table sets forth the name, age and position of each of our executive officers and directors as of March 1, 2004.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Eamonn P. Hobbs	45	President, Chief Executive Officer and Director
Joseph G. Gerardi	41	Vice President, Chief Financial Officer
Harold C. Mapes	44	Vice President, Operations
Robert M. Rossell	48	Vice President, Marketing
William M. Appling	40	Vice President, Research
Brian S. Kunst	44	Vice President, Regulatory Affairs/Quality Assurance
Paul J. Shea	50	Vice President, Sales
Paul S. Echenberg	59	Chairman of the Board of Directors, Director
Howard S. Stern	72	Director
Jeffrey Gold	56	Director
David P. Meyers	39	Director
Howard W. Donnelly	42	Director
Dennis S. Meteny	50	Director
Robert E. Flaherty	58	Director
Gregory D. Casciaro	47	Director

*Eamonn P. Hobbs* is one of our co-founders, and has been our President and Chief Executive Officer since June 1996. From 1991 until September 2002, Mr. Hobbs was a Vice President, and from October 2002 to the present has been a Senior Vice-President, of E-Z-EM, with operational responsibility for our company. He was first employed by E-Z-EM from 1985 to 1986 and has been continuously employed by E-Z-EM since 1988. Mr. Hobbs will resign as an officer of E-Z-EM effective upon completion of this offering. From 1986 to 1988, Mr. Hobbs was Director of Marketing for the North American Instrument Corporation (NAMIC), a medical device company since acquired by Boston Scientific. Mr. Hobbs started his career at Cook, a leading manufacturer of interventional radiology, interventional cardiology and gastroenterology medical devices. Mr. Hobbs has over 23 years experience in the interventional radiology, interventional cardiology and gastroenterology medical device industries. He is a bio-medical engineer, having completed a Bachelor of Sciences in Plastics Engineering with a Biomaterials emphasis at University of Lowell in 1980. He is the only business executive from the medical device industry to serve on the strategic planning committee of the Society of Interventional Radiology, and is a frequent invited lecturer on the future of interventional radiology and interventional radiology practice trends.

*Joseph G. Gerardi* became our Vice President, Chief Financial Officer in March 2004, served as our Vice President, Controller since 1996 and, from 1992 to 1996, was our Plant Controller. From 1987 to 1992, Mr. Gerardi was the Controller of Mallinckrodt Medical, Inc.'s anesthesiology plant. Before joining Mallinckrodt Medical, Mr. Gerardi was employed by Factron/Schlumberger for over five years as Manager of Consolidations and as a cost accountant.

*Harold C. Mapes* has served as our Vice President, Operations since 1996 and was our Director of Operations from 1995 to 1996 and Product Development Project Manager from 1992 to 1994. Before joining us, Mr. Mapes held product development and supervisory manufacturing and engineering positions from 1988 to 1992 with Mallinckrodt Medical, a medical device manufacturer. He holds a Bachelor of Science in Mechanical Engineering from Tri-State University.

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*Robert M. Rossell* has served as our Vice President, Marketing, since 1996, and from 1990 to 1996 was a Product Manager and then our Director of Marketing. Before joining us, Mr. Rossell was Marketing Manager at NAMIC from 1986 to 1990, and held sales positions with various leading healthcare companies, including American Hospital Supply Co., from 1981 to 1985, and Johnson & Johnson from 1977 to 1981.

*William M. Appling* has served as our Vice President, Research since 2002, Vice President, Research and Development since 1996, and in other product development capacities since 1988. Before that, Mr. Appling was a Product Development Engineer with the North American Instrument Corporation from 1986 to 1988 and a Product Development Engineer with the Edwards Division of American Hospital Supply Corporation from 1984 to 1986.

*Brian S. Kunst* has served as our Vice President, Regulatory Affairs/Quality Assurance, or RA/QA, since 1997 and from 1995 to 1997 was our Director of RA/QA. From 1991 to 1995, Mr. Kunst was the Regulatory Affairs Manager for Surgitek, Inc., a medical device company. From 1990 to 1991, Mr. Kunst was a Regulatory Affairs Associate for W.L. Gore and Associates, a medical device manufacturer. From 1984 to 1990 he was a biomedical engineer with the U.S. Food and Drug Administration. Mr. Kunst is a Certified Regulatory Affairs Professional (Regulatory Affairs Professionals Society) and a Certified Quality Auditor and Certified Quality Engineer (American Society for Quality Control). He holds a Master of Engineering degree in Biomedical Engineering from Tulane University.

*Paul J. Shea* has served as our Vice President, Sales, since 1997 and from 1991 to 1997 held positions as our National Sales Manager, Director of U.S. Sales and Director of World Wide Sales. Before joining us, from 1985 to 1991, Mr. Shea held various sales and marketing positions including Product Manager, Regional Manager and National Sales Manager at Microvasive, Inc., a division of Boston Scientific. From 1978 to 1984, Mr. Shea was employed by American Hospital Supply Corporation where he held several positions, including Sales Representative, Business Analyst, Product Manager and Market Manager.

*Paul S. Echenberg* has been a director since 1996 and Chairman of our board of directors since February 2004. He has been a director of E-Z-EM since 1987 and has served as Chairman of the Board of E-Z-EM Canada since 1994. He has been the President, Chief Executive Officer and a director of Schroders & Associates Canada Inc., an investment buy-out advisory services company, and a director of Schroders Ventures Ltd., an investment firm, since 1996. He is also a founder and has been a general partner and director of Eckvest Equity Inc., a personal investment and consulting services company since 1989. From 1970 to 1989, he was President and Chief Executive Officer of Twinpak Inc. and Executive Vice President of CB Pak Inc., both packaging companies. He also co-founded BDE & Partners, a provider of investment banking and strategic advisory services, in 1991. He is a director of Lallemand Inc., Benvest Capital Inc., Colliers MacAuley Nicholl, ITI Medical, Flexia Corp., Fib-Pak Industries Inc., Med-Eng Systems Inc., MacroChem Corp., Matra Plast Industries Inc. and A.P. Plasman Corp. E-Z-EM has an investment in ITI Medical.

*Howard S. Stern* has served as a director since our inception and as Chairman of our board of directors from our inception until February 2004. He is a co-founder of E-Z-EM and has served as Chairman of the board and a director of E-Z-EM since its organization in 1962. Mr. Stern also served as President and Chief Executive Officer of E-Z-EM from 1997 to 2000. From 1962 to 1994, Mr. Stern served as E-Z-EM's Chief Executive Officer and from 1962 until 1990 he served as E-Z-EM's President. Mr. Stern is also a director of ITI Medical, in which E-Z-EM has an investment. Mr. Stern holds a Bachelor of Science in Business and Engineering Administration and a Master of Science in Chemical Engineering, both from the Massachusetts Institute of Technology.

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*Jeffrey Gold* has been President and CEO of CryoVascular Systems Inc., a PVD device company, since 2001. From 1997 to 2001, he was Executive Vice President and Chief Operating Officer of Cardio Thoracic Systems, Inc., a company engaged in the development and introduction of devices for beating heart coronary bypass surgery. Before that, he spent 18 years with Cordis in a variety of senior management roles including Vice President of Manufacturing and Vice President of Research and Development, and co-founder and President of Cordis Endovascular Systems, a Cordis subsidiary engaged in the interventional neuroradiology business. At Cordis, Mr. Gold also had responsibility for the peripheral vascular business of Cordis. He serves on the board of directors of several start-up medical device companies and is a Special Network Advisor to Sapiient Capital Management. Mr. Gold holds a B.S. in Industrial Engineering from Northeastern University and an MBA from the University of Florida.

*David P. Meyers* has served as a director since 1996. He has been a director of E-Z-EM since 1996. He is a founder of Alpha Cord, Inc., which provides cryopreservation of umbilical cord blood, and has served as its President since 2002. Previously, he founded MedTest Express, Inc., a provider of contracted laboratory services for home health agencies, and served as its President, Chief Executive Officer and a director from 1994 to September 2002.

*Howard W. Donnelly* joined our board of directors in March 2004. Mr. Donnelly is currently a principal in three privately-held start-up medical device companies that are targeting the hemodialysis, regional anesthetic and general anesthesia markets, respectively. From 1999 to 2002, he was President of Level 1, Inc., a medical device manufacturer and a subsidiary of Smiths Group. From 1990 to 1999, Mr. Donnelly was employed at Pfizer, Inc., with his last position being Vice President, Business Planning and Development, for Pfizer's Medical Technology Group from 1997 to 1999. Mr. Donnelly is currently a director of Vital Signs, Inc., a medical device manufacturer for the anesthesia, critical care and sleep disorder markets.

*Dennis S. Meteny* joined our board of directors in March 2004. Since 2003, Mr. Meteny has been an Executive-in-Residence at the Pittsburgh Life Sciences Greenhouse, a strategic economic development initiative of the University of Pittsburgh Medical Center, the State of Pennsylvania and local foundations. From 2001 to 2003, he served as President and Chief Operating Officer of TissueInformatics, Inc., a privately-held company engaged in the medical imaging business. From 2000 to 2001, Mr. Meteny was a business consultant to various technology companies. Prior to that, Mr. Meteny spent 15 years in several executive-level positions, including as President and Chief Executive Officer from 1994 to 1999, with Respironics, Inc. a cardio-pulmonary medical device company. Mr. Meteny began his career in 1975 with Ernst & Young LLP.

*Gregory D. Casciaro* joined our board of directors in April 2004. Since 2000, Mr. Casciaro has been the President and Chief Executive Officer and a director of Orquest, Inc., a developer and manufacturer of devices used for orthopedic procedures that was acquired by Johnson & Johnson. From 1995 to 2000, he was employed by General Surgical Innovations, Inc., a videoscopic surgical equipments manufacturer that was acquired by United States Surgical, a division of Tyco Healthcare Group LP, in 1999. Mr. Casciaro's last position with General Surgical Innovations was as a director and its President and Chief Executive Officer from 1998 to 2000. Mr. Casciaro was employed by the Devices for Vascular Innovations division of Guidant Corporation from 1991 to 1995, having last served as the Vice President of Sales from 1994 to 1995. Prior to joining Guidant, he was employed by NAMIC from 1983 to 1991, with his last position being Area Sales Manager. Mr. Casciaro began his career with Procter and Gamble Company in 1978.

*Robert E. Flaherty* joined our board of directors in April 2004. Since 1992, Mr. Flaherty has served as President and Chief Executive Officer of Athena Diagnostics, Inc., a subsidiary of Elan, plc that is a commercial laboratory specializing in developing diagnostic testing services focused on neurological

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disorders. From 1992 to 1995, he served as President and Chief Executive Officer of Genica Pharmaceuticals Corporation, which was acquired by Athena Diagnostics in 1995. From 1976 to 1992, Mr. Flaherty was employed by Becton, Dickinson & Company, a medical technology company, with his last position from 1984 to 1992 being President of that company's largest operating unit, the Becton Dickinson division. Mr. Flaherty began his career with Procter and Gamble Company in 1968. He holds a Bachelor of Science in Industrial Engineering from Lehigh University. Mr. Flaherty is currently a director of Datatrak International Inc.

### **Key Employees**

*Daniel K. Recinella* has served as our Director, Product Development since 2001. Since joining us in 1991, Mr. Recinella has been a Project Manager and Senior Project Engineer for our product development group, and Director of Thrombolytic/Thrombectomy Products for our marketing group. In 1989, Mr. Recinella was a Senior Project Engineer for VASER, Inc., a medical devices company. From 1985 to 1989, he was a Project Engineer and Product Development Engineer with BSC/Mansfield Scientific, a medical devices company. From 1983 to 1985, Mr. Recinella was a Product Development Engineer with Sarns/3M, a medical capital and devices company. Mr. Recinella holds a Bachelor of Science in Mechanical Engineering from the University of Michigan and completed graduate work in mechanical engineering at Northeastern University.

### **Board of Directors**

Our amended and restated bylaws provide for a board of directors consisting of up to 15 members. The size of the board is currently set at nine. Our directors will be divided into three classes serving staggered three-year terms. At each annual meeting of our stockholders, directors will be elected to succeed the class of directors whose terms have expired. For our current directors, Class I directors' terms will expire at the 2004 annual stockholders' meeting, Class II directors' terms will expire at our 2005 annual stockholders' meeting and Class III directors' terms will expire at our 2006 annual stockholders' meeting. Messrs. Gold, Echenberg and Meteny are our current Class I directors; Messrs. Casciaro, Donnelly and Flaherty are our current Class II directors; and Messrs. Hobbs, Stern and Meyers are our current Class III directors. Our classified board could have the effect of increasing the length of time necessary to change the composition of a majority of our board of directors. Generally, at least two annual meetings of stockholders will be necessary for stockholders to effect a change in the majority of the members of our board of directors.

### **Directors' Compensation**

Directors who are not our employees receive a monthly retainer of \$1,000, in addition to \$1,000 for each board meeting attended in person, and \$250 for each telephonic meeting of the board in which they participate. Committee chairmen receive \$1,000, and committee members \$500, for each committee meeting in which they participate. Directors who are not our employees also receive an annual grant of an option to purchase 6,273 shares of our common stock for each year of service on our board of directors. Directors who are our employees receive no additional compensation for their services as directors. New directors receive options for 26,136 shares of our common stock upon joining our board.

### **Board Committees**

Our board of directors has established an audit committee, a governance/nominating committee and a compensation committee.

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### *Audit Committee*

Our audit committee is solely responsible for the appointment of and reviewing fee arrangements with our independent accountants, as well as approving any non-audit services by our independent accountants. Our audit committee reviews and monitors our internal accounting procedures and reviews the scope and results of the annual audit and other services provided by our independent accountants. Our audit committee currently consists of Mr. Meteny, who chairs this committee and Messrs. Donnelly and Flaherty. Our board of directors has determined that Mr. Meteny is an audit committee “financial expert” as defined under the regulations of the Securities Exchange Act of 1934 and is an independent director under the qualitative listing requirements of the Nasdaq Stock Market.

### *Governance/Nominating Committee*

Our governance/nominating committee makes recommendations to the board of directors concerning nominations to the board, including nominations to fill a vacancy (including a vacancy created by an increase in the board of directors). The governance/nominating committee will consider nominees for directors nominated by stockholders upon submission in writing to our corporate secretary of the names of such nominees in accordance with our bylaws. This committee is also charged with shaping corporate governance policies and codes of ethical and legal conduct, and monitoring compliance with such policies. Our governance/nominating committee currently consists of Messrs. Gold, Donnelly and Meteny.

### *Compensation Committee*

Our compensation committee is primarily responsible for reviewing and approving the compensation and benefits of our executive officers; evaluating the performance and compensation of our executive officers in light of our corporate goals and objectives; administering our employee benefit plans and making recommendations to our board of directors regarding these matters; and administering our equity compensation plans. Our compensation committee currently consists of Messrs. Flaherty, Casciaro and Gold.

### *Compensation Committee Interlocks and Insider Participation*

No member of our compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee. There are no family relationships among any of our directors or executive officers.

### **Scientific Advisory Board**

We have formed a scientific advisory board to benefit from the collective knowledge of the board members, all of whom are prominent physicians with whom we have established working relationships. The board will meet up to twice annually, with such meetings timed to coincide with major medical conventions.

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The scientific advisory board currently consists of the following members:

Robert T. Andrews, M.D.	Associate Professor of Radiology & Director, Center for Endovascular Therapy, University of Washington, Seattle, WA
John Aruny, M.D.	Assistant Professor, Department of Radiology and Co-Director, Section of Vascular & Interventional Radiology, Yale University Medical School, New Haven, CT
Jacob Cynamon, M.D.	Professor of Clinical Radiology and Director, Division of Vascular & Interventional Radiology, Department of Radiology, Albert Einstein School of Medicine and Montefiore Medical Center, New York, NY
Michael Dake, M.D.	Associate Professor of Radiology and Medicine and Chief of Cardiovascular-Interventional Radiology, Department of Radiology, Stanford University School of Medicine, Stanford, CA
Lowell Kabnick, M.D., F.A.C.S.	Assistant Clinical Professor, University of Medicine and Dentistry, Newark, NJ and Director, Vein Center of New Jersey, Morristown, NJ
Krishna Kandarpa, M.D., Ph.D.	Professor of Radiology and Chairman of Radiology, University of Massachusetts Medical Health Center, Worcester, MA
Barry T. Katzen, M.D., F.A.C.R., F.A.C.C.	Clinical Professor of Radiology, University of Miami School of Medicine, Miami, FL and Founder and Medical Director of Miami Cardiac & Vascular Institute, Baptist Hospital of Miami, Miami, FL
John A. Kaufman, M.D.	Professor of Interventional Radiology, Diagnostic Radiology and Surgery, and Chief of Vascular and Interventional Radiology, Dotter Interventional Institute, Oregon Health & Sciences University, Portland, OR
Stephen Kee, M.D.	Associate Professor of Radiology and Surgery, Stanford University Medical Center, Department of Radiology, Stanford, CA
Manual Maynar, M.D., Ph.D.	Professor of Radiology, University of Las Palmas, Grand Canary, Spain and Professor of Radiology, Louisiana State University, New Orleans, LA
Mark H. Meissner, M.D., F.A.C.S.	Associate Professor of Surgery, University of Washington School of Medicine, Seattle, WA and Attending Surgeon, General and Vascular Surgery, Harborview Medical Center, Seattle, WA



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Thomas A. Sos, M.D.	Professor of Radiology, Vice Chairman of Radiology, New York Presbyterian Hospital, New York, NY, Weill Medical College of Cornell University, School of Medicine, New York, NY
Kenneth R. Thomson, M.D.	Professor of Radiology and Director of Radiology, Monash University, Melbourne, Australia
Frank J. Veith, M.D., F.A.C.S.	Professor of Surgery, Albert Einstein College of Medicine, New York, NY and Vice-Chairman of Surgery & Chief of Vascular Surgical Services, Montefiore Medical Center, New York, NY; William J. von Liebig Chair, Vascular Surgery, Montefiore Medical Center, New York, NY
Ziv J. Haskel, M.D.	Professor of Radiology and of Surgery, Director, Divisions of Vascular Surgery and Interventional Radiology and Interventional Radiology Research Laboratory and Fellowship Program, Columbia University College of Physicians and Surgeons, New York, NY
James G. Caridi, M.D.	Associate Professor of Surgery, Associate Professor of Radiology, Chief of Division of Radiology and Director of Fellowship Program, Department of Radiology, University of Florida College of Medicine, Gainesville, FL

Advisory board members will each receive a fee of \$2,000 for each meeting attended, reimbursement for reasonable out-of-pocket expenses, and a non-qualified option to acquire shares of our common stock, in an amount to be determined by the compensation committee of our board of directors, at an exercise price equal to the fair market value of our common stock on the date of grant. We contemplate that the advisory board will meet once a year. Our agreements with the members of our advisory board may be terminated by us or any member at any time for any or no reason.

### **Stock Ownership of Directors, Named Executive Officers and Principal E-Z-EM Stockholders**

All of our common stock is currently owned by E-Z-EM and thus none of our named executive officers (as defined in the “Executive Compensation” section of this prospectus that follows immediately after this section) or directors currently owns shares of our common stock. Our named executive officers and directors will receive shares of our common stock in the distribution by E-Z-EM of our common stocks to its stockholders in respect of any E-Z-EM common stock that they hold on the record date of the distribution. The treatment of all E-Z-EM options held by our employees, including our named executive officers, is discussed below. We refer you to “Relationships and Arrangements with E-Z-EM — Treatment of E-Z-EM Options.”

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The following table sets forth the E-Z-EM common stock held by our directors, our named executive officers, all of our directors and executive officers as a group and all other persons known to us who beneficially own 5% or more of E-Z-EM's outstanding common stock as of April 8, 2004. Except as otherwise noted, the individual director or named executive officer (including his or her family members) had sole voting and investment power with respect to the E-Z-EM common stock.

	Number of Shares of Common Stock Owned(a)(b)	% of Outstanding Shares
Eamonn P. Hobbs	32,699(c)	*
Robert M. Rossell	3,419(d)	*
Paul J. Shea	6,844(e)	*
William M. Appling	6,809(f)	*
Brian S. Kunst	4,502(g)	*
Howard S. Stern	2,056,099(h)	19.5
Jeffrey Gold	—	—
Paul S. Echenberg	96,202(i)	*
David P. Meyers	749,667(j)	7.1
Howard W. Donnelly	—	—
Dennis S. Meteny	—	—
Gregory D. Casciaro	—	—
Robert E. Flaherty	—	—
Jonas I. Meyers	598,319(k)	5.7
Stuart J. Meyers	691,973(l)	6.6
Ira Albert	800,042(m)	7.6
Wellington Management Company	707,402(n)	6.7
All directors and executive officers as a group (15 persons)	2,963,378	27.7

- (a) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options that are exercisable or will become exercisable within 60 days of April 8, 2004 into shares of E-Z-EM common stock are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.
- (b) The table does not include shares of our common stock that are subject to outstanding options held by our officers and directors that are not currently exercisable. These options will become exercisable upon the earlier to occur of (i) 14 months after the completion of this offering and (ii) two months after completion of this offering and the distribution by E-Z-EM of our shares of common stock to its stockholders. These options held by our named executive officers and directors cover the following number of shares: Mr. Hobbs, 426,545 shares; Mr. Rossell, 52,272 shares; Mr. Shea, 52,272 shares; Mr. Appling, 52,272 shares; Mr. Kunst, 52,272 shares; Mr. Gold, 42,863 shares; Mr. Echenberg, 95,136 shares; Mr. Stern, 86,772 shares; and Mr. Meyers, 42,863 shares; and all of our directors and executive officers as a group, 1,007,811 shares.
- (c) Includes 32,640 shares issuable under currently exercisable options at an exercise price of \$4.22 per share.
- (d) Includes 3,419 shares issuable under currently exercisable options at an exercise price of \$4.22 per share.

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- (e) Includes 6,844 shares issuable under currently exercisable options at an exercise price of \$4.22 per share.
- (f) Includes 6,809 shares issuable under currently exercisable options at an exercise price of \$4.22 per share.
- (g) Includes 4,502 shares issuable under currently exercisable options at an exercise price of \$3.78 per share.
- (h) Includes 4,000 shares issuable under currently exercisable options at an average exercise price of \$8.70 per share. Does not include 329,931 shares owned by Mr. Stern's son or an aggregate of 447,877 shares owned or issuable under currently exercisable options held by Mr. Stern's daughter, her husband and their minor children, as to which shares Mr. Stern disclaims beneficial ownership. The information relating to Mr. Stern's share ownership and that of the persons named in this footnote was obtained from a Schedule 13D dated September 26, 2003, filed jointly by Mr. Stern, Seth F. Stern and Rachel Stern Graham and other information provided to us by E-Z-EM.
- (i) Includes 76,856 shares issuable under currently exercisable options at an average exercise price of \$4.33 per share.
- (j) Includes 2,000 shares issuable under currently exercisable options at an average exercise price of \$8.70 per share. Does not include (i) 121,849 shares held by Mr. Meyers' wife, (ii) 25,773.6 shares held by a trust established for the benefit of his children, and (iii) 52,134 shares in which Mr. Meyers has a remainder interest and his mother has a life estate. Mr. Meyers has disclaimed beneficial ownership of all of the shares described in the preceding sentence. The information relating to Mr. Meyers' share ownership was obtained from a Schedule 13D dated February 23, 2004, filed jointly by Mr. Meyers and others and other information provided to us by E-Z-EM.
- (k) Excludes 49,632 shares in which Mr. Meyers has a remainder interest and his mother has a life estate, as to which he disclaims ownership. The information relating to Jonas I. Meyers' share ownership was obtained from the Schedule 13D described in footnote (j), above.
- (l) Excludes (i) 119,940 shares held by Mr. Meyers' wife, (ii) 290,002 shares held by a trust established for the benefit of his children, and (iii) 49,632 shares in which he has a remainder interest and his mother has a life estate, as to which Mr. Meyers disclaims beneficial ownership. The information relating to Stuart J. Meyers' share ownership was obtained from the Schedule 13D described in footnote (j), above.
- (m) Mr. Albert's share ownership was obtained from a Schedule 13D dated July 18, 2003.
- (n) Wellington Management Company's share ownership was obtained from a Schedule 13G dated February 13, 2004. Of the shares beneficially owned by Wellington Management, 523,602 shares are owned of record by Vanguard Specialized Funds — Vanguard HealthCare Fund, or Vanguard, as reflected in a Schedule 13G dated February 5, 2004 filed by Vanguard and the Schedule 13G filed by Wellington Management.
- \* Less than 1%.

## **Executive Compensation**

The following table sets information concerning compensation awarded by us to our chief executive officer and each of our four most highly compensated executive officers whose total salary, bonus and other compensation exceeded \$100,000 during our fiscal year ended May 31, 2003, whom we refer to in this prospectus as "named executive officers." In accordance with the rules of the Securities and Exchange Commission, or the SEC, the compensation described in this table does not include perquisites and other

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personal benefits received by the executive officers named in the table below that do not exceed the lesser of \$50,000 or 10% of the total salary and bonus reported for these executive officers.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary	Bonus	Securities Underlying Options (#)	
Eamonn P. Hobbs President, Chief Executive Officer and Director	2003	\$ 240,000	\$ 119,050	—	\$ 6,948
Robert M. Rossell Vice President — Marketing	2003	150,000	63,777	—	6,058
Paul J. Shea Vice President — Sales	2003	150,000	63,777	—	3,394
William M. Appling Vice President — Research	2003	135,000	57,949	—	6,063
Brian S. Kunst Vice President — RA/QA	2003	130,000	55,640	—	5,371

**Options Granted in Fiscal 2003**

We did not grant any options to any of our named executive officers during our fiscal year ended May 31, 2003.

**Aggregate Option Exercises in Fiscal 2003 and Fiscal Year-End Values**

There were no option exercises by the named executive officers during our fiscal year ended May 31, 2003. The following table summarizes the value of the options held by them as of May 31, 2003. The value of unexercised in-the-money options at fiscal year end is calculated using the difference between the option exercise price and the estimated fair market value at May 31, 2003, which has been deemed to be \$6.52 per share, multiplied by the number of shares underlying the option. An option is in-the-money if the fair market value of the common stock subject to the option is greater than the exercise price. The anticipated initial public offering price of \$13.00 per share is higher than the estimated fair market value at fiscal year end and the value of unexercised options would be higher than the numbers shown in the table if the value were calculated by subtracting the exercise price from the initial public offering price.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Eamonn P. Hobbs	—	—	—	426,545	—	\$ 1,773,913
Robert M. Rossell	—	—	—	52,272	—	217,391
Paul J. Shea	—	—	—	52,272	—	217,391
William M. Appling	—	—	—	52,272	—	217,391
Brian S. Kunst	—	—	—	52,272	—	217,391

## **Employment Agreements**

We do not have any employment agreements with our executive officers.

## **Employee Compensation Plans**

### *1997 Stock Option Plan*

In 1997, we adopted our 1997 Stock Option Plan. The 1997 Plan may be administered by our board of directors or a committee composed solely of two or more non-employee directors appointed by our board, or committee, and provides for grants of incentive and non-qualified stock options to purchase shares of our common stock. Incentive stock options may be granted to employees and may qualify for favorable tax treatment under Section 422 of the Internal Revenue Code if certain requirements are satisfied. Non-qualified stock options may be granted to employees, officers, directors, consultants or advisors and do not qualify for such favorable tax treatment. Individuals to whom options are granted are referred to as “participants.”

We have reserved 1,497,674 shares of our common stock for issuance upon exercise of incentive stock options and non-qualified options granted under the 1997 Plan, of which 1,331,386 shares are subject to outstanding options. Generally, the exercise price for incentive stock options and non-qualified options granted under the 1997 Plan may not be less than 100% of the fair market value of our common stock on the option grant date. If a participant owns more than 10% of our voting stock on the date an incentive stock option is granted, the exercise price may not be less than 110% of the fair market value of our common stock on the date of grant. A participant may pay the option exercise price in cash or, if approved by the board or the committee, with previously-owned shares of our common stock.

Options granted under the 1997 Plan are not transferable by the participant except by will or the laws of descent and distribution in the event of the participant’s death.

Generally, options are exercisable during a term of not more than 10 years from the date of grant, as determined by the board or the committee. If the participant owns more than 10% of our voting stock on the date an incentive stock option is granted, the option may not be exercisable during a term more than five years following the date of grant. All options currently outstanding under the Plan vest 20% per year over five years from the date of grant. Options that have vested, however, do not become exercisable until the earlier of (i) 14 months after the first to occur of the completion of an initial public offering of our stock or the distribution by E-Z-EM of all of its shares of our common stock to the E-Z-EM stockholders, (ii) two months after both the offering and the distribution have occurred, and (iii) nine years from the date of grant. In addition, all options, whether vested or not, become exercisable in full immediately upon a change of control, as defined under the 1997 Plan.

The 1997 Plan provides that options terminate within three months of an option holder’s termination of employment with us, other than for cause, disability or death. However, continued employment by E-Z-EM following the distribution by E-Z-EM of our shares of common stock to its stockholders, will constitute continued employment with us for purposes of the 1997 Plan.

If there is a stock dividend, stock split, recapitalization, combination, subdivision, issuance of rights to our stockholders, or other similar event, then the board will adjust the total number of shares that may be issued under the 1997 Plan, and the number of shares subject to, and the exercise price of, each outstanding option, as it deems appropriate. If there is a proposed merger, or if we sell all or substantially all of our

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assets or our outstanding stock is obtained by another person, or if there is a divisive reorganization, spin-off, liquidation or partial liquidation of AngioDynamics, then our board will take such action as it deems reasonable to permit option holders to realize the value of the rights granted to them under the 1997 Plan.

Our board may amend or terminate the 1997 Plan at any time, provided that no amendment shall affect the rights of any option holder without his or her consent. If our board amends the 1997 Plan, it does not need to ask for stockholder approval of the amendment unless the amendment (i) increases the number of shares subject to the 1997 Plan, (ii) changes the designation of the class of employees eligible to receive stock options, (iii) expands the types of options or awards issuable under the 1997 Plan, or (iv) increases the benefits accruing to participants under the 1997 Plan, including any material change to permit a repricing (or decrease in exercise price) of outstanding options, reduce the price at which shares or options to purchase shares may be offered, or extend the 1997 Plan's duration.

### *2004 Stock and Incentive Award Plan*

Before completing this offering, we will adopt our 2004 Stock and Incentive Award Plan, or 2004 Plan. Our 2004 Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, to our employees, and for the grant of nonstatutory stock options, restricted stock, stock appreciation rights, performance units performance shares and incentive awards to our employees, directors and other service providers.

A total of 1,000,000 shares of our common stock have been reserved for issuance under our 2004 Plan, of which up to \_\_\_\_\_ shares may be issued upon exercise of incentive stock options. We will not make any awards under our 2004 Plan prior to completion of this offering.

A committee of our board will administer our 2004 Plan. The committee will consist of two or more members of the board, each of whom must (i) be an independent director under the rules of the Nasdaq Stock Market, (ii) qualify as a "non-employee" director under SEC Rule 16b-3, and (iii) qualify as an "outside director" within the meaning of Section 162(m) of the Code. The committee will have the power to select the participants in the 2004 Plan and determine the types of awards to be made and the terms of those awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards and the form of consideration, if any, payable upon exercise.

The committee will determine the exercise price of options granted under our 2004 Plan, but for all incentive stock options the exercise price must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed ten years, except that for any participant who owns 10% of the voting power of all classes of our outstanding stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The committee will determine the term of all options. After termination of service of an employee, director or other service provider, he or she may exercise his or her option for the period of time stated, and subject to any other terms and conditions included in the option agreement.

No participant in our 2004 Plan may receive options to purchase, or stock appreciation rights with respect to, more than \_\_\_\_\_ shares in any year. The maximum number of shares for which awards other than appreciation-only awards and awards the value of which is not based on the value of our common stock, or dollar-denominated awards, may be granted to a plan participant in any year is \_\_\_\_\_ shares. This limit applies to restricted stock, performance shares and any other stock value-based award not based solely on the appreciation of our common stock after the award is granted. Dollar-denominated awards under the 2004 Plan may not exceed \$ \_\_\_\_\_ for a participant in any year.

Stock appreciation rights, or SARs may, be granted under our 2004 Plan. SARs allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the

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date of grant of the SARs or, if the SARs are linked and alternative to an option, the date of grant of the option. The committee will determine the terms of SARs, including when such rights become exercisable and whether to pay the increased appreciation in cash or with shares of our common stock, or a combination thereof.

Restricted stock may be granted under our 2004 Plan. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the committee. The committee will determine the number of shares of restricted stock granted to any employee, director or other service provider. The committee may impose whatever conditions to vesting it determines to be appropriate. For example, the committee may set restrictions based on the achievement of specific performance goals. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture. The committee may also make restricted stock unit awards, which are shares of our common stock that are issued only after the recipient satisfies any service or performance objectives or contingencies determined by the committee.

Our 2004 Plan does not allow for the transfer of awards, except for transfers by will or the laws of descent and distribution or to such other persons designated by a participant to receive the award upon the participant's death, or except as may otherwise be authorized by the committee for any award other than an incentive stock option.

Performance units and performance shares may be granted under our 2004 Plan. Performance share awards are rights to receive a specified number of shares of our common stock and/or an amount of money equal to the fair market value of a specified number of shares of our common stock, at a future time or times if a specified performance goal is attained and any other terms and conditions specified by the committee are satisfied. Performance unit awards are rights to receive a specified amount of money (other than an amount of money equal to the fair market value of a specified number of shares of common stock) at a future time or times if a specified performance goal is attained and any other terms and conditions specified by the committee are satisfied. The committee will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants.

Our 2004 Plan authorizes the committee to grant incentive awards, which are rights to receive money or shares on such terms and subject to such conditions as the committee may prescribe. Restricted stock, performance shares and performance units are particular forms of incentive awards but are not the only forms in which they may be made. Incentive awards may also take, for example, the form of cash or stock bonuses.

Our 2004 Plan authorizes the committee to grant options and SARs that become exercisable, and any award under the Plan that becomes nonforfeitable, fully earned and payable, if we have a "change in control," and to provide for money to be paid in settlement of any award under the 2004 Plan in such event. Additionally, if we have a change of control, the committee may authorize the exercise of outstanding nonvested appreciation rights, make any award outstanding under the 2004 Plan non-forfeitable, fully earned and payable, or require the automatic exercise for cash of all outstanding stock appreciation rights.

In general, under the 2004 Plan, a "change in control" will be deemed to occur if any person or group of persons acting in concert becomes the beneficial owner of more than 40% of our common stock; a majority of our board changes over any period of two years or less without the approval of a majority of the directors serving at the beginning of such period; or our stockholders approve a merger, reorganization, sale of assets or plan of complete liquidation following which our stockholders before the transaction will not own at least 60% of our voting power or assets.

### **Limitation of Liability and Indemnification Matters**

Our amended and restated certificate of incorporation and bylaws provide that we will indemnify all of our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated certificate of incorporation and bylaws will also authorize us to indemnify our employees and other agents to the fullest extent permitted by Delaware law. We intend to enter into agreements to indemnify our directors and officers, in addition to indemnification provided for in our charter documents. These agreements, among other things, will provide for the indemnification of our directors and officers for expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any person in any action or proceeding, including any action by or in the right of our company, arising out of that person's services as a director or officer of our company or any other company or enterprise to which that person provides services at our request to the fullest extent permitted by applicable law. We believe that these provisions and agreements will assist us in attracting and retaining qualified persons to serve as directors and officers.

Delaware law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for any breach of the director's duty of loyalty to the corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for liability arising under Section 174 of the Delaware General Corporation Law, or for any transaction from which the director derived an improper personal benefit. Our certificate of incorporation will provide for the elimination of personal liability of a director for breach of fiduciary duty, as permitted by Delaware law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of our company in accordance with the provisions contained in our charter documents, Delaware law or otherwise, we have been advised that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. If a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of our company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act, and we will follow the court's determination. We have and intend to continue to maintain insurance on behalf of our officers and directors, insuring them against liabilities that they may incur in such capacities or arising out of this status.



## RELATIONSHIP AND ARRANGEMENTS WITH E-Z-EM

We have provided below a summary description of the master separation and distribution agreement and the other agreements we will enter into with E-Z-EM that relate to our separation from E-Z-EM. This description, which summarizes the material terms of these agreements, is not complete. You should read the full text of these agreements, which will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part. In this section, references to E-Z-EM include all of its subsidiaries except us.

### Master Separation and Distribution Agreement

The master separation and distribution agreement contains the key provisions related to our separation from E-Z-EM, this offering and the distribution of our shares to E-Z-EM's common stockholders. The other agreements referenced in the master separation and distribution agreement govern various interim and ongoing relationships between E-Z-EM and us following the closing of this offering. These agreements consist of a corporate agreement and a tax allocation and indemnification agreement.

#### *The Distribution*

The master separation and distribution agreement will govern the rights and obligations of E-Z-EM and our company regarding this offering and the proposed distribution by E-Z-EM to its common stockholders of the shares of our common stock held by E-Z-EM, which is also referred to in this prospectus as the "distribution." E-Z-EM has agreed with the underwriters that it will not complete the distribution for 120 days after the date of this prospectus without the prior written consent of RBC Capital Markets Corporation. Although E-Z-EM has advised us that it intends to complete the distribution, there are a number of conditions to the completion of the distribution. Consequently, we cannot assure you as to whether or when the distribution will occur.

The master separation and distribution agreement will provide that the distribution is subject to a number of conditions that must be satisfied, or waived by, E-Z-EM in its sole discretion, including:

- if the distribution has not been completed by February 5, 2005, that date being 12 months from the date of the private letter ruling E-Z-EM received from the Internal Revenue Service, or IRS, the receipt by E-Z-EM of an opinion from its tax counsel that the distribution will qualify as a tax-free distribution pursuant to which no gain or loss will be recognized by E-Z-EM or its stockholders for U.S. Federal income tax purposes under Section 355 and other related provisions of the Internal Revenue Code;
- receipt of any government approvals and consents necessary to consummate the distribution; and
- lack of any order, injunction, decree or regulation issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the distribution.

In addition, E-Z-EM may abandon the distribution at any time before it is completed. If E-Z-EM's board of directors decides to abandon or change the terms of the distribution or waives a material condition to the distribution after the date of this prospectus, E-Z-EM will issue a press release or file a report on Form 8-K with the Securities and Exchange Commission disclosing the abandonment, change or waiver.

Pursuant to the master separation and distribution agreement, we will be required to cooperate with E-Z-EM to accomplish the distribution and, at E-Z-EM's direction, to promptly take any and all actions necessary or desirable to effect the distribution.

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### *Indemnification*

Under the master separation and distribution agreement, we will indemnify E-Z-EM and its officers, directors, stockholders, employees or other representatives from all losses they suffer arising out of or due to any of the following:

- our failure to pay, perform or discharge in due course the liabilities, if any, assumed by us in connection with the distribution or our separation from E-Z-EM;
- our failure to comply with the terms of the master separation and distribution agreement or any of the other agreements we enter into with E-Z-EM in connection with the distribution;
- any untrue statement of a material fact or material omission contained in this prospectus or any similar documents relating to this offering or the distribution other than information provided to us by E-Z-EM for use in this prospectus;
- any action or inaction by us that causes the distribution by E-Z-EM of our stock to its stockholders to be taxable to E-Z-EM or its stockholders, to the extent E-Z-EM or its stockholders are adversely affected;
- any defense of any claims, investigations or proceedings arising out of or in connection with the funding and other payment obligations of AngioDynamics related to E-Z-EM's benefit plans;
- any credit support agreement (*e.g.*, guaranties) previously entered into by E-Z-EM for our benefit;
- any proceedings relating to the operation of our business prior to the date of distribution in which E-Z-EM is a defendant solely because it was our stockholder;
- any claims arising with respect to one of our pre-distribution employment arrangements;
- any claims based on our gross negligence or willful misconduct in performing intercompany services; or
- any claims based on our manufacturing and production for E-Z-EM.

If the distribution of our stock to E-Z-EM stockholders fails to qualify as a tax-free spin-off, there will be adverse tax consequences to both E-Z-EM and to E-Z-EM's stockholders. At the E-Z-EM level, the distribution will be treated as if the stock of AngioDynamics was sold and E-Z-EM will be subject to both federal and state income tax based upon the spread between its tax basis in the stock and the fair market value of the stock on the date of distribution. E-Z-EM's stockholders will be subject to a 15% dividend tax at the federal level and possibly to state taxes based upon the fair market value of the dividend. Assuming (i) E-Z-EM's current tax basis in AngioDynamics of \$24.5 million is unchanged at the time of the distribution (ii) the fair market value of the 9,200,000 shares of our common stock distributed to E-Z-EM's stockholders is \$13 per share (iii) a 15% U.S. federal tax rate on qualified dividends (iv) zero tax to stockholders at the state level and (v) a 37% combined federal and the state tax rate for E-Z-EM, then our potential indemnification obligation (assuming the failure to qualify for tax-free treatment was caused by us) would aggregate approximately \$53.2 million, including \$35.2 million to E-Z-EM and \$18.0 million to E-Z-EM's stockholders. If any of these factors should be different at the time the distribution is completed, our liability could be greater or less.

E-Z-EM will indemnify us and our officers, directors, stockholders, employees or other representatives from any and all losses we or E-Z-EM suffer arising out of or due to any of the following:

- E-Z-EM's failure to pay, perform or discharge in due course E-Z-EM's liabilities that are not assumed by us in connection with the distribution or our separation from E-Z-EM;

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- ÿ E-Z-EM's failure to comply with the terms of the master separation and distribution agreement or any of the other agreements we enter into with E-Z-EM in connection with the distribution;
- ÿ any action or inaction by E-Z-EM that causes the distribution to be taxable, to the extent we or our stockholders are adversely affected;
- ÿ any defense of any claims, investigations or proceedings arising out of E-Z-EM's benefit plans if caused by the gross negligence or willful misconduct of E-Z-EM personnel;
- ÿ any claims arising out of pre-distribution employment arrangements for which E-Z-EM is liable under the master separation and distribution agreement; or
- ÿ any claims based on E-Z-EM's gross negligence or willful misconduct in performing intercompany services.

All indemnification amounts will be reduced by any insurance proceeds and other offsetting amounts actually recovered by the party entitled to indemnification.

### *Conflicts of Interest*

Although E-Z-EM will be able to control our activities prior to its distribution of our common stock, we and E-Z-EM will agree in the master separation and distribution agreement that, for a period of five years from the distribution date and subject to limited exceptions, each company will not engage in any activities or lines of business included within the other's business at the time of the offering. Additionally, during this five-year period, the master separation and distribution agreement will provide that we and E-Z-EM have no right to claim a corporate opportunity in business opportunities that are falling within the other company's current business. Further, we believe that the businesses are sufficiently distinct so as to make it unlikely that each company would be interested in any opportunity that falls outside both of their businesses.

### *Access to Information*

Under the master separation and distribution agreement, we and E-Z-EM will be obligated to provide each other access to information as follows:

- ÿ we and E-Z-EM will provide each other with any information in our respective possession that the other party requests (i) to comply with requirements imposed on the requesting party by a governmental authority, (ii) for use in any proceeding or to satisfy audit, accounting, regulatory, litigation, tax or similar requirements, or (iii) to comply with its obligations under the master separation and distribution agreement or any ancillary agreement;
- ÿ after the distribution, we and E-Z-EM will use reasonable commercial efforts to make available each other's past, present and future directors, officers, other employees and agents as witnesses in any legal, administrative or other proceedings in which the other party may become involved;
- ÿ the company providing information, consultant or witness services under the master separation and distribution agreement will be entitled to reimbursement from the other for reasonable expenses incurred in providing this assistance;
- ÿ we will retain all proprietary information in our possession relating to our business for a period of time and, if we intend to destroy this information after the retention period, we must give E-Z-EM opportunity to take possession of the information; and
- ÿ we and E-Z-EM will each agree to hold in strict confidence all information concerning or belonging to the other for a period of up to six years.

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### *Use of Funds*

Pursuant to the master separation and distribution agreement, we will use part of the proceeds of this offering to repay \$3,000,000 of indebtedness to E-Z-EM and E-Z-EM will capitalize the remaining \$13,148,000 of our indebtedness to E-Z-EM.

### *Termination*

E-Z-EM may terminate the master separation and distribution agreement at any time prior to our issuance and sale to the underwriters of the shares to be sold by the underwriters in this offering. The master separation and distribution agreement may be terminated after the offering by the mutual consent of E-Z-EM and us.

### *Expenses*

In general, E-Z-EM and our company will each be responsible for our own costs (including all associated third-party costs) incurred in connection with the transactions contemplated by the master separation and distribution agreement. However, we have agreed to pay all costs and expenses relating to this offering, including the underwriting discounts and commissions and E-Z-EM's financial, legal, accounting and other expenses, and E-Z-EM has agreed to pay all costs (including all associated third-party costs) and expenses relating to the distribution.

### *Support Services, Manufacturing and Distribution Arrangements*

The master separation and distribution agreement also governs the provision by E-Z-EM to us of support services, such as:

- accounting and finance;
- legal services;
- consulting;
- sales and marketing, to a limited extent; and
- other general administrative functions.

For providing the preceding services, E-Z-EM will receive compensation from AngioDynamics based upon the companies' estimates of the relative amount of time that E-Z-EM personnel will spend performing these services for AngioDynamics and E-Z-EM. E-Z-EM and AngioDynamics believe that the aggregate amount payable to E-Z-EM for these services will not exceed \$175,000. The terms of these services will expire no later than December 31, 2004, unless terminated sooner by E-Z-EM.

Under the master separation and distribution agreement, we will also provide E-Z-EM with manufacturing services consistent with those provided prior to the distribution. On January 1, 2005, the prices E-Z-EM pays will increase so as to result in our achieving a gross margin of 50% on each product. These services will terminate on December 31, 2005, unless terminated sooner by E-Z-EM upon 60 days notice.

Under this agreement, we have agreed to engage subsidiaries of E-Z-EM as distributors of our products in Canada and the United Kingdom pursuant to exclusive three-year distribution agreements in substantially the form we use for unrelated distributors.

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### *Treatment of E-Z-EM Options*

E-Z-EM has advised us that to give effect to the separation of our company from E-Z-EM, it intends to reduce the exercise price of and, if necessary, reduce or increase the number of shares subject to, all E-Z-EM stock options, including options held by our officers and directors, outstanding on the date that E-Z-EM distributes our shares of common stock to its stockholders. Under the master separation and distribution agreement we will enter into with E-Z-EM, we will agree to grant options to purchase shares of our common stock to the E-Z-EM option holders at that time. The number of shares subject to, and exercise prices of, the adjusted E-Z-EM options and the AngioDynamics options will be set so that the adjusted E-Z-EM options and the AngioDynamics options will have the same ratio of exercise price to market price, and, to the extent possible, the same aggregate difference between the market price and exercise price, or intrinsic value, as did the E-Z-EM options at the time of the distribution. We will use the opening market price of the E-Z-EM and AngioDynamics common stock on the first trading day immediately following the distribution to determine the number of shares subject to, and the exercise price of, the adjusted E-Z-EM options and AngioDynamics options to be issued.

Except for the adjusted exercise price, and, if applicable, the number of shares subject to the options, the terms and conditions of the E-Z-EM options, including the vesting provisions, will remain the same. In connection with the grant of AngioDynamics options, we will adopt certain option plans intended to substantially “mirror” the provisions of the E-Z-EM option plans under which the outstanding E-Z-EM options were granted. We intend to reserve an aggregate of 700,000 shares of our common stock under these plans. To ensure that each AngioDynamics option is granted without any additional benefit not provided by the underlying outstanding E-Z-EM option, the AngioDynamics options will be granted under the terms of the corresponding “mirror” plan. The AngioDynamics option will vest and become exercisable in accordance with the terms of the E-Z-EM options to which they relate, and will expire as follows. For our officers and directors, one-half of the AngioDynamics options will expire upon the later of (i) 12 months after one-half of the options become exercisable in full and (ii) 12 months after expiration of the 180-day lock-up period described in the “Underwriting” section of this prospectus. The remaining one-half of the options will expire upon the later of (i) 24 months after the remaining one-half of the options become exercisable in full and (ii) 24 months after expiration of the 180-day lock-up period. For all other options recipients, one-half of their options will expire upon the later of (i) 12 months after one-half of the options become exercisable in full and (ii) 12 months from the date of the completion by E-Z-EM of the distribution of our shares to its stockholders. The remaining one-half of their options will expire upon the later of (i) 24 months after the remaining one-half of the options become exercisable in full and (ii) 24 months from the date of the completion by E-Z-EM of the distribution. However, in no event will the options be exercisable beyond the exercise period of the E-Z-EM options to which they relate.

### **Corporate Agreement**

If the distribution of our shares by E-Z-EM is not completed, E-Z-EM would not be permitted to sell its shares of our common stock without registration under the Securities Act or a valid exemption thereunder. Additionally, if after our initial public offering we issue additional shares or other voting equity interests, the ownership interest of E-Z-EM in our voting shares would likely decrease below the levels necessary for E-Z-EM to complete a tax-free distribution of our shares, as is currently contemplated. For these reasons, and to provide for certain other matters of a “corporate” nature, we will enter into an agreement with E-Z-EM to provide E-Z-EM with certain preemptive rights, registration rights and rights related to private sales of our common stock. We will also agree for our fiscal year and annual audit to coincide with those of E-Z-EM. E-Z-EM will agree not to vote its shares so as to cause the composition of our board of directors to not have a sufficient number of independent directors or a “financial expert” if

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required under the Sarbanes-Oxley Act of 2002 and applicable Nasdaq rules and regulations. E-Z-EM will also agree not to cast any other votes that would preclude us from qualifying for listing or being quoted as a public company under applicable securities laws or regulations, including the Sarbanes-Oxley Act of 2002 and rules and regulations applicable to Nasdaq companies.

In the context of the corporate agreement, unless the context below indicates to the contrary, references to E-Z-EM are deemed to include references to E-Z-EM's wholly-owned affiliates or any entity that in the future wholly-owns E-Z-EM (or a wholly-owned subsidiary of such a company).

### *Approval Rights for Issuances*

We will agree with E-Z-EM that we will not issue equity securities or convertible debt without E-Z-EM's prior consent if the issuance would cause E-Z-EM to own less than 80% of our outstanding equity or voting power on a fully-diluted basis or otherwise cause the distribution not to be tax-free to E-Z-EM and its stockholders. E-Z-EM's consent right will terminate upon the earliest of (i) E-Z-EM notifying us that it is abandoning the distribution, (ii) completion of the distribution by E-Z-EM, (iii) February 5, 2005, or (iv) August 5, 2005 if, by February 5, 2005, E-Z-EM obtains an opinion of counsel that completion of the distribution after February 5, 2005 will not result in the distribution being taxable to E-Z-EM and its stockholders. E-Z-EM may be unwilling to give its consent before completing the distribution or may impose conditions in its consent, including the right to acquire such number of our securities so as to enable it to maintain its percentage ownership of our securities.

### *Registration Rights*

The demand registration rights under the corporate agreement will become effective six months after the completion of this offering. All registration rights terminate at such time as E-Z-EM no longer owns at least five percent of our issued and outstanding common stock or, if earlier, when E-Z-EM could sell all of the shares of our common stock owned by it pursuant to Rule 144 under the Securities Act during any three-month period. The corporate agreement will cover those shares of our common stock that are held by E-Z-EM. The rights thereunder are not otherwise transferable to unaffiliated companies.

### *Demand Registration*

E-Z-EM will be able to require us to register for offer and sale all or a portion of our common stock held by E-Z-EM so long as the shares that E-Z-EM requires us to register, in each case, represent at least five percent of the then outstanding shares of our common stock. E-Z-EM may request no more than one demand registration or "unregistered demand" (described under "Private Sales," below) during any twelve-month period.

### *Terms of Each Offering*

E-Z-EM will designate whether its offering of common stock effected pursuant to a demand registration is a one time offering or a shelf registration. In any case, we will only be required to keep the applicable registration statement effective until the earlier of 120 days from the effective date of the registration statement or until E-Z-EM has disposed of the shares covered thereby. E-Z-EM has the right to designate the lead managing underwriter in any such offering. If the shares covered by the registration statement have an aggregate value in excess of \$20 million, we may designate a co-managing underwriter, subject to E-Z-EM's acceptance of such underwriter.

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### *Timing of Demand Registrations*

In addition to the above-noted limitation of one demand registrations during any 12-month period, we will not be required to undertake a demand registration (or the preparation of an offering memorandum for private sales) within six months of the completion of an offering under a previous demand registration. In addition, we will have the right, which may be exercised once in any 12-month period, to postpone the filing or effectiveness of any demand registration for up to 90 days if we determine that such registration would reasonably be expected to require the disclosure of non-public information concerning a material event or transaction and such disclosure would have a material adverse effect on us.

### *Piggy-Back Registration Rights*

If we at any time intend to file on our behalf, or on behalf of any of our other security holders, a registration statement in connection with a public offering of any of our securities on a form and in a manner that would permit the registration for offer and sale of our common stock held by E-Z-EM, then E-Z-EM will have the right to include its shares in that offering. The number of shares sought by E-Z-EM to be included must constitute at least five percent of our issued and outstanding shares of common stock. If the managing underwriter notifies us that the number of securities proposed to be registered in the offering exceeds the number that can be sold in such offering, we will include in such offering the number of securities that, in the opinion of the managing underwriter, can be sold, as follows:

- first, the securities that we propose to sell for our own account;
- second, the shares of common stock that E-Z-EM requests to be included; and
- third, other securities requested to be included in the offering.

### *Private Sales*

Subject to the yearly limitation on demand registrations described above, E-Z-EM may require us to prepare and distribute an offering memorandum in connection with any unregistered offering of E-Z-EM's shares of our common stock (an unregistered demand). The limitations above on E-Z-EM's share ownership, the threshold amount of shares being sold, and our ability to postpone the sale apply equally to these unregistered offerings.

### *Expenses*

We will be responsible for applicable registration and private offering expenses in connection with the performance of our obligations for a registration or a private sale under the applicable provisions of the corporate agreement. E-Z-EM is responsible for all of the fees and expenses of its counsel, any applicable underwriting discounts or commissions or placement agent's fees and commissions, and any registration or filing fees with respect to the shares of our common stock being sold by E-Z-EM, as applicable.

### *Indemnification*

With respect to both registered and unregistered offerings, the corporate agreement will provide for indemnification and contribution by us for the benefit of E-Z-EM and its affiliates and representatives. In limited situations, the corporate agreement will provide for indemnification by E-Z-EM for our benefit as well as for any underwriters with respect to the information included in any registration statement, prospectus or related document.

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### *Transfer*

Other than with respect to transfers by E-Z-EM to any of the entities described above, the transfer by E-Z-EM of its rights under the corporate agreement will not entitle the transferees of those rights to the benefits of the corporate agreement. Transfer rights do not “attach” to the shares of our common stock.

### *Other Covenants*

We will agree that, for so long as E-Z-EM beneficially owns at least 50% of our outstanding common stock, we will not (without E-Z-EM’s prior consent):

- ÿ take any action that would limit the ability of E-Z-EM or its transferee to transfer its shares of our common stock; or
- ÿ issue any shares of our common stock or any rights, warrants or options to acquire our common stock if this would cause E-Z-EM to own less than 50% of the then outstanding shares of our common stock.

Under the corporate agreement, we will agree to keep E-Z-EM’s auditors as our auditors and to keep our fiscal year unchanged. We will also agree to provide to E-Z-EM and its independent auditors all information and documents required and to otherwise coordinate the audit of our financial statements and the preparation of our interim financial statements so that E-Z-EM or its auditors, as applicable, will be able to prepare, file and distribute E-Z-EM’s financial statements and audit report in a timely manner. We will also agree to provide to E-Z-EM and its independent auditors access to the auditor who reviewed our financial statements so that E-Z-EM and its independent auditors may conduct their audits relating to our financial statements. Additionally, we will not change our significant accounting policies for periods in which our financial results are included in E-Z-EM’s consolidated financial statements unless we are required to do so to comply, in all material respects, with generally accepted accounting principles or SEC requirements. We will also agree to consult with E-Z-EM regarding the timing and content of its earnings releases. The foregoing obligations will survive for so long as E-Z-EM is entitled to consolidate our company within its audited financial statements.

## **Tax Allocation and Indemnification Agreement**

### *Allocation of Taxes*

In connection with this offering, we will enter into a tax allocation and indemnification agreement (“tax allocation agreement”) with E-Z-EM. The tax allocation agreement will govern the respective rights, responsibilities and obligations of E-Z-EM and us after this offering with respect to tax liabilities and benefits, tax attributes, tax contests and other matters regarding income taxes, non-income taxes and related tax returns.

In general, under the tax allocation agreement:

- ÿ E-Z-EM is responsible for any U.S. Federal income taxes of the affiliated group of which E-Z-EM is the common parent. However, during the period (or portion of a period) that we are included in the affiliated group beginning after the date of this offering, we are responsible for our share of such income tax liability computed as if we had filed a separate Federal income tax return that included only us for that period (or portion of a period). For any periods beginning after the distribution of E-Z-EM of its shares of our common stock to its stockholders, we will be responsible for our own U.S. Federal income taxes.
- ÿ E-Z-EM is responsible for any U.S. Federal income taxes reportable on a consolidated return that includes E-Z-EM or one of its subsidiaries and us. However, if we are included in such a group for



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U.S. Federal income tax purposes for periods (or portions thereof) beginning after the date of this offering, we are responsible for our portion of such income tax liability as if we had filed a separate tax return that included only us for that period (or portion of a period).

- ÿ E-Z-EM is responsible for any U.S. Federal income taxes reportable on returns that include only E-Z-EM and its subsidiaries (excluding us), and we are responsible for any state or local income taxes filed on returns that include only us.
- ÿ E-Z-EM and we are each responsible for any non-income taxes attributable to our business for all periods.

E-Z-EM is primarily responsible for preparing and filing any tax return for the E-Z-EM affiliated group for U.S. Federal income tax purposes. We will be responsible for preparing and filing any tax returns that include only us.

We generally have exclusive authority to control tax contests related to tax returns that include only us and our subsidiaries. E-Z-EM generally has exclusive authority to control tax contests related to any tax returns of the E-Z-EM affiliated group for U.S. Federal income tax purposes and related to any consolidated, combined or unitary group for U.S. state or local income tax purposes that includes E-Z-EM or any of its subsidiaries. However, E-Z-EM must consult with us with respect to any tax issue relating to us or any of our subsidiaries.

The tax allocation agreement also assigns responsibilities for administrative matters, such as the filing of returns, payment of taxes due, retention of records and conduct of audits, examinations or similar proceedings. In addition, the tax allocation agreement provides for cooperation and information allocation with respect to taxes.

### *Preservation of the Tax-free Status of the Distribution*

E-Z-EM has received a private letter ruling from the IRS that the distribution will qualify as a tax-free distribution for which no gain or loss is recognized by E-Z-EM or its stockholders for Federal income tax purposes under Section 355 and related provisions of the Internal Revenue Code. In order to obtain the ruling, we were required to make certain representations regarding our company and our business and E-Z-EM was required to make certain representations regarding it and its business. We have also agreed to certain restrictions that are intended to preserve the tax-free status of the distribution. We may take certain actions otherwise prohibited by these covenants if E-Z-EM seeks and obtains another private letter ruling from the IRS to the effect that such action would not jeopardize the tax-free status of the distribution. These covenants include restrictions on our:

- ÿ issuance, sale or acquisition of our stock or other securities (including securities convertible into our stock but excluding certain compensatory arrangements);
- ÿ sales of assets outside the ordinary course of business; and
- ÿ entering into any other corporate transaction that, together with the stock that is being sold in this offering, and certain other stock transactions, would cause us to undergo a 50% or greater change in our stock ownership.

We have generally agreed to indemnify E-Z-EM and its affiliates against any and all tax-related liabilities incurred by them relating to the distribution to the extent caused by an acquisition of our stock or assets, or other actions of ours.

## OTHER RELATED PARTY TRANSACTIONS

Effective as of January 1, 2002, E-Z-EM entered into an agreement with Howard S. Stern, the chairman of E-Z-EM's board and one of our directors, under which Mr. Stern agreed to provide certain services to E-Z-EM and us until December 31, 2004. These services include serving as chairman of both E-Z-EM's and our board of directors, consulting with management of both companies on corporate governance, investor relations and other matters and generally providing guidance and assistance on industry-related matters. Under the agreement, Mr. Stern was nominated for, and subsequently elected to, a three-year term as a director of E-Z-EM, and serves as the chairman of E-Z-EM's board. Mr. Stern has resigned as chairman of our board but remains a director. So long as Mr. Stern remains chairman of E-Z-EM, he is entitled to receive twice the regular fees and other compensation (including cash, stock and options) paid to other directors for service on E-Z-EM's board, but not compensation paid to our other directors for service on our board. As compensation for his services, Mr. Stern is receiving 36 equal monthly payments of \$20,833, as well as certain bonus opportunities from E-Z-EM. Mr. Stern also receives other benefits, including medical and dental insurance for himself and his wife and use of a company automobile, and, so long as he remains E-Z-EM's chairman, up to \$80,000 annually for reimbursement of reasonable business expenses. We currently reimburse E-Z-EM for 35% of Mr. Stern's compensation and expenses paid under the agreement. Under the master separation and distribution agreement we will enter into with E-Z-EM, we will assume 35% of E-Z-EM's payment obligations to Mr. Stern under the agreement, which will total \$7,300 in fees and \$2,300 for expenses on a monthly basis.

William M. Appling, our Vice President, Research has been a partner and executive officer of Protube Extrusion, LLP since 1992. Protube Extrusion produces tubing used in some of our catheters. In fiscal 2003, we purchased approximately \$149,000 of products and services from Protube Extrusion, and we estimate that we will purchase approximately \$175,000 of products and services from Protube Extrusion in fiscal 2004. The board has approved these transactions and determined that the terms of the transactions are equivalent to terms that would arise in an arm's length relationship.

We have entered into an agreement, effective as of January 1, 2004, with Donald A. Meyer, who resigned as a director as of March 1, 2004, under which Mr. Meyer agreed to serve as the trustee of our 401(k) savings plan and to provide us with such other services as we may reasonably request from time-to-time. The agreement is for a term of 36 months but will terminate sooner upon a change in control of our company, Mr. Meyer's death or a material breach of the agreement that is not cured within 30 days. Mr. Meyer will receive 36 equal monthly payments of \$3,500 and reimbursement for reasonable business expenses incurred in providing services under the agreement. We also agreed that Mr. Meyer's options to acquire 42,263 shares of our common stock, which would ordinarily terminate three months after his resignation as a director, will expire on the earlier of (i) December 31, 2006, (ii) the tenth anniversary of the original grant date of each option or (iii) 90 days after termination of the agreement.

## PRINCIPAL STOCKHOLDER

All of our outstanding common stock is currently held beneficially and of record by E-Z-EM. After this offering, E-Z-EM will own approximately 82.5% of our outstanding shares of common stock, assuming the underwriters do not exercise their option to purchase additional shares in this offering. Except for E-Z-EM, we are not aware of any person or group that will beneficially own more than 5% of our outstanding shares of common stock following this offering. None of our executive officers or directors currently owns any shares of our common stock. However, our officers and directors hold options to acquire an aggregate of 1,007,811 shares of our common stock that are not presently exercisable but substantially all of which will become exercisable upon the earliest to occur of (i) 14 months after either the completion of this offering of our stock or a distribution by E-Z-EM of its AngioDynamics stock to its stockholders or (ii) two months after completion of both this offering and the distribution. Our officers or directors who own shares of E-Z-EM common stock or options to purchase E-Z-EM common stock will be treated on the same terms as other holders of E-Z-EM common stock or options in the distribution by E-Z-EM of our shares of common stock to its stockholders. See “Management — Stock Ownership of Directors, Named Executive Officers and Principal E-Z-EM Stockholders — Treatment of E-Z-EM Options.”

## DESCRIPTION OF CAPITAL STOCK

At the time of this offering, the total amount of authorized capital stock of our company will be 50,000,000 shares, consisting of 45,000,000 shares of common stock, par value \$.01 per share, and 5,000,000 shares of preferred stock, par value \$.01 per share. Upon completion of this offering, 11,150,000 shares of our common stock and no shares of preferred stock will be issued and outstanding. Before this offering, there has been no public market for our common stock.

The following is a summary of the rights of our common stock and preferred stock. This summary is not complete. For more detailed information, please see our amended and restated certificate of incorporation, which is filed as an exhibit to the registration statement of which this prospectus is a part.

### Common Stock

The holders of our common stock are entitled to one vote for each share held of record upon such matters and in such manner as may be provided by law. Subject to preferences applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared by our board of directors out of funds legally available for dividend payments. If we liquidate, dissolve or wind up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and liquidation preferences of any outstanding shares of the preferred stock. Holders of common stock have no pre-emptive rights or rights to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

### Preferred Stock

Following the closing of this offering, we will be authorized to issue 5,000,000 shares of preferred stock that will not be designated as a particular class. Our board of directors will have the authority to (i) issue the undesignated preferred stock in one or more series, (ii) determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued series of undesignated preferred stock and (iii) fix the number of shares constituting any series and the designation of the series, without any further vote or action by our stockholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. Upon completion of this offering, no shares of our preferred stock will be outstanding and, other than shares of our preferred stock that may become issuable pursuant to our rights agreement, we have no present plans to issue any shares of preferred stock.

### Anti-Takeover Provisions

Provisions of Delaware law and our certificate of incorporation and bylaws could make our acquisition by means of a tender offer, a proxy contest or otherwise, and the removal of incumbent officers and directors, more difficult. These provisions are expected to discourage types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweighs the disadvantages of

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discouraging proposals, including proposals that are priced above the then-current market value of our common stock, because, among other things, negotiation of these proposals could result in an improvement of their terms.

### *Delaware Law*

We are governed by the provisions of Section 203 of the Delaware Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years, did own, 15% or more of the corporation’s voting stock. This statute could have the effect of delaying, deferring or preventing a change of control.

### *Certificate of Incorporation and Bylaws*

Our amended and restated certificate of incorporation and bylaws will contain provisions that could discourage potential acquisition proposals or tender offers or delay or prevent a change in control of our company.

Our amended and restated certificate of incorporation and bylaws will not include a provision for cumulative voting in the election of directors. Under cumulative voting, a minority stockholder holding a sufficient number of shares may be able to ensure the election of one or more directors. The absence of cumulative voting may limit the ability of minority stockholders to effect changes in the board and, as a result, may deter a hostile takeover or delay or prevent a change in control or management of our company.

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes. The term of the first class of directors will expire at our 2004 annual meeting of stockholders, the term of the second class of directors will expire at our 2005 annual meeting of stockholders, and the term of the third class of directors will expire at our 2006 annual meeting of stockholders. At each of our annual meetings of stockholders, the successors of the class of directors whose term expires at that meeting will be elected for a three-year term, one class being elected each year by our stockholders. Our amended and restated certificate of incorporation and bylaws will also provide that vacancies on our board that result from an increase in the number of directors may be filled by a majority of directors then in office, provided a quorum is present, and that any other vacancy may be filled by a majority of directors in office, although less than a quorum, and not by the stockholders. Directors will be subject to removal by the stockholders only for cause. These provisions for electing and removing directors may discourage a third party from making a tender offer or otherwise attempting to obtain control of us if E-Z-EM no longer controls us because it generally makes it more difficult for stockholders to replace a majority of our directors.

Our amended and restated certificate of incorporation and bylaws will not provide that special meetings of the stockholders may be called by stockholders. Advance written notice is required, which generally must be received by the secretary not less than 90 days nor more than 120 days prior to the meeting, by a stockholder of a proposal or director nomination that the stockholder desires to present at a meeting of stockholders. Any amendment of this provision would require a vote of a majority of our capital stock. Our amended and restated certificate of incorporation will also provide that, following our separation from E-Z-EM, our stockholders will not be permitted to act by written consent.

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Our amended and restated certificate of incorporation will allow us to issue up to 5,000,000 shares of undesignated preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, this issuance could have the effect of decreasing the market price of the common stock, as well as having the anti-takeover effect discussed above.

These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by them, and to discourage certain types of transactions that may involve an actual or threatened change in control of our company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discouraging certain tactics that may be used in proxy fights. However, these provisions could discourage others from making tender offers for our shares that could result from actual or rumored takeover attempts. These provisions also may have the effect of preventing changes in our management.

### *Stockholder Rights Plan*

Our board of directors will adopt a stockholder rights plan prior to completion of this offering. Under the rights plan, each outstanding share of our common stock issued between the date on which E-Z-EM enters into the underwriting agreement for this offering and the distribution date (as described below) will be coupled with a stockholder right. Initially, the stockholder rights will be attached to the certificates representing outstanding shares of common stock, and no separate rights certificates will be distributed. Each right will entitle the holder to purchase one-ten thousandth of a share of our Series A junior participating preferred stock at a price of \$ . Each one-ten thousandth of a share of Series A junior participating preferred stock will have economic and voting terms equivalent to one share of our common stock. Until it is exercised, the right itself will not entitle the holder thereof to any rights as a stockholder, including the right to receive dividends or to vote at stockholder meetings. The description and terms of the rights are set forth in a rights agreement to be entered into between us and , as rights agent. Although the material provisions of the rights agreement have been accurately summarized, the statements below concerning the rights agreement are not necessarily complete, and in each instance reference is made to the form of rights agreement itself, a copy of which has been filed as an exhibit to the registration statement of which this prospectus forms a part. Each statement is qualified in its entirety by such reference.

Stockholder rights are not exercisable until the distribution date, and will expire on 2014, unless earlier redeemed or exchanged by us. A distribution date would occur upon the earlier of:

- the tenth business day after the first public announcement or communication to us that a person or group of affiliated or associated persons (referred to as an acquiring person) has acquired beneficial ownership of 15% or more of our outstanding common stock; or
- the tenth business day (or such later date as may be determined by our board of directors before such time as any person becomes an acquiring person) after the commencement or announcement of the intention to commence a tender offer or exchange offer that would result in a person or group becoming an acquiring person.

If any person becomes an acquiring person, each holder of a stockholder right will be entitled to exercise the right and receive, instead of Series A junior participating preferred stock, shares of our common stock having a value equal to two times the exercise price of the stockholder right. All stockholder rights that are beneficially owned by an acquiring person or its transferee will become null and void.

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If at any time after a public announcement has been made or we have received notice that a person has become an acquiring person, (1) AngioDynamics is acquired in a merger or other business combination or (2) 50% or more of AngioDynamics' assets, cash flow or earning power is sold or transferred, each holder of a stockholder right (except rights which previously have been voided as set forth above) will have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the right.

The exercise price of our rights, the number of one ten-thousandths of a share of Series A junior participating preferred stock or other securities or property issuable upon exercise of rights, and the number of rights outstanding, are subject to adjustment from time to time to prevent dilution. With certain exceptions, no adjustment in the exercise price or the number of shares of Series A junior participating preferred stock issuable upon exercise of a stockholder right will be required until the cumulative adjustment would require an increase or decrease of at least one percent in the exercise price or number of shares for which a right is exercisable.

At any time until the earlier of (1) the distribution date or (2) the final expiration date of the rights agreement, we may redeem all the stockholder rights at a price of \$0.01 per right. At any time after a person has become an acquiring person and before the acquisition by such person of 50% or more of the outstanding shares of our common stock, we may exchange the stockholder rights, in whole or in part, at an exchange ratio of one share of common stock, or one ten-thousandth of a share of Series A junior participating preferred stock (or of a share of a class or series of preferred stock having equivalent rights, preferences and privileges), per right.

The stockholder rights plan is designed to protect our stockholders in the event of unsolicited offers to acquire us and other coercive takeover tactics which, in the opinion of our board, could impair its ability to represent stockholder interests. The provisions of the stockholder rights plan may render an unsolicited takeover more difficult or less likely to occur or may prevent such a takeover, even though such takeover may offer our stockholders the opportunity to sell their stock at a price above the prevailing market rate and may be favored by a majority of our stockholders.

E-Z-EM is excluded from the definition of "acquiring person" and therefore its ownership cannot trigger the distribution of rights under the rights plan. In addition, any person holding 15% or more of our issued and outstanding shares of common stock following the distribution of our common stock by E-Z-EM to its stockholders will be deemed an "exempt person" under the rights plan. The ownership of our common stock by these persons will not trigger the distribution of rights under the rights plan unless any such person acquires additional shares representing 1% or more of our issued and outstanding common stock.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Registrar and Transfer Company. Its address is 10 Commerce Drive, Cranford, New Jersey 07016-3572 and its telephone number is (908) 497-2300.

## SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock, and we cannot predict the impact, if any, that the sale or availability for sale of shares of additional common stock will have on the market price of the common stock. Future sales of substantial amounts of common stock in the public market, or the perception that large block sales could occur, could unfavorably affect the market price of our common stock and could impair our future ability to raise capital through an offering of our equity securities.

All 1,950,000 shares of our common stock sold in this offering, plus any shares issued upon the exercise by the underwriters' of their option to purchase additional shares, will be freely tradable without restriction under the Securities Act, except for any shares acquired in the directed share program by our employees, executive officers and directors, which will be subject to lock-up transfer restrictions as described in the section of the prospectus entitled "Underwriting" and except for any shares that may be acquired by our affiliates, as that term is defined in Rule 144 under the Securities Act. Generally, affiliates include individuals or entities that control, are controlled by, or are under common control with, us and may include our directors, officers and significant stockholders.

E-Z-EM plans to distribute the 9,200,000 shares of our common stock that it owns to its stockholders. E-Z-EM has agreed with the underwriters that it will not complete the distribution for 120 days after the date of this prospectus without the prior written consent of RBC Capital Markets Corporation. Shares of our common stock distributed to E-Z-EM stockholders in the distribution generally will be freely transferable, except for shares of common stock received by persons who are determined to be our affiliates. Persons who are affiliates will be permitted to sell the shares of common stock that are issued in this offering or that they receive in the distribution only through registration under the Securities Act or under an exemption from registration, such as the exemption provided by Rule 144.

Before distribution, the shares of our common stock held by E-Z-EM are restricted securities, as defined in Rule 144. Restricted securities may not be sold other than through registration under the Securities Act or under an exemption from registration, such as those provided by Rule 144 or Rule 144(k) enacted under the Securities Act and summarized below. Our executive officers and directors, and E-Z-EM for dispositions other than the distribution of our shares to its stockholders, have agreed not to offer or sell any shares of our common stock for a period of 180 days after the date of this prospectus without the prior consent of RBC Capital Markets Corporation on behalf of the underwriters, with some exceptions.

In general, under Rule 144, a person who has beneficially owned restricted securities for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding, which will equal approximately 111,500 shares immediately after the offering; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the sale.

Sales under Rule 144 are also subject to requirements with respect to manner of sale, notice and the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.



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We have reserved 1,497,674 shares of our common stock for issuance under our 1997 Stock Option Plan. As of the date of this prospectus, we have issued options to purchase 1,331,386 shares of our common stock under this plan. Substantially all of these options will become exercisable upon the earlier to occur of (i) 14 months after either the completion of this offering of our stock or a distribution by E-Z-EM of its AngioDynamics stock to its stockholders or (ii) two months after completion of both this offering and the distribution. We expect to file a registration statement under the Securities Act to register shares reserved for issuance under our 1997 Stock Option Plan. Shares issued through award grants after the effective date of the registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act.

We have also reserved 1,000,000 shares for issuance under our 2004 Stock and Incentive Award Plan. As of the date of the prospectus, we have not made any grants or issuance under this plan. Additionally, in conjunction with the distribution by E-Z-EM of our common stock to its stockholders, we will issue options to purchase up to 700,000 shares of our common stock to persons, including our directors and officers, who hold options to purchase E-Z-EM shares under certain option plans intended to substantially “mirror” the E-Z-EM option plan or plans under which the E-Z-EM options were granted. These options will vest and become exercisable in accordance with the terms of the E-Z-EM options to which they relate. We expect to file one or more registration statements under the Securities Act to register these shares.

## CERTAIN U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of material anticipated U.S. Federal income and estate tax considerations with respect to the ownership and disposition of shares of our stock applicable to non-U.S. holders. In general, a “non-U.S. holder” is any holder other than:

- a citizen or resident of the United States;
- a corporation created or organized in the United States or under the laws of the United States or of any state;
- an estate, the income of which is includible in gross income for U.S. Federal income tax purposes regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and (ii) one or more U.S. persons have the authority to control all substantial decisions of the trust.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, final, temporary or proposed Treasury regulations promulgated thereunder, judicial opinions, published positions of the IRS and all other applicable authorities, all of which are subject to change (possibly with retroactive effect). We assume in this discussion that a non-U.S. holder holds shares of our stock as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. Federal income and estate taxation that may be important to a particular non-U.S. holder in light of that non-U.S. holder’s individual circumstances, nor does it address any aspects of U.S. state, local or non-U.S. taxes. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder subject to special treatment under the U.S. Federal income tax laws (such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, partnerships, owners of five percent or more of our common stock and certain U.S. expatriates). Accordingly, we urge prospective investors to consult with their own tax advisors regarding the U.S. Federal, state, local and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our stock.

### Dividends

We do not anticipate paying cash dividends on our common stock in the foreseeable future. In general, dividends we pay, if any, to a non-U.S. holder will be subject to U.S. withholding tax at a 30% rate of the gross amount (or a reduced rate prescribed by an applicable income tax treaty) unless the dividends are effectively connected with a trade or business carried on by the non-U.S. holder within the United States and, if a treaty applies, are attributable to a permanent establishment of the non-U.S. holder within the United States. Dividends effectively connected with this U.S. trade or business, and, if a treaty applies, attributable to such a permanent establishment of a non-U.S. holder, generally will not be subject to U.S. withholding tax if the non-U.S. holder files certain forms, including IRS Form W-8ECI (or any successor form), with the payer of the dividend, and generally will be subject to U.S. Federal income tax on a net income basis, in the same manner as if the non-U.S. holder were a resident of the United States. A non-U.S. holder that is a corporation may be subject to an additional “branch profits tax” at a rate of 30% (or a reduced rate as may be specified by an applicable income tax treaty) on the repatriation from the United States of its “effectively connected earnings and profits,” subject to certain adjustments. Under applicable Treasury regulations, a non-U.S. holder (including, in certain cases of non-U.S. holders that are entities, the owner or owners of such entities) is required to satisfy certain certification requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty.

### **Gain on Sale or Other Disposition of Stock**

In general, a non-U.S. holder will not be subject to U.S. Federal income tax on any gain realized upon the sale or other disposition of the holder's shares of our stock unless:

- the gain is effectively connected with a trade or business carried on by the non-U.S. holder within the United States (in which case the branch profits tax discussed above may also apply if the non-U.S. holder is a corporation) and, if required by an applicable income tax treaty as a condition to subjecting a non U.S. holder to United States income tax on a net basis, the gain is attributable to a permanent establishment of the non-U.S. holder maintained in the United States;
- the non-U.S. holder is an individual and is present in the United States for 183 days or more in the taxable year of disposition and certain other tests are met;
- the non-U.S. holder is subject to tax pursuant to the provisions of the Internal Revenue Code regarding the taxation of U.S. expatriates; or
- we are or have been a U.S. real property holding corporation (aUSRPHC) for U.S. Federal income tax purposes (which we do not believe that we have been, currently are, or will become) at any time within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period. We believe that we are not a USRPHC, and we do not anticipate becoming a USRPHC. If we were or were to become a USRPHC at any time during this period, generally gains realized upon a disposition of shares of our stock by a non-U.S. holder that did not directly or indirectly own more than five percent of our common stock during this period would not be subject to U.S. Federal income tax, provided that our stock is "regularly traded on an established securities market" (within the meaning of Section 897(c)(3) of the Internal Revenue Code). We believe that our stock will be treated as regularly traded on an established securities market during any period in which it is listed on the Nasdaq National Market.

### **U.S. Federal Estate Tax**

Shares of our stock that are owned or treated as owned by an individual who is not a citizen or resident (as defined for U.S. Federal estate tax purposes) of the United States at the time of death will be includible in the individual's gross estate for U.S. Federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and therefore may be subject to U.S. Federal estate tax.

### **Backup Withholding, Information Reporting and Other Reporting Requirements**

Generally, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to, and the tax withheld with respect to, each non-U.S. holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

U.S. backup withholding tax is currently imposed at the rate of 28% on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements.

Under the Treasury regulations, the payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding, unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a non-U.S. holder or otherwise establishes an exemption. The

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payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. In the case of proceeds from a disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker that is:

- a U.S. person;
- a “controlled foreign corporation” for U.S. Federal income tax purposes;
- a foreign person, 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership, if at any time during its tax year (i) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (ii) the foreign partnership is engaged in a U.S. trade or business,

information reporting (but not backup withholding) will apply unless the broker has documentary evidence in its files that the owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no actual knowledge to the contrary).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder’s U.S. Federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

The foregoing discussion of certain U.S. Federal income tax considerations is for general information only and is not tax advice. Accordingly, each prospective non-U.S. holder of shares of our stock should consult his, her or its own tax adviser with respect to the U.S. Federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of common stock.

## UNDERWRITING

RBC Capital Markets Corporation and Adams, Harkness & Hill, Inc. are acting as book-running managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions in the underwriting agreement, each underwriter named below has agreed to purchase from us, on a firm commitment basis, the respective number of shares of common stock shown opposite its name below:

<u>Underwriters</u>	<u>Number of Shares</u>
RBC Capital Markets Corporation	
Adams, Harkness & Hill, Inc.	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase our common stock are subject to approval of legal matters by counsel and to the satisfaction of other conditions. The underwriters are obligated to purchase all of the shares (other than those covered by the over-allotment option described below) if they purchase any shares.

### Commissions and Expenses

The representatives have advised us that the underwriters propose to offer the common stock directly to the public at the public offering price presented on the cover page of this prospectus, and to selected dealers, who may include the underwriters, at the public offering price less a selling concession not in excess of \$ \_\_\_\_\_ per share. The underwriters may allow, and the selected dealers may reallocate, a concession not in excess of \$ \_\_\_\_\_ per share to brokers and dealers. After the offering, the underwriters may change the offering price and other selling terms. The underwriters have informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The following table summarizes the underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total	\$	\$

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately \$1.4 million.

### Over-Allotment Option

We have granted to the underwriters an option to purchase up to an aggregate of 292,500 shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option in whole or in part at any time until 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares proportionate to that underwriter's initial commitment as indicated in the preceding table.

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### **Lock-Up Agreements**

We have agreed that, without the prior written consent of RBC Capital Markets Corporation, we will not, directly or indirectly, offer, sell or dispose of any common stock or any securities which may be converted into or exchanged for any common stock for a period of 180 days from the date of this prospectus. Our executive officers and directors, and E-Z-EM for dispositions other than the distribution of our shares to its stockholders, have agreed under lock-up agreements not to, without the prior written consent of RBC Capital Markets Corporation, directly or indirectly, offer, sell or otherwise dispose of any common stock or any securities which may be converted into or exchanged or exercised for any common stock for a period of 180 days from the date of this prospectus. E-Z-EM has also agreed with the underwriters that it will not complete the distribution of our shares to its stockholders until 120 days after the date of this prospectus without the prior written consent of RBC Capital Markets Corporation.

### **Offering Price Determination**

Prior to this offering, there has been no public market for our common stock. The initial public offering price has been negotiated between the representatives and us. In determining the initial public offering price of our common stock, the representatives considered

- prevailing market conditions;
- our historical performance and capital structure;
- estimates of our business potential and earnings prospects;
- an overall assessment of our management; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

We have applied to have our common stock approved for quotation on the Nasdaq National Market under the symbol “ANGO.”

### **Indemnification**

We and E-Z-EM have agreed to indemnify the underwriters against liabilities relating to the offering, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

### **Stabilization, Short Positions and Penalty Bids**

The representatives may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934.

Over-allotment transactions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.

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Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

### **Directed Share Program**

At our request, the underwriters have reserved up to 97,500 shares, or five percent of our common stock offered by this prospectus, for sale under a directed share program to our officers, directors, employees and to our business associates. All of the persons purchasing the reserved shares must commit to purchase no later than the close of business on the day following the date of this prospectus. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. Shares committed to be purchased by directed share participants that are not so purchased will be reallocated for sale to the general public in the offering. All sales of shares under the directed share program will be made at the initial public offering price set forth on the cover page of this prospectus.

## LEGAL MATTERS

Davies Ward Phillips & Vineberg LLP will pass upon the validity of the common stock offered by this prospectus for us. Dorsey & Whitney LLP will pass upon certain legal matters in connection with this offering for the underwriters.

## EXPERTS

Grant Thornton LLP, independent certified public accountants, have audited our consolidated financial statements as of June 1, 2002 and May 31, 2003 and for the fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003 as set forth in their report. We have included our financial statements in this prospectus in reliance on Grant Thornton LLP's report, given on their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission, or SEC, a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the shares of common stock offered under this prospectus. This prospectus does not contain all of the information in the registration statement and the exhibits. For further information about us and our common stock, we refer you to the registration statement and to the exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete and, in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, DC 20549. You may also obtain copies of the document at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Upon completion of the distribution and offering, we will be subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and we will file reports, proxy statements and other information with the SEC. We also intend to furnish our stockholders with annual reports containing our financial statements audited by an independent public accounting firm.



## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholder  
**AngioDynamics, Inc.**

We have audited the accompanying consolidated balance sheets of AngioDynamics, Inc. and Subsidiaries, a wholly-owned subsidiary of E-Z-EM, Inc., as of June 1, 2002 and May 31, 2003, and the related consolidated statements of earnings, stockholder's equity (deficit) and comprehensive income, and cash flows for the fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AngioDynamics, Inc. and Subsidiaries as of June 1, 2002 and May 31, 2003, and the consolidated results of their operations and their consolidated cash flows for the fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As described in Note I to the consolidated financial statements, the Company depends on E-Z-EM, Inc.'s support for a significant amount of its financing requirements.

/s/ GRANT THORNTON LLP

Melville, New York  
July 3, 2003, except for Notes I, K and O(1), as to which  
the dates are February 2, 2004, December 29, 2003 and  
February 27, 2004, respectively

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
(a wholly-owned subsidiary of E-Z-EM, Inc.)  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	June 1, 2002	May 31, 2003	Feb. 28, 2004
			(unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,525	\$ 939	\$ 1,332
Restricted cash	—	798	102
Debt securities, at fair value	1,318	729	735
Accounts receivable — trade, net of allowance for doubtful accounts of \$229, \$228 and \$266 at June 1, 2002, May 31, 2003 and February 28, 2004, respectively	4,461	6,532	7,332
Inventories	7,909	8,631	8,986
Deferred income taxes	465	652	599
Prepaid expenses and other	200	244	650
Total current assets	15,878	18,525	19,736
PROPERTY, PLANT AND EQUIPMENT — AT COST, less accumulated depreciation and amortization	2,730	6,261	7,161
DEFERRED INCOME TAXES	882	826	826
INTANGIBLE ASSETS, less accumulated amortization of \$668, \$789 and \$836 at June 1, 2002, May 31, 2003 and February 28, 2004, respectively	1,157	1,036	945
OTHER ASSETS	—	408	404
	\$ 20,647	\$ 27,056	\$ 29,072

The accompanying notes are an integral part of these statements.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
(a wholly-owned subsidiary of E-Z-EM, Inc.)  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	June 1, 2002	May 31, 2003	Feb. 28, 2004 <b>(unaudited)</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 2,294	\$ 2,707	\$ 2,071
Accrued liabilities	1,891	2,072	2,514
Due to parent	609	1,246	1,329
Current portion of long-term debt	—	140	150
Current portion of notes payable — Parent	983	—	—
<b>Total current liabilities</b>	<b>5,777</b>	<b>6,165</b>	<b>6,064</b>
LONG-TERM DEBT, net of current portion	—	3,255	3,140
NOTES PAYABLE — PARENT, net of current portion	15,165	16,148	16,148
<b>Total liabilities</b>	<b>20,942</b>	<b>25,568</b>	<b>25,352</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>STOCKHOLDER'S EQUITY (DEFICIT)</b>			
Preferred stock, par value \$.01 per share, 5,000,000 shares authorized, no shares issued and outstanding	—	—	—
Common stock, par value \$.01 per share, 45,000,000 shares authorized, 9,200,000 shares issued and outstanding	92	92	92
Additional paid-in capital	11,742	12,639	13,177
Accumulated deficit	(12,129)	(10,943)	(9,346)
Accumulated other comprehensive loss	—	(300)	(203)
<b>Total stockholder's equity (deficit)</b>	<b>(295)</b>	<b>1,488</b>	<b>3,720</b>
	<b>\$ 20,647</b>	<b>\$ 27,056</b>	<b>\$ 29,072</b>

The accompanying notes are an integral part of these statements.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
(a wholly-owned subsidiary of E-Z-EM, Inc.)  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
(in thousands, except per share data)

	Fifty-two weeks ended			Thirty-nine weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Mar. 1, 2003	Feb. 28, 2004
				(unaudited)	
Net sales	\$ 23,390	\$ 30,890	\$ 38,434	\$ 27,199	\$ 34,936
Cost of goods sold	12,418	15,333	18,572	13,170	16,655
Gross profit	10,972	15,557	19,862	14,029	18,281
Operating expenses					
Sales and marketing	7,089	8,901	11,338	8,028	9,947
General and administrative	1,875	2,317	2,777	2,042	2,530
Research and development	1,426	1,951	2,509	1,769	2,597
Loss on sale of subsidiary and related assets	872	—	—	—	—
Total operating expenses	11,262	13,169	16,624	11,839	15,074
Operating profit (loss)	(290)	2,388	3,238	2,190	3,207
Other income (expenses)					
Interest income	71	45	38	27	11
Interest expense	(952)	(863)	(1,021)	(757)	(632)
Other, net	1	—	—	—	—
Earnings (loss) before income tax provision (benefit)	(1,170)	1,570	2,255	1,460	2,586
Income tax provision (benefit)	(1,513)	561	1,069	807	989
Net earnings	\$ 343	\$ 1,009	\$ 1,186	\$ 653	\$ 1,597
Earnings per common share					
Basic	\$ .04	\$ .11	\$ .13	\$ .07	\$ .17
Diluted	\$ .04	\$ .11	\$ .13	\$ .07	\$ .16

The accompanying notes are an integral part of these statements.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**

(a wholly-owned subsidiary of E-Z-EM, Inc.)

**CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY (DEFICIT) AND COMPREHENSIVE INCOME**

**Fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003**

**and thirty-nine weeks ended February 28, 2004 (unaudited)**

(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Compre- hensive Loss	Total	Compre- hensive Income
	Shares	Amount					
Balance at June 3, 2000	9,200,000	92	\$ 11,732	\$ (13,481)	\$ (945)	\$ (2,602)	—
Compensation related to stock option plan	—	—	5	—	—	5	—
Net earnings	—	—	—	343	—	343	\$ 343
Foreign currency translation adjustments arising during the year	—	—	—	—	(49)	(49)	(49)
Reclassification adjustment for sale of investment in a foreign entity	—	—	—	—	994	994	994
<b>Comprehensive income</b>							<b>\$ 1,288</b>
Balance at June 2, 2001	9,200,000	92	11,737	(13,138)	—	(1,309)	—
Compensation related to stock option plan	—	—	5	—	—	5	—
Net earnings	—	—	—	1,009	—	1,009	\$ 1,009
<b>Comprehensive income</b>							<b>\$ 1,009</b>
Balance at June 1, 2002	9,200,000	92	11,742	(12,129)	—	(295)	—
Compensation related to stock option plan	—	—	5	—	—	5	—
Capital contribution — imputed interest on note payable to Parent	—	—	892	—	—	892	—
Net earnings	—	—	—	1,186	—	1,186	\$ 1,186
Unrealized loss on interest rate swap, net of tax	—	—	—	—	(300)	(300)	(300)
<b>Comprehensive income</b>							<b>\$ 886</b>
Balance at May 31, 2003	9,200,000	92	12,639	(10,943)	(300)	1,488	—
Compensation related to stock option plan	—	—	4	—	—	4	—
Capital contribution — imputed interest on note payable to Parent	—	—	534	—	—	534	—
Net earnings	—	—	—	1,597	—	1,597	1,597
Unrealized gain on interest rate swap, net of tax	—	—	—	—	97	97	97
<b>Comprehensive income</b>							<b>\$ 1,694</b>
Balance at February 28, 2004 (unaudited)	9,200,000	92	\$ 13,177	\$ (9,346)	\$ (203)	\$ 3,720	

The accompanying notes are an integral part of this statement.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
(a wholly-owned subsidiary of E-Z-EM, Inc.)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Fifty-two weeks ended			Thirty-nine weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Mar. 1, 2003	Feb. 28, 2004
				(unaudited)	
<b>Cash flows from operating activities</b>					
Net earnings	\$ 343	\$ 1,009	\$ 1,186	\$ 653	\$ 1,597
Adjustments to reconcile net earnings to net cash provided by operating activities					
Depreciation and amortization	565	569	657	466	529
Provision for doubtful accounts	42	55	13	81	40
Deferred income tax provision (benefit)	(1,076)	55	45	—	—
Imputed interest on note payable to Parent	—	—	892	669	535
Loss on sale of assets	872	—	—	—	—
Other noncash items	5	5	5	4	4
Changes in operating assets and liabilities					
Accounts receivable	(307)	(811)	(2,084)	(1,239)	(840)
Inventories	232	(2,555)	(722)	(417)	(355)
Prepaid expenses and other	(98)	(13)	(67)	(211)	(406)
Other Assets	—	—	—	—	—
Accounts payable and accrued liabilities	(33)	1,848	118	(309)	(47)
Due to (from) Parent	(136)	1,044	637	850	83
<b>Net cash provided by operating activities</b>	<b>409</b>	<b>1,206</b>	<b>680</b>	<b>547</b>	<b>1,140</b>
<b>Cash flows from investing activities</b>					
Addition to property, plant and equipment	(466)	(682)	(4,062)	(3,026)	(1,333)
Investment at cost	—	—	(300)	(300)	—
(Increase) decrease in restricted cash	—	—	(798)	(1,429)	697
Proceeds from sale of subsidiary and related assets	3,250	—	—	—	—
Purchase of available-for-sale securities	(10,840)	(8,519)	(5,547)	(2,920)	(1,190)
Proceeds from sale of available-for-sale securities	9,555	8,486	6,135	3,511	1,184
<b>Net cash provided by (used in) investing activities</b>	<b>1,499</b>	<b>(715)</b>	<b>(4,572)</b>	<b>(4,164)</b>	<b>(642)</b>
<b>Cash flows from financing activities</b>					
Proceeds from long-term debt	—	—	3,500	3,500	—
Repayment of long-term debt	—	—	(105)	(70)	(105)
Increase in deferred financing costs	—	(23)	(89)	(89)	—
Proceeds (repayment) of note payable—Parent	(1,761)	394	—	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>(1,761)</b>	<b>371</b>	<b>3,306</b>	<b>3,341</b>	<b>(105)</b>
Effect of exchange rate changes on cash and cash equivalents	(14)	—	—	—	—
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>133</b>	<b>862</b>	<b>(586)</b>	<b>(276)</b>	<b>393</b>
Cash and cash equivalents at beginning of period	530	663	1,525	1,525	939
<b>Cash and cash equivalents at end of period</b>	<b>\$ 663</b>	<b>\$ 1,525</b>	<b>\$ 939</b>	<b>\$ 1,249</b>	<b>\$ 1,332</b>
<b>Supplemental disclosures of cash flow information:</b>					
Cash paid during the period for					
Interest	\$ 952	\$ 469	\$ 116	\$ 77	\$ 124
Income taxes	6	—	19	14	13

The accompanying notes are an integral part of these statements.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**

(a wholly-owned subsidiary of E-Z-EM, Inc.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**May 31, 2003 and June 1, 2002**

(Information with respect to February 28, 2004 and the thirty-nine weeks ended  
March 1, 2003 and February 28, 2004 is unaudited)

**NOTE A — BASIS OF PRESENTATION, BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Basis of Presentation and Business Description*

The consolidated financial statements include the accounts of AngioDynamics, Inc. and its wholly-owned subsidiaries, AngioDynamics Ltd. (“Limited”), formed in November 1996, and Leocor, Inc. (“Leocor”) (collectively, the “Company” or “AngioDynamics”). The Company is primarily engaged in the design, development, manufacture and marketing of medical products used by interventional radiologists and other physicians for the minimally invasive therapeutic treatment of peripheral vascular disease. The Company’s principal sales territory includes the continental United States. International sales are principally in Europe and Japan (see Note Q).

Operations outside the U.S. are included in the consolidated financial statements and consist of Limited, a subsidiary located in Ireland primarily engaged in contract manufacturing for AngioDynamics through July 27, 2000, the date on which Limited was sold to an unrelated third party (see Note D).

All significant intercompany balances and transactions have been eliminated.

*2. Fiscal Year*

The Company reports on a fiscal year which concludes on the Saturday nearest to May 31. Fiscal years 2001, 2002 and 2003 ended on June 2, 2001, June 1, 2002 and May 31, 2003, respectively, for reporting periods of fifty-two weeks.

*3. Cash and Cash Equivalents*

The Company considers all unrestricted highly liquid investments purchased with a maturity of less than three months to be cash equivalents. As of June 1, 2002, May 31, 2003 and February 28, 2004, approximately \$1,425,000, \$1,537,000 and \$1,234,000, respectively, of cash and cash equivalents and restricted cash held by financial institutions in the United States exceeded Federal Deposit Insurance Corporation insured amounts.

*4. Debt Securities*

Debt securities, which are principally municipal bonds that reprice weekly, representing the fair value, are classified as “available-for-sale securities” and are reported at fair value, with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income (loss), net of the related tax effects, in stockholder’s equity (deficit). Cost is determined using the specific identification method.

*5. 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 doubtful accounts. The Company performs ongoing credit



**ANGIODYNAMICS, INC. AND SUBSIDIARIES****(a wholly-owned subsidiary of E-Z-EM, Inc.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

evaluations of its customers and adjusts credit limits based upon payment history and the customers' current creditworthiness, as determined by a review of their current credit information. The Company continuously monitors agings, collections and payments from customers and a provision for estimated credit losses is maintained based upon its historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within the Company's expectations and the provisions established, the Company cannot guarantee that the same credit loss rates will be experienced in the future. The Company writes off accounts receivable when they become uncollectible.

Changes in the Company's allowance for doubtful accounts are as follows:

	<b>June 1, 2002</b>	<b>May 31, 2003</b>	<b>Feb. 28, 2004</b>
			<b>(unaudited)</b>
		<b>(in thousands)</b>	
Beginning balance	\$ 185	\$ 229	\$ 228
Provision for doubtful accounts	55	13	40
Write-offs	(11)	(14)	(2)
Ending balance	<u>\$ 229</u>	<u>\$ 228</u>	<u>\$ 266</u>

**6. Inventories**

Inventories are stated at the lower of cost (on the first-in, first-out method) or market. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

**7. Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the terms of the related leases or the useful life of the improvements, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Renewals and betterments are capitalized.

**8. Accounting for Business Combinations, Goodwill and Intangible Assets**

As of June 3, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." These standards require that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. In addition, all intangible assets acquired that are obtained through contractual or legal right, or are capable of being separately sold, transferred, licensed, rented or exchanged shall be recognized as an asset apart from goodwill. Goodwill and intangibles with indefinite lives are no longer subject to amortization, but are subject to at least an annual assessment for impairment by applying a fair value based test.

Intangible assets, which consist primarily of technology, trademarks, licenses and know-how, are being amortized on a straight-line basis over the estimated useful lives of the respective assets of approximately

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**

(a wholly-owned subsidiary of E-Z-EM, Inc.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

fifteen years. Annual amortization of intangible assets was \$128,000, \$122,000 and \$121,000 in 2001, 2002, and 2003 and \$91,000 and \$91,000 for the thirty-nine weeks ended March 1, 2003 and February 20, 2004, respectively. As of May 31, 2003, annual amortization of these intangible assets will approximate \$121,000 for each of the next five years.

On an ongoing basis, management reviews the valuation and amortization of intangible assets to determine possible impairment by considering current operating results and comparing the carrying values to the anticipated undiscounted future cash flows of the related assets.

*9. Revenue Recognition*

Revenue is recognized in accordance with generally accepted accounting principles as outlined in the SEC's Staff Accounting Bulletin No. 104, "Revenue Recognition," which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectibility is reasonably assured; and (iv) product delivery has occurred or services have been rendered. The Company recognizes revenue as products are shipped based on FOB shipping point terms when title passes to customers. The Company negotiates credit terms on a customer-by-customer basis and products are shipped at an agreed upon price. All product returns must be pre-approved and, if approved, customers are subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and must have at least 12 months remaining prior to its expiration date.

*10. Research and Development*

Research and development costs are related to developing new products and making technological improvement to existing products and are expensed as incurred.

*11. Shipping and Handling Costs*

Shipping and handling costs, associated with the distribution of finished product to customers, are recorded in costs of goods sold and are recognized when the related finished product is shipped to the customer.

*12. Advertising*

All costs associated with advertising are expensed as incurred. Advertising expense, included in sales and marketing was \$97,000, \$102,000, \$520,000, \$350,000 and \$168,000 in 2001, 2002, 2003 and thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively.

*13. Income Taxes*

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carryforwards and tax credit carryforwards for which income tax benefits are expected to be realized in future years. A valuation allowance has been established to reduce deferred tax assets as it is more likely than not that all, or some portion, of such deferred tax assets will not be realized under the tax-sharing arrangement described below. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

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The Company and its Parent have a tax-sharing arrangement with respect to Federal income taxes, which continues until such time as the Company is disconsolidated for tax purposes as a result of a change in ownership. Pursuant to the tax-sharing arrangement, the Company will pay Federal taxes based on the amount of taxable income generated and be credited for Federal tax benefits generated.

*14. Fair Value of Financial Instruments*

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable, short-term and long-term debt. The carrying amount of these instruments approximates fair value due to the immediate or short-term maturities and variable interest rates. During 2003, the Company entered into an interest rate swap agreement. The interest rate swap agreement has been recorded at its fair value (see Note L).

*15. Foreign Currency Translation*

In accordance with SFAS No. 52, "Foreign Currency Translation," the Company had determined that the functional currency for its former foreign subsidiary was the local currency. This assessment considered that the day-to-day operations were not dependent upon the economic environment of the Parent's functional currency, financing was effected through their own operations, and the foreign operations primarily generated and expended foreign currency. Foreign currency translation adjustments were accumulated as a component of accumulated other comprehensive loss in stockholder's equity (deficit).

Translation gains and losses in 2001 arose from exchange rate fluctuations relating to a formerly owned foreign subsidiary (see Note A-1) on transactions denominated in a currency other than the functional currency.

*16. Derivative Financial Instruments*

In accordance with SFAS No. 133, "Accounting for Derivatives and Hedging Activities," as amended, the Company recognized its interest rate swap agreement in the consolidated financial statements at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in stockholders' equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value or cash flow hedge. Generally, the changes in the fair value of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair value of hedged items that relate to the hedged risks. Changes in the fair value of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in accumulated other comprehensive income (loss).

*17. Stock-Based Compensation*

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." SFAS No. 148 amends the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and APB Opinion

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net earnings and earnings per share in annual and interim financial statements. The adoption of SFAS No. 148 disclosure requirements, effective March 2, 2003, did not have an effect on the Company's consolidated financial statements. At May 31, 2003, the Company has one stock-based compensation plan, which is described more fully in Note O. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations.

Accordingly, no compensation expense has been recognized under this plan concerning options granted to key employees and to members of the Board of Directors, as all such options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. Compensation expense of \$5,000, \$5,000, \$5,000 in 2001, 2002 and 2003 and \$4,000 and \$4,000 for the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively, was recognized under this plan for options granted to consultants.

If the Company had elected to recognize compensation expense based upon the fair value at the grant date for options granted under this plan to key employees and to members of the Board of Directors, consistent with the methodology prescribed by SFAS No. 123, the Company's pro forma net earnings (loss) and earnings (loss) per common share would be as follows:

	2001	2002	2003	Thirty-nine weeks ended	
				Mar. 1, 2003	Feb. 28, 2004
				(unaudited)	
				(in thousands, except per share data)	
Net earnings					
As reported	\$ 343	\$ 1,009	\$ 1,186	\$ 653	\$ 1,597
Deduct total stock-based compensation under fair value based method for all awards, net of tax effects	(284)	(292)	(304)	(228)	(241)
Pro forma net earnings	59	717	882	425	1,356
Basic earnings per common share					
As reported	\$ .04	\$ .11	\$ .13	\$ .07	\$ .17
Pro forma	.01	.08	.10	.05	.15
Diluted earnings per common share					
As reported	\$ .04	\$ .11	\$ .13	\$ .07	\$ .16
Pro forma	.01	.08	.09	.05	.14

*18. Earnings Per Common Share*

Basic earnings per share are based on the weighted-average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share are based on the weighted-average number of common and potential dilutive common shares outstanding. The calculation takes into

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account the shares that may be issued upon exercise of stock options, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the period.

The following table sets forth the reconciliation of the weighted-average number of common shares:

	2001	2002	2003	Thirty-nine weeks ended	
				Mar. 1, 2003	Feb. 28, 2004
				(unaudited)	
Basic	9,200,000	9,200,000	9,200,000	9,200,000	9,200,000
Effect of dilutive securities (stock options)	—	137,425	272,233	272,281	532,432
Diluted	9,200,000	9,337,425	9,472,233	9,472,281	9,732,432

Excluded from the calculation of diluted earnings per common share, are options to purchase 1,220,568, 37,114, 68,478 and 37,114 shares of common stock at June 2, 2001, June 1, 2002, May 31, 2003 and March 1, 2003, respectively, as their inclusion would not be dilutive. The exercise prices on the excluded options were \$4.35 per share at June 2, 2001, \$6.52 per share at June 1, 2002, \$6.52 per share at May 31, 2003 and \$6.52 per share at March 1, 2003.

*19. Use of Estimates*

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

*20. Effects of Recently Issued Accounting Pronouncements*

As of June 2, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," while retaining many of the requirements of such statement. The adoption of this statement has had no current effect on the Company's financial position or results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus opinion of EITF 00-21, "Revenue Arrangements with Multiple Deliverables." That consensus provides that revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met. The consideration of the arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue criteria should be considered separately for each separate unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Entities may elect to report the change as a cumulative

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

effect adjustment in accordance with APB Opinion 20, "Accounting Changes." As of May 31, 2003, the Company was evaluating the effect of the adoption of EITF 00-21 on its financial position and results of operations. During the thirty-nine weeks ended February 28, 2004, the Company concluded that the adoption had no current effect on its financial position and results of operations.

As of January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. The adoption of this statement has had no current effect on the Company's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. In December 2003, the FASB completed deliberations of proposed modifications to FIN No. 46 (Revised Interpretations) resulting in multiple effective dates based on the nature as well as the creation date of the variable interest entity. Variable interest entities created after January 31, 2003, but prior to January 1, 2004, may be accounted for either based on the original interpretation or the Revised Interpretations. However, the Revised Interpretations must be applied no later than the third quarter of fiscal 2004. Variable interest entities created after January 1, 2004 must be accounted for under the Revised Interpretations. The Company does not have any variable interest entities which would require consolidation under FIN No. 46. Accordingly, the adoption of FIN No. 46 has had no effect on the Company's consolidated financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. This statement shall be effective for financial instruments entered into or modified after May 31, 2003 and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. The Company is

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

currently evaluating the effect of the adoption of SFAS No. 150 on its financial position and results of operations.

As of July 1, 2003, the Company adopted SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The adoption of this statement has had no current effect on the Company's financial position or results of operations.

In December 2003, the SEC issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition" (SAB No. 104), which codifies, revises and rescinds certain sections on SAB No. 101, "Revenue Recognition", in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material effect on the Company's financial position or results of operations.

*21. Interim Financial Information (Unaudited)*

The financial statements of the Company as of February 28, 2004 and for the thirty-nine weeks ended March 1, 2003 and February 28, 2004 are unaudited. The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and rules and regulations of the Securities and Exchange Commission for interim financial information.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring entries) necessary to present fairly the Company's financial position as of February 28, 2004, and its operations and cash flows for the thirty-nine weeks ended March 1, 2003 and February 28, 2004. The results reported for the thirty-nine weeks ended February 28, 2004 are not necessarily indicative of the results of operations that may be expected for a full year.

**NOTE B — COMPREHENSIVE INCOME**

The Company records comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires unrealized holding gains or losses on investments available-for-sale, cumulative translation adjustments and cash flow hedges (net of tax) to be included in the accumulated other comprehensive income (loss), as a separate component of stockholders' equity (deficit). At May 31, 2003 and February 28, 2004, accumulated other comprehensive loss relating to cash flow hedges was \$300,000 and \$203,000, respectively.

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The components of comprehensive income are detailed in the Company's accompanying consolidated statement of stockholder's equity (deficit) and comprehensive income.

	2001	2002	2003	Thirty-nine weeks ended	
				Mar. 1, 2003	Feb. 28, 2004
				(unaudited)	
				(in thousands)	
Net earnings	\$ 343	\$ 1,009	\$ 1,186	\$ 653	\$ 1,597
Reclassification adjustment for sale of investment in foreign entity	994	—	—	—	—
Foreign currency translation adjustments arising during the year	(49)	—	—	—	—
Increase (decrease) in fair value on interest rate swap	—	—	(300)	(245)	97
	<u>\$ 1,288</u>	<u>\$ 1,009</u>	<u>\$ 886</u>	<u>\$ 408</u>	<u>\$ 1,694</u>

**NOTE C — INVESTMENT AT COST**

In June 2002, the Company acquired 1,158,000 shares of the Series C preferred stock and 42,000 shares of common stock, or approximately 8.8% of the outstanding shares prior to effects of dilutive securities, of Surgica, Inc. for \$300,000, which is included in the accompanying consolidated balance sheet under the caption "Other assets." Surgica, a Delaware corporation based in California, is a medical device company that designs, patents and markets vascular blocking materials (embolic agents). The Company has been provided registration rights, as specified in a registration rights agreement. The Company's investment in Surgica is accounted for by the cost method. Further, the Company entered into a distribution agreement with Surgica, whereby Surgica provided the Company exclusive worldwide distribution rights for an initial term of five years, and an automatic renewal of three years, subject to termination clauses. In connection with this distribution agreement, Surgica granted the Company exclusive, royalty-free rights and license to use all trademarks.

**NOTE D — SALE OF SUBSIDIARY AND RELATED ASSETS**

On July 27, 2000, the Company sold all the capital stock of Limited and certain other assets to Limited's management. The aggregate consideration received was \$3,250,000 in cash. The sale was the culmination of the Company's strategic decision to exit the cardiovascular market and to focus entirely on the interventional radiology marketplace. As a result of this sale, the Company recognized a pretax loss of approximately \$872,000 during the first quarter of fiscal 2001. The aforementioned pretax loss on the sale includes the effect of previously unrealized losses on foreign currency translation of approximately \$994,000 and the write-off of approximately \$673,000 in inventory and intangibles related to the cardiovascular product line, both of which were non-cash charges. Further, the Company entered into a manufacturing agreement, a distribution agreement and a royalty agreement with the buyer. Under the two-year manufacturing agreement, which was terminated on April 9, 2002, the buyer manufactured certain interventional radiology products sold by the Company.



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## NOTE E — DEBT SECURITIES

Debt securities at June 1, 2002 consist of the following:

	Amortized Cost	Fair Value
	(in thousands)	
Available-for-sale securities (carried on the balance sheet at fair value)		
Municipal bonds with maturities		
Due in 1 through 10 years	\$ 315	\$ 315
Due after 10 years and through 20 years	500	500
Due after 20 years	500	500
Other	3	3
	<u>\$ 1,318</u>	<u>\$ 1,318</u>

Debt securities at May 31, 2003 consist of the following:

	Amortized Cost	Fair Value
	(in thousands)	
Available-for-sale securities (carried on the balance sheet at fair value)		
Municipal bonds with maturities		
Due after 10 years and through 20 years	\$ 350	\$ 350
Due after 20 years	375	375
Other	4	4
	<u>\$ 729</u>	<u>\$ 729</u>

Debt securities at February 28, 2004 consist of the following:

	Amortized Cost	Fair Value
	(unaudited) (in thousands)	
Available-for-sale securities (carried on the balance sheet at fair value)		
Municipal bonds with maturities		
Due in 1 through 10 years	\$ 125	\$ 125
Due after 10 years and through 20 years	455	455
Due after 20 years	155	155
	<u>\$ 735</u>	<u>\$ 735</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**NOTE F — INVENTORIES**

Inventories consist of the following:

	June 1, 2002	May 31, 2003	Feb. 28, 2004
			(unaudited)
		(in thousands)	
Finished goods	\$ 4,103	\$ 5,198	\$ 4,956
Work in process	1,315	1,033	1,375
Raw materials	2,491	2,400	2,655
	<u>\$ 7,909</u>	<u>\$ 8,631</u>	<u>\$ 8,986</u>

**NOTE G — PROPERTY, PLANT AND EQUIPMENT, AT COST**

Property, plant and equipment are summarized as follows:

	Estimated Useful Lives	June 1, 2002	May 31, 2003	Feb. 28, 2004
				(unaudited)
		(in thousands)		
Building and building improvements	39 years	\$ 1,393	\$ 4,611	\$ 5,226
Machinery and equipment	3 to 8 years	4,616	5,461	3,849
Leasehold improvements	Term of lease	59	59	—
		<u>6,068</u>	<u>10,131</u>	<u>9,075</u>
Less accumulated depreciation and amortization		3,550	4,082	2,126
		<u>2,518</u>	<u>6,049</u>	<u>6,949</u>
Land		212	212	212
		<u>\$ 2,730</u>	<u>\$ 6,261</u>	<u>\$ 7,161</u>

**NOTE H — INCOME TAXES**

Income tax provision (benefit) analyzed by category and by statement of earnings classification is summarized as follows:

	2001	2002	2003
	(in thousands)		
Current			
Federal	\$ (433)	\$ 503	\$ 985
State and local	(4)	3	39
	<u>(437)</u>	<u>506</u>	<u>1,024</u>
Deferred	(1,076)	55	45
	<u>\$ (1,513)</u>	<u>\$ 561</u>	<u>\$ 1,069</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Federal income tax expenses (benefits), generated under the tax-sharing arrangement and not yet reimbursed, are classified in "Due to parent" in the accompanying balance sheets (see Note M). In 2001, the deferred tax benefit primarily resulted from the reduction in the Company's valuation allowance to recognize deferred tax assets of approximately \$1,344,000. The future projected profitability of the Company made it more likely than not that certain deferred tax assets would be realized through future taxable earnings.

Temporary differences which give rise to deferred tax assets and liabilities are summarized as follows:

	<b>June 1, 2002</b>	<b>May 31, 2003</b>
	<b>(in thousands)</b>	
<b>Deferred tax assets</b>		
Capital loss carryforwards	\$ 1,219	\$ 1,219
Expenses incurred not currently deductible	241	237
Unrealized loss on interest rate swap	—	176
Impairment of long-lived assets	1,115	999
Inventories	273	250
Other	13	8
	<u>2,861</u>	<u>2,889</u>
<b>Deferred tax liabilities</b>		
Excess tax over book depreciation	168	180
Other	8	12
	<u>176</u>	<u>192</u>
Valuation allowance	(1,338)	(1,219)
	<u>\$ 1,347</u>	<u>\$ 1,478</u>

Earnings (loss) before income tax provision (benefit) for U.S. and international operations consists of the following:

	<b>2001</b>	<b>2002</b>	<b>2003</b>
	<b>(in thousands)</b>		
U.S.	\$ (1,065)	\$ 1,570	\$ 2,255
International	(105)	—	—
	<u>\$ (1,170)</u>	<u>\$ 1,570</u>	<u>\$ 2,255</u>

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The Company's consolidated income tax provision (benefit) has differed from the amount which would be provided by applying the U.S. Federal statutory income tax rate to the Company's earnings (loss) before income taxes for the following reasons:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in thousands)		
Income tax provision (benefit)	\$ (1,513)	\$ 561	\$ 1,069
Effect of			
State income taxes, net of Federal tax benefit	(8)	(8)	(16)
Tax-exempt interest	16	8	4
Research and development tax credit	—	13	32
Extraterritorial income exclusion	—	11	11
Nondeductible expenses	(143)	(145)	(501)
Losses of entities generating no current tax benefit	(33)	—	—
Change in valuation allowance	55	—	119
Difference between book and tax basis of subsidiary	1,245	—	—
Overaccrual of prior year Federal and state taxes	—	94	60
Other	(17)	—	(12)
	<u>          </u>	<u>          </u>	<u>          </u>
Income tax provision (benefit) at statutory tax rate of 34% in 2001, 2002 and 2003	\$ (398)	\$ 534	\$ 766
	<u>          </u>	<u>          </u>	<u>          </u>

**NOTE I — NOTES PAYABLE — PARENT**

The Company depends on the Parent's support for a significant portion of its financing requirements. At May 31, 2003, the Company has outstanding unsecured notes payable of \$16,148,000 (the "Notes") with the Parent. The Notes, which bear interest at annual rates ranging from 1.53% to 6.15%, mature from November 8, 2003 through May 31, 2006. The Parent has agreed to extend \$15,165,000 of the Notes due in Fiscal 2004 for an additional three years. Subsequent to May 31, 2003 and through February 2, 2004 the Parent executed the aforementioned Note extensions and, as a result, annual interest rates on all outstanding Notes range from 1.46% to 1.53%. Interest is payable at maturity or at an earlier date at the option of the Company. At June 1, 2002 and May 31, 2003, deferred payments of interest expense to parent, which are included in Notes payable—parent, approximated \$983,000. Effective June 1, 2002 and through May 29, 2004, the Parent agreed to suspend interest charges on the outstanding Notes. The Company recorded an imputed interest charge of \$892,000 in 2003 and \$669,000 and \$534,000 for the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively, for the suspended interest and a corresponding credit to "Additional paid-in capital." Amounts charged to interest expense on the Notes were \$952,000 and \$863,000 in 2001 and 2002, respectively. The repayment of the Notes and other indebtedness to the Parent (the "Subordinated Indebtedness"), is subordinated to the outstanding long-term debt (see Note L). The long-term debt agreement provides for semiannual payments of Subordinated Indebtedness and interest, provided no event of default exists after such payment.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**NOTE J — ACCRUED LIABILITIES**

Accrued liabilities consist of the following:

	<u>June 1, 2002</u>	<u>May 31, 2003</u>	<u>Feb. 28, 2004</u>
			(unaudited)
		(in thousands)	
Payroll and related expenses	\$ 1,756	\$ 1,405	\$ 1,755
Fair value of interest rate swap (see Note L)	—	476	323
Professional fees		13	275
Other	135	178	160
	<u>\$ 1,891</u>	<u>\$ 2,072</u>	<u>\$ 2,513</u>

**NOTE K — LINE OF CREDIT**

The Company has available \$800,000 under a line of credit with a bank, which is collateralized by substantially all of the assets of the Company and expires on October 31, 2003. As of December 29, 2003, the Company entered into an amended and restated \$3,000,000 line of credit, which expires November 30, 2004, with the same terms as the original line of credit. Borrowings under the line of credit bear interest at the London Interbank Offering Rate (“LIBOR”) plus 285 basis points (4.17% at May 31, 2003). The line of credit requires the Company to maintain the same financial covenants as under the outstanding long-term debt (see Note L).

**NOTE L — LONG-TERM DEBT**

In September 2002, the Company closed on the financing for the expansion of its headquarters and manufacturing facility in Queensbury, New York. The expansion is being financed principally with Industrial Revenue Bonds (the “Bonds”) issued by the Warren and Washington Counties Industrial Development Agency (the “Agency”) aggregating \$3,500,000. The Bonds are issued under a Trust Agreement by and between the Agency and a bank, as trustee (the “Trustee”). The proceeds of the Bonds are being advanced, as construction occurs, pursuant to a Building Loan Agreement by and among the Agency, the Trustee, a second bank (the “Bank”) and the Company. As of May 31, 2003, the advances aggregated \$2,702,000 with the remaining proceeds of \$798,000 classified as restricted cash. The Bonds reprice every seven days and are resold by a Remarketing Agent. As of February 28, 2004, the advances aggregated \$3,398,000 with the remaining proceeds of \$102,000 classified as restricted cash. The Bonds bear interest based on the market rate on the date the Bonds are repriced (1.35% and 1.15% per annum at May 31, 2003 and February 28, 2004, respectively) and require quarterly interest payments and quarterly principal payments ranging from \$25,000 to \$65,000 through May 2022. In connection with the issuance of the Bonds, the Company entered into a Letter of Credit and Reimbursement Agreement with the Bank which requires the maintenance of a letter of credit for an initial amount of \$3,575,000 to support principal and certain interest payments of the Bonds and requires payment of an annual fee on the outstanding balance ranging from 1% to 1.9%, depending on financial results achieved. The Company also entered into a Remarketing Agreement, pursuant to which the Remarketing Agent will use its best efforts to arrange for a sale in the secondary market of such Bonds. The Remarketing Agreement provides for the payment of an annual fee of .1% of the remaining balance.

**ANGIODYNAMICS, INC. AND SUBSIDIARIES****(a wholly-owned subsidiary of E-Z-EM, Inc.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The Reimbursement Agreement contains certain financial covenants, relating to fixed charge coverage and interest coverage, as defined (see Note K). Amounts borrowed under the Agreement are secured by the aforementioned letter of credit and a first mortgage on the land, building and equipment relating to the facility with a net carrying value of \$6,261,000 and \$7,161,000 at May 31, 2003 and February 28, 2004, respectively.

The Company entered into an interest rate swap agreement (the "Swap Agreement") with the Bank, effective September 2002, with an initial notional amount of \$3,500,000 to limit the effect of variability due to interest rates on its rollover of the Bonds. The Swap Agreement, which qualifies as a hedge under SFAS No. 133, is a contract to exchange floating interest rate payments for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional amounts. The Swap Agreement requires the Company to pay a fixed rate of 4.45% and receive payments based on 30-day LIBOR repriced every seven days through May 2022. At May 31, 2003 and February 28, 2004, since the Swap Agreement is classified as a cash flow hedge, the fair value of \$476,000 and \$323,000, respectively has been recorded as a component of accrued liabilities, and accumulated other comprehensive loss is \$300,000 and \$203,000, respectively, net of tax benefit. As of May 31, 2003 an estimated \$110,000 of the \$476,000 is expected to be reclassified into earnings over the following twelve months. Amounts to be paid or received under the Swap Agreement are accrued as interest rates change and are recognized along with any hedge ineffectiveness over the life of the Swap Agreement as an adjustment to interest expense.

At May 31, 2003, future minimum principal payments on long-term debt were as follows:

	<b>(in thousands)</b>
2004	\$ 140
2005	155
2006	165
2007	180
2008	200
Thereafter	2,555
	<hr/>
	\$ 3,395

**NOTE M — RELATED PARTY TRANSACTIONS AND ARRANGEMENTS***Allocations from Parent*

Certain identifiable, allocable costs incurred by the Parent on behalf of the Company with respect to commissions, foreign selling and administrative expenses are proportionately charged to the Company.

In addition to the allocations, the Parent provides the Company with insurance coverage, if such coverage is reasonably available. The amount payable by the Company for such coverage is the actual cost of such insurance as allocated by the insurance carrier providing such coverage, and if such allocation is not provided by the insurance carrier, the amount payable by the Company is determined by the Parent based upon the respective total revenues of the Parent and the Company and such other factors as the Parent

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
(a wholly-owned subsidiary of E-Z-EM, Inc.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

reasonably determines to be appropriate. Either the Parent or the Company may terminate such coverage under the Parent's policies at any time on 60 days' written notice.

These costs are included in the respective statements of earnings as follows:

	2001	2002	2003	Thirty-nine weeks ended	
				Mar. 1, 2003	Feb. 28, 2004
<b>Cost of Goods Sold:</b>					
Insurance	\$ 140	\$ 301	\$ 366	\$ 252	\$ 326
<b>Selling and administrative:</b>					
Corporate services	122	220	284	198	277
Insurance	9	5	46	25	35
	<u>131</u>	<u>225</u>	<u>330</u>	<u>223</u>	<u>312</u>
	<u>\$ 271</u>	<u>\$ 526</u>	<u>\$ 696</u>	<u>\$ 475</u>	<u>\$ 638</u>

Details of amounts due from/ (to) parent are as follows:

	June 2, 2001	June 1, 2002	May 31, 2003	Mar. 1, 2003	Feb. 28, 2004
Insurance	\$ —	\$ —	\$ —	\$ (91)	\$ (7)
OEM sales to Parent			22		
Administrative services		(9)		(42)	(28)
Income taxes	435	(600)	(1,268)	(1,332)	(1,294)
	<u>\$ 435</u>	<u>\$ (609)</u>	<u>\$ (1,246)</u>	<u>\$ (1,465)</u>	<u>\$ (1,329)</u>

Amounts due from/(to) Parent for federal income tax expenses (benefits) are generated under the tax-sharing arrangement (see Note H).

*Sales to Parent and Parent's Affiliates*

Sales to the Parent and the Parent's affiliates were approximately \$714,000, \$1,045,000, \$958,000, \$708,000 and \$647,000 in 2001, 2002, 2003 and for the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively. Amounts due from affiliates of the Parent, which are included in "Accounts receivable—trade" in the accompanying balance sheets, were \$117,000, \$85,000 and \$94,000, at June 1, 2002, May 31, 2003 and February 28, 2004, respectively.

**NOTE N — RETIREMENT PLANS**

The Company has a profit-sharing plan under which the Company makes discretionary contributions to eligible employees, and a companion 401(k) plan under which eligible employees can defer a portion of their compensation, part of which is matched by the Company. Profit-sharing contributions were \$173,000, \$214,000, \$266,000, \$187,000 and \$247,000 in 2001, 2002, 2003 and for the thirty-nine weeks ended

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**

(a wholly-owned subsidiary of E-Z-EM, Inc.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

March 1, 2003 and February 28, 2004, respectively. Matching contributions were \$103,000, \$130,000, \$155,000, \$110,000 and \$143,000 in 2001, 2002, 2003 and for the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively.

**NOTE O — STOCKHOLDER'S EQUITY**

**1. Capitalization**

On February 27, 2004 the Company's Board of Directors and the Parent, as sole stockholder, approved the Amended and Restated Certificate of Incorporation (the "Amended Certificate"). Under the Amended Certificate, the authorized capital stock of the Company will be 50,000,000 shares, consisting of 45,000,000 shares of common stock, par value \$.01 per share and 5,000,000 shares of preferred stock, par value \$.01 per share. Pursuant to the Amended Certificate, (i) each share of voting common stock, \$1 par value and (ii) each share of non-voting common stock, \$1 par value has been reclassified and exchanged into 9,200 shares of issued, fully paid, non-assessable Common Stock for a total of 9,200,000 shares to be then outstanding. Share and per share amounts in the accompanying consolidated financial statements have been retroactively adjusted for the reclass and exchange.

The holders of our common stock are entitled to one vote for each share held. Subject to preferences applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive ratably dividends, if any, as may be declared by our Board of Directors out of funds legally available for dividend payments. If the Company liquidates, dissolves or wind up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and liquidation preferences of any outstanding shares of the preferred stock. Holders of common stock have no pre-emptive rights or rights to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and maybe adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

The Company's board of directors will have the authority to (i) issue the undesignated preferred stock in one or more series, (ii) determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly unissued series of undesignated preferred stock and (iii) fix the number of shares constituting any series and the designation of the series, without any further vote or action by our stockholders.

**2. Stock Options**

In 1997, the Company adopted a Stock Option Plan (the "Plan"). The Plan provides for the grant to key employees of both nonqualified stock options and incentive stock options and to members of the Board of Directors and consultants of nonqualified stock options. A total of 1,497,674 shares (including 243,129 shares authorized in May 2002) of AngioDynamics' common stock may be issued under the Plan pursuant to the exercise of options. All stock options must have an exercise price of not less than the market value of the shares on the date of grant. Options will be exercisable over a period of time to be designated by the



**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

administrators of the Plan (but not more than 10 years from the date of grant) and will be subject to such other terms and conditions as the administrators may determine. The Plan terminates in March 2007. Options outstanding at June 1, 2002 and May 31, 2003 vest and are exercisable on the ninth anniversary from the date of grant or an earlier date, upon the occurrence of certain conditions, as defined.

A summary of the status of the Company's stock option plan as of June 2, 2001, June 1, 2002 and May 31, 2003, changes for the three years then ended, is presented below:

	2001		2002		2003	
	Shares	Weighted-average Exercise Price	Shares	Weighted-average Exercise Price	Shares	Weighted-average Exercise Price
Outstanding at beginning of year	1,252,456	\$ 4.35	1,220,568	\$ 4.35	1,285,909	\$ 4.41
Granted	15,159	4.35	66,387	5.56	31,364	6.52
Forfeited	(47,047)	4.35	(1,046)	4.35	(12,024)	4.35
Outstanding at end of year	1,220,568	\$ 4.35	1,285,909	\$ 4.41	1,305,249	\$ 4.46
Options exercisable at year-end	None		None		None	
Weighted-average fair value of options granted during the year		\$ 2.75		\$ 3.55		\$ 4.02

On May 31, 2003 and February 28, 2004, there remained 199,219 and 166,288 shares, respectively available for granting of options under the Plan. Options are exercisable into common stock.

The following information applies to options outstanding at May 31, 2003:

Exercise price	Number Outstanding	Weighted- average Remaining Life in Years	Weighted- average Exercise Price
\$4.35	1,236,771	4.16	\$ 4.35
\$6.52	68,478	9.44	\$ 6.52
	1,305,249		

The fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model assuming no expected dividends and the following weighted-average assumptions:

	2001	2002	2003
Expected stock price volatility	45.07%	45.87%	47.88%
Risk-free interest rate	5.53%	5.42%	3.64%
Expected life of options	9½ years	9½ years	9½ years

**ANGIODYNAMICS, INC. AND SUBSIDIARIES****(a wholly-owned subsidiary of E-Z-EM, Inc.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

During the thirty-nine weeks ended February 28, 2004, options for 32,932 shares were granted at \$6.52 per share, options for 6,272 shares were forfeited at \$4.35 per share, options for 523 shares were forfeited at \$6.52 per share, and no options were exercised or expired during the thirty-nine weeks ended February 28, 2004.

**NOTE P — COMMITMENTS AND CONTINGENCIES***Leases*

The Company is committed under noncancellable operating leases for facilities and equipment. During 2001, 2002, 2003 and the thirty-nine weeks ended March 1, 2003 and February 28, 2004, aggregate rental costs under all operating leases were approximately \$269,000, \$347,000, \$435,000, \$317,000 and \$256,000, respectively. Future annual payments under non-cancellable operating equipment leases in the aggregate which include escalation clauses, with initial remaining terms of more than one year at May 31, 2003, are summarized as follows:

	<b>(in thousands)</b>
2004	\$ 46
2005	35
2006	9
2007	6
	<hr/>
	\$ 96

*Litigation Matters*

The Company is presently involved in various claims, legal actions and complaints arising in the ordinary course of business. The Company believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

**NOTE Q — EXPORT SALES AND OVERSEAS DISTRIBUTORS**

The Company's export sales were \$2,814,000, \$2,771,000, \$2,656,000, \$1,902,000 and \$1,767,000 for 2001, 2002, 2003 and the thirty-nine weeks ended March 1, 2003 and February 28, 2004, respectively.

The Company markets its products internationally through independent distributors. These international distributors may also distribute competitive products under certain circumstances. The international distributors also play an important role in the Company's clinical testing outside of the United States.

**NOTE R — EVENTS UNAUDITED SUBSEQUENT TO THE DATE OF THE REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

1. In October 2003, the Company's Parent announced that it was considering a spin-off and initial public offering of the Company. The Parent signed a letter of engagement with an investment banking firm, regarding the possible spin-off and public offering of the Company, the initiation and timing of which

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

will be subject to market and other conditions, including the receipt by the Parent of a favorable private letter ruling from the Internal Revenue Service. The Parent received the private letter ruling in February 2004.

In connection with the proposed initial public offering, the Company and the Company's Parent will enter into a master separation and distribution agreement, a corporate agreement, and tax allocation and indemnification agreement. Under the master separation and distribution agreement, the Company's Parent will capitalize \$13,148,000 of the notes payable to the Company's Parent and the Company will repay the remaining balance of notes payable of \$3,000,000 as of May 31, 2003 (see Note I) from the proceeds of the proposed initial public offering. Further, the Company and the Company's Parent will provide indemnification to each other, as defined.

The proposed corporate agreement will provide the Company's Parent with, among others, certain preemptive rights, registration rights and rights related to private sales of the Company's common stock.

The proposed tax allocation and indemnification agreement will govern the respective rights, responsibilities and obligations of the Company's Parent and the Company after the proposed initial public offering with respect to tax liabilities and benefits, currently included in the tax-sharing arrangement (see Note A-13).

2. In connection with the proposed initial public offering, the Company's Board of Directors will adopt a stockholder rights plan. Under the rights plan each outstanding share of the Company's common stock issued between the date on which the Parent enters into the underwriting agreement for this offering and the distribution date, as defined, will be coupled with a stockholders right that has yet to be finalized. The rights plan is designed to protect the Company's stockholders in the event of unsolicited offers to acquire the Company and other takeover actions, which in the opinion of the Board of Directors could impair their ability to represent the stockholders' interests.
3. Prior to the completion of the initial public offering, the Company will be adopting the 2004 Stock and Incentive Award Plan (the "2004 Plan"). The 2004 Plan is expected to provide for the grant of incentive options to the Company's employees and for the grant of nonstatutory stock options, restricted stock, stock appreciation rights, performance units, performance shares and incentive awards to our employees, directors and other service providers. A total of 1,000,000 shares of the Company's common stock is expected to be reserved for issuance under the 2004 Plan.
4. The Company has been named as a defendant in an action entitled *Duhon, et. al vs. Brezoria Kidney Center, Inc.*, filed in the District Court of Brezoria County, Texas, 239<sup>th</sup> Judicial District on December 29, 2003. The complaint alleges that the Company and its co-defendants, E-Z-EM and Medical Components, Inc. ("Medcomp"), designed, manufactured, sold, distributed and marketed a defective catheter that was used in the treatment of, and caused the death of, a hemodialysis patient, as well as

**ANGIODYNAMICS, INC. AND SUBSIDIARIES**  
(a wholly-owned subsidiary of E-Z-EM, Inc.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

committing other negligent acts. The complaint seeks compensatory and other monetary damages in unspecified amounts. Under AngioDynamics' distribution agreement with Medcomp, Medcomp is required to indemnify AngioDynamics against all its costs and expenses, as well as losses, liabilities and expenses (including reasonable attorneys' fees) that relate in any way to products covered by the agreement. The Company has tendered the defense of the Duhon actions to Medcomp. Medcomp has accepted defense of the action.

5. On January 6, 2004, Diomed filed an action against the Company entitled Diomed, Inc. v. AngioDynamics, Inc. in the U.S. District Court for the District of Massachusetts. Diomed's complaint alleges that the Company has infringed on Diomed's U.S. patent no. 6,398,777 by selling a kit for the treatment of varicose veins (the "elvs Procedures Kit") and two diode laser systems; the Precision 980 Laser and the Precision 810 Laser, and by conducting a training program for physicians in the use of our elvs Procedure Kit. The complaint alleges that the Company's actions have caused, and continue to cause, Diomed to suffer substantial damages. The complaint seeks to prohibit the Company from continuing to market and sell these products, as well as conducting training programs, and asks for compensatory and treble money damages, reasonable attorneys' fees, costs and prejudgment interest. The Company believes, based on its analysis of Diomed's patent and a written opinion of non-infringement from the Company's patent counsel, that the product does not infringe the Diomed patent. The Company purchases the lasers and laser fibers for the laser systems from biolitec, Inc. under a supply and distribution agreement. biolitec has engaged counsel on the Company's behalf to defend this action.

Through and including \_\_\_\_\_, 2004 (the 25<sup>th</sup> day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**Shares**

**ANGIODYNAMICS®**

INCORPORATED

**Common Stock**

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PRICE \$ PER SHARE

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**RBC CAPITAL MARKETS**

**ADAMS, HARKNESS & HILL**

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PROSPECTUS

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, 2004

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**PART II**  
**Information Not Required in Prospectus**

**Item 13. Other Expenses of Issuance and Distribution**

The expenses to be paid by the Registrant in connection with the distribution of the securities being registered, other than underwriting discounts and commissions, are as follows:

	<b>Amount</b>
Securities and Exchange Commission Filing Fee	\$ 3,876
NASD Filing Fee	3,580
Nasdaq National Market Listing Fee	100,000
Accounting Fees and Expenses	375,000
Blue Sky Fees and Expenses	5,000
Legal Fees and Expenses	660,000
Transfer Agent and Registrar Fees and Expenses	6,420
Printing Expenses	175,000
Miscellaneous Expenses	51,000
<b>Total</b>	<b>\$ 1,379,876</b>

**Item 14. Indemnification of Directors and Officers**

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The Registrant's amended and restated certificate of incorporation and bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the Registrant intends to enter into separate indemnification agreements with its directors and executive officers that would require the Registrant, among other things, to indemnify them against certain liabilities that may arise by reason of their status as directors or officers. The Registrant also intends to maintain director and officer liability insurance, if available, on reasonable terms.

These indemnification provisions may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The underwriting agreement, which is Exhibit 1.1 to this registration statement, provides for indemnification by the underwriters of the Registrant's directors, certain of its officers, and persons who control the Registrant within the meaning of Section 15 of the Securities Act, for certain liabilities arising under the Securities Act or otherwise.

The master separation and distribution agreement between the Registrant and E-Z-EM, Inc., the form of which is found at Exhibit 10.3 to this Registration Statement, provides for indemnification by the Registrant of E-Z-EM, Inc. and its officers, directors, stockholders, employees or other representatives for certain liabilities arising under the Securities Act or otherwise in connection with the offering covered by this Registration Statement. The corporate agreement between the Registrant and E-Z-EM, the form of

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which is found at Exhibit 10.5 to this Registration Statement, provides for indemnification of E-Z-EM and each underwriter, selling agent or placement agent, and their respective officers and directors and each person or entity who controls E-Z-EM or such underwriter, selling agent or placement agent within the meaning of Section 15 of the Securities Act, in connection with any subsequent public or private offerings of the Registrant's common stock by E-Z-EM.

### **Item 15. Recent Sales of Unregistered Securities**

In the three years preceding the filing of this registration statement, the Registrant issued the securities described below (adjusted to give effect to a reclassification and change of each outstanding share of the Registrant's Class A common stock and Class B common stock into 9,200 shares of common stock) that were not registered under the Securities Act.

1. On June 2, 2001, the Registrant granted options to purchase an aggregate of 14,638 shares of common stock at an exercise price of \$4.35 per share to directors under its 1997 Stock Option Plan.
2. On August 27, 2001, the Registrant granted options to purchase an aggregate of 29,261 shares of common stock at an exercise price of \$4.35 per share to employees under its 1997 Stock Option Plan.
3. On May 21, 2002, the Registrant granted options to purchase an aggregate of 37,109 shares of common stock at an exercise price of \$6.52 per share to non-employee directors under its 1997 Stock Option Plan.
4. On May 31, 2003, the Registrant granted options to purchase an aggregate of 31,360 shares of common stock at an exercise price of \$6.52 per share to non-employee directors under its 1997 Stock Option Plan.
5. On August 31, 2003, the Registrant granted options to purchase an aggregate of 32,398 shares of common stock at an exercise price of \$6.52 per share to employees under its 1997 Stock Option Plan.

The option grants described above were made in reliance upon the exemption from registration under the Securities Act provided by Rule 701 under the Act in that the transactions were effected under a written compensatory benefit plan relating to compensation as provided under the Rule.

### **Item 16. Exhibits and Financial Statement Schedules**

#### (a) Exhibits

The exhibits are as set forth in the Exhibit Index.

#### (b) Financial Statement Schedules.

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

### **Item 17. Undertakings**

The Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the

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event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.





**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Eamonn P. Hobbs and Joseph G. Gerardi, and each of them individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to sign any registration statement for the same offering covered by the Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933 and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT E. FLAHERTY</u> <b>Robert E. Flaherty</b>	Director	April 15, 2004
<u>/s/ GREGORY D. CASCIARO</u> <b>Gregory D. Casciaro</b>	Director	April 15, 2004
<u>/s/ EAMONN P. HOBBS</u> <b>Eamonn P. Hobbs</b> <i>Attorney-in-Fact</i>		

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Document</b>
1.1	Form of Underwriting Agreement*
3.1	Form of Amended and Restated Certificate of Incorporation of the Registrant††
3.2	Amended and Restated Bylaws of the Registrant
4.1	Form of Rights Agreement of the Registrant
4.2	Form of specimen Stock Certificate of the Registrant*
5.1	Opinion of Davies Ward Phillips & Vineberg LLP*
10.1	Supply and Distribution Agreement dated April 1, 2002 between the Registrant and biolitec, Inc.**†
10.2	The Registrant's 1997 Stock Option Plan, as amended†
10.3	Form of Master Separation and Distribution Agreement between the Registrant and E-Z-EM, Inc.
10.4	Form of Tax Allocation and Indemnification Agreement between the Registrant and E-Z-EM, Inc.
10.5	Form of Corporate Agreement between the Registrant and E-Z-EM, Inc.
10.6	Distribution Agreement dated March 31, 2002 between the Registrant and Medical Components Inc.**†
10.7	Loan and Security Agreement dated August 28, 2002, between the Registrant and Keybank National Association†
10.8	First Amendment to Loan and Security Agreement dated as of December 29, 2003, between the Registrant and Keybank National Association†
10.9	Amended and Restated Promissory Note dated as of December 29, 2003, between the Registrant and Keybank National Association†
10.10	Building Loan Agreement dated as of August 1, 2002, between the Registrant and Keybank National Association†
10.11	Mortgage and Security Agreement dated as of August 1, 2002, among the Counties of Warren and Washington Industrial Development Agency, the Registrant and Keybank National Association†
10.12	Trust Indenture dated as of August 1, 2002, between the Counties of Warren and Washington Industrial Development Agency and The Huntington National Bank†
10.13	Remarketing Agreement dated as of August 1, 2002, among the Registrant, McDonald Investments Inc., as Remarketing Agent, and the Counties of Warren and Washington Industrial Development Agency†
10.14	Counties of Warren and Washington Industrial Development Agency Multi-Mode Variable Rate Industrial Development Revenue Bond (AngioDynamics, Inc. Project-Letter of Credit Secured), Series 2002, having a Maturity Date of August 1, 2022†
10.15	Installment Sale Agreement dated as of August 1, 2002, between the Counties of Warren and Washington Industrial Development Agency and the Registrant†

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<u>Exhibit Number</u>	<u>Document</u>
10.16	Reimbursement Agreement dated as of August 1, 2002, between the Registrant and Keybank National Association†
10.17	First Amendment to Reimbursement Agreement dated as of December 29, 2003, between the Registrant and Keybank National Association†
10.18	The Registrant's 2004 Stock and Incentive Award Plan*
10.19	Agreement effective as of January 1, 2002 between E-Z-EM, Inc. and Howard Stern***†
10.20	Agreement effective as of January 1, 2004 between the Registrant and Donald A. Meyer†
10.21	Form of Indemnity Agreement between the Registrant and its directors and officers
10.22	Form of Spin-off Adjustment Stock Option Plan for Certain Participants in the E-Z-EM, Inc. 1983 Stock Option Plan*
10.23	Form of Spin-off Adjustment Stock Option Plan for Certain Participants in the E-Z-EM, Inc. 1984 Directors and Consultants Stock Option Plan*
21.1	Subsidiaries of the Registrant†
23.1	Consent of Davies Ward Phillips & Vineberg LLP*
23.2	Consent of Grant Thornton LLP
23.3	Consent of Reed Smith LLP
24.1	Power of Attorney†
24.2	Power of Attorney (See page II-4)

\* To be filed by amendment.

\*\* Subject to a request for confidential treatment.

\*\*\* Incorporated by reference to Exhibit 10.5 to the Annual Report on Form 10-K of E-Z-EM, Inc. (Commission file no. 1-11479) for the fiscal year ended June 1, 2002 filed with the Commission on August 29, 2002.

† Previously filed as an exhibit to the registration statement on Form S-1 filed with the Commission on March 5, 2004.

†† To be filed with the Secretary of State of the State of Delaware prior to the date this registration statement is declared effective.

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
ANGIODYNAMICS, INC.

-----  
Pursuant to Sections 242 and 245 of the  
General Corporation Law of the State of Delaware  
-----

AngioDynamics, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "GCL"), does hereby certify as follows:

(1) The name of the Corporation is AngioDynamics, Inc. The Corporation was originally incorporated under the name A.D., Inc. The original certificate of incorporation of the Corporation was filed with the office of the Secretary of State of the State of Delaware on July 30, 1992.

(2) This Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors of the Corporation (the "Board of Directors") and by the sole stockholder of the Corporation in accordance with Sections 228, 242 and 245 of the GCL.

(3) This Amended and Restated Certificate of Incorporation restates and integrates and further amends the certificate of incorporation of the Corporation, as heretofore amended or supplemented.

(4) Upon the filing (the "Effective Time") of this Amended and Restated Certificate of Incorporation pursuant to the GCL, (i) each share of the Corporation's voting common stock, \$1.00 par value per share (the "Old Voting Common Stock"), and (ii) each share of the Corporation's non-voting common stock, \$1.00 par value per share (the "Old Non-Voting Common Stock" and, together with the Old Voting Common Stock, the "Old Common Stock"), in each case, issued and outstanding immediately prior to the Effective Time shall be reclassified as and changed into [ ] shares of validly issued, fully paid, and non-assessable Common Stock authorized by Article FOURTH of this Amended and Restated Certificate of Incorporation (totaling [ ] shares of Common Stock), without any action by the holder thereof (the "Reclassification"). Each certificate that theretofore represented a share or shares of Old Common Stock shall thereafter represent that number of shares of Common Stock into which the share or shares of Old Common Stock represented by such certificate shall have been reclassified.

(5) The text of the Certificate of Incorporation is amended and restated in its entirety as follows:

FIRST: The name of the Corporation is AngioDynamics, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of

New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware (the "GCL").

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 50,000,000 shares of capital stock, consisting of (i) 45,000,000 shares of common stock, par value \$.01 per share (the "Common Stock"), and (ii) 5,000,000 shares of preferred stock, par value \$.01 per share (the "Preferred Stock").

The Board of Directors is hereby expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation

to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) The Board of Directors shall consist of not less than one or more than [fifteen] members, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the active Board of Directors.

(c) The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible,



of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 2005 annual meeting; the term of the initial Class II directors shall terminate on the date of the 2006 annual meeting; and the term of the initial Class III directors shall terminate on the date of the 2007 annual meeting. At each succeeding annual meeting of stockholders beginning in 2005, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

(d) A director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

(e) Subject to the terms of any one or more classes or series of Preferred Stock, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor. Subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the Corporation's then outstanding capital stock entitled to vote generally in the election of directors. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Amended and Restated

Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such terms.

(f) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Amended and Restated Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the GCL as the same exists or may hereafter be amended. If the GCL is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the GCL, as so amended. Any repeal or modification of this Article SIXTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or

modification with respect to acts or omissions occurring prior to such repeal or modification.

SEVENTH: The Corporation shall indemnify its directors and officers to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article SEVENTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article SEVENTH to directors and officers of the Corporation.

The rights to indemnification and to the advancement of expenses conferred in this Article SEVENTH shall not be exclusive of any other right which any person may have or hereafter acquire under this Amended and Restated Certificate of Incorporation, the By-Laws of the Corporation, any statute, agreement, vote of stockholders or disinterested directors or otherwise.

Any repeal or modification of this Article SEVENTH shall not adversely affect any rights to indemnification and to the advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

EIGHTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation, and the ability of the stockholders to consent in writing to the taking of any action is hereby specifically denied.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of

Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

TENTH: In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power to adopt, amend, alter or repeal the Corporation's By-Laws. The affirmative vote of at least a majority of the entire Board of Directors shall be required to adopt, amend, alter or repeal the Corporation's By-Laws. The Corporation's By-Laws also may be adopted, amended, altered or repealed by the affirmative vote of the holders of at least [a majority/eighty percent (80%)] of the voting power of the shares entitled to vote at an election of directors.

ELEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed in this Amended and Restated Certificate of Incorporation, the Corporation's By-Laws or the GCL, and all rights herein conferred upon stockholders are granted subject to such reservation; provided, however, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation (and in addition to any other vote that may be required by law), the affirmative vote of the holders of at least [eighty percent (80%)] of the voting power of the shares entitled to vote at an election of directors shall be required to amend, alter, change or repeal, or to adopt any provision as part

of this Amended and Restated Certificate of Incorporation inconsistent with the purpose and intent of Articles FIFTH, EIGHTH and TENTH of this Amended and Restated Certificate of Incorporation or this Article ELEVENTH.

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be executed on its behalf this [\_\_] day of [\_\_\_\_], 2004.

ANGIODYNAMICS, INC.

By: \_\_\_\_\_  
Name:  
Title:



AMENDED AND RESTATED  
BY-LAWS  
OF  
ANGIODYNAMICS, INC.  
A Delaware Corporation  
Effective February 27, 2004

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BY-LAWS  
OF  
ANGIODYNAMICS, INC.  
(hereinafter called the "Corporation")

ARTICLE I.  
OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors.

Section 2. Annual Meetings. The Annual Meeting of Stockholders for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors. Any other proper business may be transacted at the Annual Meeting of Stockholders.

Section 3. Special Meetings. Unless otherwise required by law or by the certificate of incorporation of the Corporation, as amended and restated from time to time (the "Certificate of Incorporation"), Special Meetings of Stockholders, for any purpose or purposes, may be called by either (i) the Chairman, if there be one, or (ii) the President, (iii) any Vice President, if there be one, (iv) the Secretary or (v) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of (i) the Board of Directors or (ii) a committee of the Board of Directors that has been duly designated by the Board of Directors and whose powers and authority include the power to call such meetings. Such request shall state the purpose or purposes of the proposed meeting. At a Special Meeting of Stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Nature of Business at Meetings of Stockholders. No business may be transacted at an Annual Meeting of Stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee

thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the Annual Meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in Section 6 of this Article II and on the record date for the determination of stockholders entitled to notice of and to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 4.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of



the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the Annual Meeting (i) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting.

No business shall be conducted at the Annual Meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 4; provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 4 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an Annual Meeting determines that business was not

properly brought before the Annual Meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 5. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders, or at any Special Meeting of Stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in Section 6 of this Article II and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 5.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an Annual Meeting, not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of a Special Meeting of Stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the Special Meeting was mailed or public disclosure of the date of the Special Meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned

beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 5. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 6. Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a Special Meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, written notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to notice of and to vote at such meeting.

Section 7. Adjournments. Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of Section 6 of this Article II

shall be given to each stockholder of record entitled to notice of and to vote at the meeting.

Section 8. Quorum. Unless otherwise required by applicable law or the Certificate of Incorporation, the holders of a majority of the Corporation's capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 7 of this Article II, until a quorum shall be present or represented.

Section 9. Voting. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, any question brought before any meeting of the stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the total number of votes of the Corporation's capital stock present in person or represented by proxy and entitled to vote thereat, voting as a single class. Unless otherwise provided in the Certificate of Incorporation, and subject to Section 12 of this Article II, each stockholder present in person or represented by proxy at a meeting of the stockholders shall be entitled to cast one (1)

vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy as provided in Section 10 of this Article II. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of the stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of the stockholders may authorize another person or persons to act for such stockholder as proxy, but no such proxy shall be voted upon after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute a valid means by which a stockholder may grant such authority: --

(i) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission

of a telegram or cablegram to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such telegram or cablegram, provided that any such telegram or cablegram must either set forth or be submitted with information from which it can be determined that the telegram or cablegram was authorized by the stockholder. If it is determined that such telegrams or cablegrams are valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information on which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing, telegram or cablegram authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing, telegram or cablegram for any and all purposes for which the original writing, telegram or cablegram could be used; provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing, telegram or cablegram.

Section 11. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order,



and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting (i) either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held or (ii) during ordinary business hours, at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 12. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of the stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on

which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 13. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 11 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

Section 14. Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting

and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

Section 15. Inspectors of Election. In advance of any meeting of the stockholders, the Board of Directors, by resolution, the Chairman or the President shall appoint one or more inspectors to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by applicable law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by applicable law.

ARTICLE III.

DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than one nor more than fifteen members, the exact number of which shall be fixed from time to time by the Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 2005 Annual Meeting; the term of the initial Class II directors shall terminate on the date of the 2006 Annual Meeting; and the term of the initial Class III directors shall terminate on the date of the 2007 Annual Meeting or, in each case, upon such director's earlier death, resignation or removal. At each succeeding Annual Meeting of Stockholders beginning in 2005, successors to the class of directors whose term expires at that Annual Meeting shall be elected for a three-year term and until their successors are duly elected and qualified. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as

possible. In no case will a decrease in the number of directors have the effect of removing or shortening the term of any incumbent director. Except as provided in Section 2 of this Article III, directors shall be elected by a plurality of the votes cast at each Annual Meeting of Stockholders and each director so elected shall hold office until the next Annual Meeting of Stockholders at which such director's class stands for election and until such director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Directors need not be stockholders.

Section 2. Vacancies. Unless otherwise required by law or the Certificate of Incorporation, any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class or from the removal from office, death, disability, resignation or disqualification of a director or other cause shall hold office for a term that shall coincide with the remaining term of that class.

Section 3. Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors

which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the President, or by the Chairman at the request of a majority of the Board of Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, telegram, facsimile or electronic mail on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Organization. At each meeting of the Board of Directors, the Chairman of the Board of Directors, or, in his or her absence, a director chosen by a majority of the directors present, shall act as chairman. The Secretary of the Corporation shall act as secretary at each meeting of the Board of Directors. In case the Secretary shall be absent from any meeting of the Board of Directors, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the

absence from any such meeting of the Secretary and all the Assistant Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 6. Resignations and Removals of Directors. Any director of the Corporation may resign at any time, by giving notice in writing to the Chairman of the Board of Directors, the President or the Secretary of the Corporation. Such resignation shall take effect at the time therein specified or, if no time is specified, immediately; and, unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective. Except as otherwise required by applicable law and subject to the rights, if any, of the holders of shares of preferred stock then outstanding, any director or the entire Board of Directors may be removed from office at any time, but only for cause, and only by the affirmative vote of the holders of at least a majority in voting power of the issued and outstanding capital stock of the Corporation entitled to vote in the election of directors.

Section 7. Quorum. Except as otherwise required by law or the Certificate of Incorporation, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the

meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 8. Actions of the Board by Written Consent. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 9. Meetings by Means of Conference Telephone. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 9 shall constitute presence in person at such meeting.

Section 10. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at



any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 11. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated salary for service as director, payable in cash or securities. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for service as committee members.

Section 12. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because any such director's or officer's vote is counted for such purpose if: (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in

determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

#### ARTICLE IV.

##### OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, also may choose a Chairman of the Board of Directors (who must be a director) and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Certificate of Incorporation or these By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors, at its first meeting held after each Annual Meeting of Stockholders, shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and each officer of the Corporation shall hold office until such officer's successor is elected and qualified, or until such officer's earlier death, resignation or

removal. Any officer elected by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President or any other officer authorized to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors shall be the Chief Executive Officer of the Corporation, unless the Board of Directors designates

the President as the Chief Executive Officer, and, except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by these By-Laws or by the Board of Directors.

Section 5. President. The President shall, subject to the control of the Board of Directors and, if there be one, the Chairman of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the President. In the absence or disability of the Chairman of the Board of Directors, or if there be none, the President shall preside at all meetings of the stockholders and, provided the President is also a director,

the Board of Directors. If there be no Chairman of the Board of Directors, or if the Board of Directors shall otherwise designate, the President shall be the Chief Executive Officer of the Corporation. The President shall also perform such other duties and may exercise such other powers as may from time to time be assigned to such officer by these By-Laws or by the Board of Directors.

Section 6. Vice Presidents. At the request of the President or in the President's absence or in the event of the President's inability or refusal to act (and if there be no Chairman of the Board of Directors), the Vice President, or the Vice Presidents if there are more than one (in the order designated by the Board of Directors), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Chairman of the Board of Directors and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the President or in the event of the inability or refusal of the President to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings

thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board of Directors or the President, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the President may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest to the affixing by such officer's signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 8. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts

and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of the Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 9. Assistant Secretaries. Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, shall perform the duties of the Secretary, and



when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 10. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under the Assistant Treasurer's control belonging to the Corporation.

Section 11. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may

delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

## ARTICLE V.

### STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman of the Board of Directors, or the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an

affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; provided, however, that such surrender and endorsement or payment of taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. Every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as

against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Dividend Record Date. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 7. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

#### ARTICLE VI.

##### NOTICES

Section 1. Notices. Whenever written notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable and, in the case of notice to a director, by facsimile or electronic mail.

Section 2. Waivers of Notice. Whenever any notice is required by applicable law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in

person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual or Special Meeting of Stockholders or any regular or special meeting of the directors or members of a committee of directors need be specified in any written waiver of notice unless so required by law, the Certificate of Incorporation or these By-Laws.

#### ARTICLE VII.

##### GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the requirements of the General Corporation Law of the State of Delaware (the "DGCL") and the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting of the Board of Directors (or any action by written consent in lieu thereof in accordance with Section 8 of Article III hereof), and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a

reserve or reserves to meet contingencies, or for purchasing any of the shares of capital stock, warrants, rights, options, bonds, debentures, notes, scrip or other securities or evidences of indebtedness of the Corporation, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE VIII.

#### INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is

threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the



Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of

the present or former director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the

best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Section 1 or Section 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2

of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 1 and Section 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the

obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. The term "another enterprise" as used in this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such

director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of

Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX.

AMENDMENTS

Section 1. Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted by the stockholders or by the Board of Directors; provided, however, that notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such meeting of the stockholders or Board of Directors, as the case may be. All such amendments must be approved by either the holders of at least [a majority/eighty percent (80%)] of the outstanding capital stock entitled to vote thereon or by a majority of the entire Board of Directors then in office.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.



\* \* \*

Adopted as of: \_\_\_\_\_

Last Amended as of: \_\_\_\_\_

-44-

ANGIODYNAMICS, INC.

and

[\_\_\_\_\_],

Rights Agent

Rights Agreement

Dated as of [\_\_\_\_\_], 2004

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EXHIBITS

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RIGHTS AGREEMENT

RIGHTS AGREEMENT, dated as of [\_\_\_\_], 2004 (the "Agreement"), between AngioDynamics, Inc., a Delaware corporation (the "Company"), and [\_\_\_\_], a [\_\_\_\_] banking corporation (the "Rights Agent").

W I T N E S S E T H

WHEREAS, on [\_\_\_\_], 2004 (the "Rights Dividend Declaration Date"), the Board of Directors of the Company authorized and declared a dividend distribution of one Right (as hereinafter defined) for each share of common stock, par value \$.01 per share, of the Company (the "Common Stock") outstanding at the close of business on [\_\_\_\_][\_\_\_\_], 2004 (the "Record Date"),<sup>1</sup> and has authorized the issuance of one Right (as such number may hereinafter be adjusted pursuant to the provisions of Section 11(p) hereof) for each share of Common Stock of the Company issued between the Record Date (whether originally issued or delivered from the Company's treasury) and the Distribution Date (as hereinafter defined) each Right initially representing the right to purchase one ten-thousandth of a share of Series A Junior Participating Preferred Stock of the Company (the "Preferred Stock") having the rights, powers and preferences set forth in the form of Certificate of Designation, Preferences and Rights attached hereto as Exhibit A, upon the terms and subject to the conditions hereinafter set forth (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean (x) any Person who or which, together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding, but shall not include:

(i) the Company;

(ii) any Subsidiary of the Company;

(iii) any employee benefit plan of the Company, or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan;

<sup>1</sup> The appropriate timing of the initial distribution of the Rights will need to be discussed in light of the Company's proposed initial public offering and the related pro rata distribution of the Company's common stock to holders of E-Z-EM, Inc. common stock (collectively, the "Spin-Off").

(iv) any Exempt Person;

(v) any Person who is the Beneficial Owner of less than 20% of the shares of Common Stock then outstanding and (x) is permitted, pursuant to Rule 13d-1 under the Exchange Act, to report such ownership on Schedule 13G (or any comparable or successor report) or (y) was permitted to report such ownership on Schedule 13G (or any comparable or successor report) and thereafter does not acquire additional shares of Common Stock (other than as a result of any stock split, stock dividend or similar transaction) subsequent to the time when such Person became ineligible to report such ownership on Schedule 13G (or any comparable or successor report);

(vi) any Person who is the Beneficial Owner of less than 20% of the shares of Common Stock then outstanding and has reported or is required to report such ownership on Schedule 13D under the Exchange Act (or any comparable or successor report) which Schedule 13D does not state any intention to or reserve the right to control or influence the management or policies of the Company or engage in any of the actions specified in Item 4 of such schedule (other than the disposition of the Common Stock) and, within 10 Business Days of being requested by the Company to advise it regarding the same, certifies to the Company that such Person acquired shares of Common Stock in excess of 14.9% inadvertently or without knowledge of the terms of the Rights and who or which, together with all Affiliates and Associates, thereafter does not acquire additional shares of Common Stock (other than as a result of any stock split, stock dividend or similar transaction) while the Beneficial Owner of 15% or more of the shares of Common Stock then outstanding; provided, however, that if the Person requested to so certify fails to do so within 10 Business Days, then such Person shall become an Acquiring Person immediately after such 10-Business-Day period; or

(vii) any Person who becomes the Beneficial Owner of 15% (or 20% if clause (iv) of this Section 1(a) is applicable to such Person) or more of the shares of Common Stock then outstanding as a result of a reduction in the number of shares of Common Stock outstanding due to the repurchase of shares of Common Stock by the Company other than during a time when the rights are not redeemable, unless and until such Person, after becoming aware that such Person has become the Beneficial Owner of 15% or more of the then outstanding shares of Common Stock, acquires beneficial ownership of additional shares of Common Stock representing 1% or more of the shares of Common Stock then outstanding; or

(y) any Person who or which has entered into any agreement or arrangement with the Company or any Subsidiary of the Company providing for an Acquisition Transaction at a time when the Rights are not redeemable.

(b) "Acquisition Transaction" shall mean (x) a merger, consolidation or similar transaction involving the Company or any of its Subsidiaries as a result of which stockholders of the Company will no longer own a majority of the outstanding shares of Common Stock of the Company or a publicly traded entity which controls the Company or, if appropriate, the entity into which the Company may be merged, consolidated or otherwise combined (based solely on the shares of Common Stock received or retained by such stockholders, in their capacity as stockholders of the Company, pursuant to such transaction), (y) a purchase or other acquisition of all or a substantial portion of the assets of the Company and its Subsidiaries, or (z) a purchase or other acquisition of securities representing 15% or more of the shares of Common Stock then outstanding.

(c) "Act" shall mean the Securities Act of 1933, as amended.

(d) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(e) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," any securities:

(i) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, other rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," (A) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange, (B) securities issuable upon exercise of Rights at any time prior to the occurrence of a Triggering Event (as hereinafter defined), or (C) securities issuable upon exercise of Rights from and after the occurrence of a Triggering Event which Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date (as hereinafter defined) or pursuant to Section 3(a) or Section 22 hereof (the "Original Rights") or pursuant to Section 11(i) hereof in connection with an adjustment made with respect to any Original Rights;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be



deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subparagraph (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (ii) of this paragraph (e)) or disposing of any voting securities of the Company; provided, however, that nothing in this paragraph (e) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition, and then only if such securities continue to be owned by such Person at such expiration of forty days.

(f) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(g) "Close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day, it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(h) "Common Stock" shall mean the common stock, par value \$0.01 per share, of the Company, except that "Common Stock" when used with reference to any Person other than the Company shall mean the capital stock of such Person with the greatest voting power, or the equity securities or other equity interest having power to control or direct the management, of such Person.

(i) "Common Stock Equivalents" shall have the meaning set forth in Section 11(a)(iii) hereof.

(j) "Current Market Price" shall have the meaning set forth in Section 11(d)(i) hereof.

(k) "Current Value" shall have the meaning set forth in Section 11(a)(iii) hereof.

(l) "Distribution Date" shall have the meaning set forth in Section 3(a) hereof.

(m) "Equivalent Preferred Stock" shall have the meaning set forth in Section 11(b) hereof.

(n) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(o) "Exchange Ratio" shall have the meaning set forth in Section 24(a) hereof.

(p) "Exempt Person"<sup>2</sup> shall mean any Person who was, together with such Person's Affiliates and Associates, the Beneficial Owner of fifteen percent (15%) or more of the then outstanding shares of Common Stock on [\_\_\_\_\_] , 2004, provided that after the date of this Agreement such Person, together with such Person's Affiliates and Associates, does not (A) become the Beneficial Owner of additional shares of Common Stock representing one percent (1%) or more of the then outstanding shares of Common Stock, in which case such Person shall no longer be deemed to be an Exempt Person for purposes of this Agreement, or (B) decrease its percentage ownership below fifteen percent (15%) of the then outstanding shares of Common Stock, in which case such Person shall no longer be deemed to be an Exempt Person for purposes of this Agreement.

(q) "Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(r) "Final Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(s) "Person" shall mean any individual, firm, corporation, partnership or other entity.

(t) "Preferred Stock" shall mean shares of Series A Junior Participating Preferred Stock, par value \$0.01 per share, of the Company, and, to the extent that there are not a sufficient number of shares of Series A Junior Participating Preferred Stock authorized to permit the full exercise of the Rights, any other series of preferred stock of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Junior Participating Preferred Stock.

(u) "Principal Party" shall have the meaning set forth in Section 13(b) hereof.

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<sup>2</sup> This definition will need to be adjusted, depending upon the implementation date of the Rights Plan, to exempt from the operation of the Rights Plan E-Z-EM, Inc. and/or any current holder of E-Z-EM common stock that will become a 15% or greater holder of the Company's common stock as a result of the Spin-Off.

(v) "Purchase Price" shall have the meaning set forth in Section 4(a) hereof.

(w) "Record Date" shall have the meaning set forth in the preamble of this Agreement.

(x) "Redemption Price" shall have the meaning set forth in Section 23(a) hereof.

(y) "Rights" shall have the meaning set forth in the preamble of this Agreement.

(z) "Rights Agent" shall have the meaning set forth in the preamble of this Agreement.

(aa) "Rights Certificate" shall have the meaning set forth in Section 3(a) hereof.

(bb) "Rights Dividend Declaration Date" shall have the meaning set forth in the preamble of this Agreement.

(cc) "Section 11(a)(ii) Event" shall mean any event described in Section 11(a)(ii) hereof.

(dd) "Section 13 Event" shall mean any event described in clauses (x), (y) or (z) of Section 13(a) hereof.

(ee) "Spread" shall have the meaning set forth in Section 11(a)(iii) hereof.

(ff) "Stock Acquisition Date" shall mean the earlier of (i) the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed or amended pursuant to Section 13(d) under the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such pursuant to clause (x) of the definition of Acquiring Person, and (ii) the date that an Acquiring Person has become such pursuant to clause (y) of the definition of Acquiring Person.

(gg) "Subsidiary" shall mean, with reference to any Person, any corporation of which an amount of voting securities sufficient to elect at least a majority of the directors of such corporation is beneficially owned, directly or indirectly, by such Person, or otherwise controlled by such Person.

(hh) "Substitution Period" shall have the meaning set forth in Section 11(a)(iii) hereof.

(ii) "Summary of Rights" shall have the meaning set forth in Section 3(b) hereof.

(jj) "Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

(kk) "Triggering Event" shall mean any Section 11(a)(ii) Event or any Section 13 Event.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-rights agents as it may deem necessary or desirable upon ten (10) days' prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for, the acts or omissions of any such co-rights agent.

Section 3. Issuance of Rights Certificates.

(a) Until the earlier of (i) the close of business on the tenth Business Day after the Stock Acquisition Date (or, if the tenth Business Day after the Stock Acquisition Date occurs before the Record Date, the close of business on the Record Date), or (ii) the close of business on the tenth Business Day (or such later date as the Board shall determine) after the date that a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under the Exchange Act, if upon consummation thereof, such Person would become an Acquiring Person, (the earlier of (i) and (ii) being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of paragraphs (b) and (c) of this Section 3) by the certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall be deemed also to be certificates for Rights) and not by separate certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock (including a transfer to the Company). The Company shall give the Rights Agent prompt written notice of the Distribution Date. As soon as practicable after the Distribution Date and receipt of written notice of the Distribution Date from the Company, the Rights Agent will send, at the Company's expense, by first-class, insured, postage-prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more rights certificates, in substantially the form of Exhibit B hereto (the "Rights Certificates"), evidencing one Right for each share of Common Stock so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per share of Common Stock has been made pursuant to Section 11(p) hereof, at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any

fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(b) The Company will make available, as promptly as practicable following the Record Date, a copy of a Summary of Rights, in substantially the form attached hereto as Exhibit C (the "Summary of Rights") to any holder of Rights who may so request from time to time prior to the Expiration Date. With respect to certificates for the Common Stock outstanding as of the Record Date, or issued subsequent to the Record Date, unless and until the Distribution Date shall occur, the Rights will be evidenced by such certificates for the Common Stock and the registered holders of the Common Stock shall also be the registered holders of the associated Rights. Until the earlier of the Distribution Date or the Expiration Date, the transfer of any certificates representing shares of Common Stock in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with such shares of Common Stock.

(c) Rights shall be issued in respect of all shares of Common Stock which are issued (whether originally issued or from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date. Certificates representing such shares of Common Stock shall also be deemed to be certificates for Rights, and shall bear the following legend if such certificates are issued after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between AngioDynamics, Inc. (the "Company") and the Rights Agent thereunder (the "Rights Agent") dated as of [\_\_\_\_], 2004 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Rights Agent. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Rights Agent will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge, promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

With respect to such certificates containing the foregoing legend, until the earlier of (i) the Distribution Date or (ii) the Expiration Date, the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone and registered holders of Common Stock shall also be the registered holders of the associated Rights, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

Section 4. Form of Rights Certificates.

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall be dated as of the Record Date and on their face shall entitle the holders thereof to purchase such number of one ten-thousandths of a share of Preferred Stock as shall be set forth therein at the price set forth therein (such exercise price per one one-hundredth of a share, the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a), Section 11(i) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of Section 7(e) hereof, and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of the Rights Agreement.

The Company shall supply the Rights Agent with such legended Right Certificates and shall instruct the Rights Agent accordingly.

Section 5. Countersignature and Registration.

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be countersigned by the Rights Agent, either manually or by facsimile signature and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not ceased to be such officer of the Company; and any Rights Certificates may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep, or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates and the date of each of the Rights Certificates.

Section 6. Transfer, Split-Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.

(a) Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the Expiration Date, any Rights Certificate or Certificates (other than Rights Certificates representing Rights that may have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Rights Certificate or Certificates, entitling the registered holder to purchase a like number of one ten-thousandths of a share of Preferred Stock (or, following a Triggering Event, Common Stock, other securities, cash or other assets, as the case may be) as the Rights Certificate or Certificates surrendered then entitles such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of

assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e), Section 14 and Section 24 hereof, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment by the holders of Rights of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate, if mutilated, the Company will execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, at any time after the Distribution Date the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a) hereof) in whole or in part upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one ten-thousandths of a share (or other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercisable, at or prior to the earlier of (i) 5:00 P.M., New York City time, on [\_\_\_\_\_] [\_\_\_], 2014, or such later date as may be established by the Board of Directors prior to the expiration of the Rights (such date, as it may be extended by the Board, the "Final Expiration Date"), or (ii) the time at which the Rights are redeemed or exchanged as provided in Section 23 and Section 24 hereof (the earlier of (i) and (ii) being herein referred to as the "Expiration Date").

(b) The Purchase Price for each one ten-thousandth of a share of Preferred Stock pursuant to the exercise of a Right initially shall be \$[\_\_\_].[\_\_\_], shall be subject to adjustment from time to time as provided in Section 11 and Section 13(a) hereof and shall be payable in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price



per one ten-thousandth of a share of Preferred Stock (or other shares, securities, cash or other assets, as the case may be) to be purchased as set forth below and an amount equal to any applicable transfer tax, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i) (A) requisition from any transfer agent of the shares of Preferred Stock (or make available, if the Rights Agent is the transfer agent for such shares) certificates for the total number of one ten-thousandths of a share of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of shares of Preferred Stock issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of one ten-thousandths of a share of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company will direct the depository agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or, upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a)(iii) hereof) shall be made in cash or by certified bank check or bank draft payable to the order of the Company. In the event that the Company is obligated to issue other securities (including Common Stock) of the Company, pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate. The Company reserves the right to require prior to the occurrence of a Triggering Event that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock would be issued.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding

the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights Certificates or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or any of its Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation of Rights Certificates. All Rights Certificates surrendered for the purpose of exercise, transfer, split-up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Rights Certificates to the Company.

Section 9. Reservation and Availability of Capital Stock.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (and, following the occurrence of a Triggering Event, out of its authorized and unissued shares of Common Stock and/or other securities or out of its authorized and issued shares held in its treasury), the number of shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) that, as provided in this Agreement including Section 11(a)(iii) hereof, will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) issuable and deliverable upon the exercise of the Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the

Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts to (i) file, as soon as practicable following the earliest date after the first occurrence of a Section 11(a)(ii) Event on which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a)(iii) hereof, a registration statement under the Act, with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing, and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities, and (B) the date of the expiration of the Rights. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed ninety (90) days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension has been rescinded, in each case with written notice to the Rights Agent. In addition, if the Company shall determine that a registration statement is required following the Distribution Date, the Company may temporarily suspend the exercisability of the Rights until such time as a registration statement has been declared effective. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, the exercise thereof shall not be permitted under applicable law, or a registration statement shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all one ten-thousandths of a share of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for a number of one ten-thousandths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of one ten-thousandths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in respect of a name other than that of the registered holder of the Rights Certificates evidencing Rights

surrendered for exercise or to issue or deliver any certificates for a number of one ten-thousandths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificates at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Stock Record Date. Each person in whose name any certificate for a number of one ten-thousandths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such fractional shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares, or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or capital stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the

Purchase Price then in effect, the aggregate number and kind of shares of Preferred Stock or capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

(ii) In the event any Person shall, at any time after the Rights Dividend Declaration Date, become an Acquiring Person, unless the event causing such Person to become an Acquiring Person is a transaction set forth in Section 13(a) hereof, or is an acquisition of shares of Common Stock pursuant to a tender offer or an exchange offer for all outstanding shares of Common Stock at a price and on terms determined by the Board of Directors, after receiving advice from one or more investment banking firms, to be (a) at a price which is fair to stockholders and not inadequate (taking into account all factors which such members of the Board deem relevant, including, without limitation, prices which could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (b) otherwise in the best interests of the Company and its stockholders (a "Qualified Offer"), then, promptly following the occurrence of such event, proper provision shall be made so that each holder of a Right (except as provided below and in Section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, in lieu of a number of one ten-thousandths of a share of Preferred Stock, such number of shares of Common Stock of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of one ten-thousandths of a share of Preferred Stock for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event, and (y) dividing that product (which, following such first occurrence, shall thereafter be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the Current Market Price (determined pursuant to Section 11(d) hereof) per share of Common Stock on the date of such first occurrence (such number of shares, the "Adjustment Shares").

(iii) In the event that the number of shares of Common Stock which is authorized by the Company's certificate of incorporation, but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights, is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall (A) determine the value of the Adjustment Shares issuable upon the exercise of a Right

(the "Current Value"), and (B) with respect to each Right (subject to Section 7(e) hereof), make adequate provision to substitute for the Adjustment Shares, upon the exercise of a Right and payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock, such as the Preferred Stock, which the Board has deemed to have essentially the same value or economic rights as shares of Common Stock (such shares of preferred stock being referred to as "Common Stock Equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value (less the amount of any reduction in the Purchase Price), where such aggregate value has been determined by the Board based upon the advice of a nationally recognized investment banking firm selected by the Board; provided, however, that if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of a Section 11(a)(ii) Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the "Section 11(a)(ii) Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. For purposes of the preceding sentence, the term "Spread" shall mean the excess of (i) the Current Value over (ii) the Purchase Price. If the Board determines in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Company may seek shareholder approval for the authorization of such additional shares (such thirty (30) day period, as it may be extended, is herein called the "Substitution Period"). To the extent that the Company determines that action should be taken pursuant to the first and/or third sentences of this Section 11(a)(iii), the Company (1) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (2) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek such shareholder approval for such authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of each Adjustment Share shall be the Current Market

Price per share of the Common Stock on the Section 11(a)(ii) Trigger Date and the per share or per unit value of any Common Stock Equivalent shall be deemed to equal the Current Market Price per share of the Common Stock on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase (for a period expiring within forty-five (45) calendar days after such record date) Preferred Stock (or shares having the same rights, privileges and preferences as the shares of Preferred Stock ("Equivalent Preferred Stock")) or securities convertible into Preferred Stock or Equivalent Preferred Stock at a price per share of Preferred Stock or per share of Equivalent Preferred Stock (or having a conversion price per share, if a security convertible into Preferred Stock or Equivalent Preferred Stock) less than the Current Market Price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock which the aggregate offering price of the total number of shares of Preferred Stock and/or Equivalent Preferred Stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of additional shares of Preferred Stock and/or Equivalent Preferred Stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of the Rights. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation), cash (other than a regular quarterly cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Preferred Stock, but including any dividend payable in stock other than Preferred Stock) or evidences of indebtedness, or of subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Market Price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock on such record date, less the fair market value

(as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a share of Preferred Stock, and the denominator of which shall be such Current Market Price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the "Current Market Price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the thirty (30) consecutive Trading Days immediately prior to such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the Current Market Price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the ten (10) consecutive Trading Days immediately following such date; provided, however, that in the event that the Current Market Price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Stock, and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification shall not have occurred prior to the commencement of the requisite thirty (30) Trading Day or ten (10) Trading Day period, as set forth above, then, and in each such case, the Current Market Price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last quoted price reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or such other system then in use or, if on any such date the shares of Common Stock are not quoted by any such organization, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not quoted or listed or admitted to trading on any national securities exchange, the average of the high bid and low asked prices in the over-the-counter



market, as reported by NASDAQ or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Stock is not publicly held or not so listed or traded, Current Market Price per share shall mean the fair value per share as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the Current Market Price per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence thereof). If the Current Market Price per share of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section 11(d), the Current Market Price per share of Preferred Stock shall be conclusively deemed to be an amount equal to 10,000 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the Current Market Price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, Current Market Price per share of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or hundred-millionth of a share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three (3) years from the date of the transaction which mandates such adjustment, or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Sections 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m), and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one ten-thousandths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one ten-thousandths of a share of Preferred Stock (calculated to the nearest hundred-millionth) obtained by (i) multiplying (x) the number of one ten-thousandths of a share covered by a Right immediately prior to this adjustment, by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one ten-thousandths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of one ten-thousandths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest millionth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders

of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one ten-thousandths of a share of Preferred Stock issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per one ten-thousandth of a share and the number of one ten-thousandth of a share which were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then stated value, if any, of the number of one ten-thousandths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable such number of one ten-thousandths of a share of Preferred Stock at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of one ten-thousandths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of one ten-thousandths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the Current Market Price, (iii) issuance wholly for cash of shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such stockholders.

(n) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets, cash flow or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o) hereof), if (x) at the time of or immediately after such consolidation, merger or sale there are any rights, warrants or other instruments or securities outstanding or agreements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger or sale, the shareholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 26 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the Rights Dividend Declaration Date and prior to the Distribution Date (i) declare a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction the numerator which shall be the total number of shares of Common Stock outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 and Section 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Stock and the Common Stock, a copy of such certificate and (c) if a Distribution Date has occurred, mail a brief summary thereof to each holder of a Rights Certificate (or, if prior to the Distribution Date, to each holder of a Certificate representing shares of Common Stock) in accordance with Section

25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

Section 13. Consolidation, Merger or Sale or Transfer of Assets Cash Flow or Earning Power.

(a) In the event that, following the Stock Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), and the Company shall not be the continuing or surviving corporation of such consolidation or merger, (y) any Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof) shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger and, in connection with such consolidation or merger, all or part of the outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets, cash flow or earning power aggregating more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which complies with Section 11(o) hereof), then, and in each such case, proper provision shall be made so that: (i) each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, non-assessable and freely tradeable shares of Common Stock of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price by the number of one ten-thousandths of a share of Preferred Stock for which a Right is exercisable immediately prior to the first occurrence of a Section 13 Event (or, if a Section 11(a)(ii) Event has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of such one ten-thousandths of a share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event by the Purchase Price in effect immediately prior to such first occurrence of a Section 11(a)(ii) Event), and (2) dividing that product (which, following the first occurrence of a Section 13 Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the Current Market Price (determined pursuant to Section 11(d)(i) hereof) per share of the Common Stock of such Principal Party on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient

number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights; and (v) the provisions of Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any Section 13 Event.

(b) "Principal Party" shall mean:

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to such merger or consolidation; and

(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets, cash flow or earning power transferred pursuant to such transaction or transactions; provided, however, that in any such case, (1) if the Common Stock of such Person is not at such time and has not been continuously over the preceding twelve (12) month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person; and (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stock of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value.

(c) The Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will

(i) prepare and file a registration statement under the Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at

all times meeting the requirements of the Act) until the Expiration Date;  
and

(ii) take all such other action as may be necessary to enable the Principal Party to issue the securities purchasable upon exercise of the Rights, including but not limited to the registration or qualification of such securities under all requisite securities laws of jurisdictions of the various states and the listing of such securities on such exchanges and trading markets as may be necessary or appropriate; and

(iii) will deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

#### Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Rights Certificates which evidence fractional Rights. In lieu of such fractional Rights, the Company shall pay to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last quoted price as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading, or if the Rights are not listed or admitted to trading on any national securities exchange, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights, selected by the Board of Directors of the Company. If on any such date no such market maker is making

a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions which are integral multiples of one ten-thousandth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock (other than fractions which are integral multiples of one ten-thousandth of a share of Preferred Stock). In lieu of fractional shares of Preferred Stock that are not integral multiples of one ten-thousandth of a share of Preferred Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one ten-thousandth of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of one ten-thousandth of a share of Preferred Stock shall be one ten-thousandth of the closing price of a share of Preferred Stock (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Rights or to distribute certificates which evidence fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one (1) share of Common Stock. For purposes of this Section 14(c), the current market value of one share of Common Stock shall be the closing price per share of Common Stock (as determined pursuant to Section 11(d)(i) hereof) on the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement.



Section 16. Agreement of Rights Holders. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the person in whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of one ten-thousandths of a share of Preferred Stock or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent such compensation as shall be agreed to in writing between the Company and the Rights Agent for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim (whether asserted by the Company, a holder of Rights, or any other Person) of liability in the premises. The provisions of this Section 18(a) shall survive the expiration of the Rights and the termination of this Agreement.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, instruction, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed and executed by the proper Person or Persons and, where necessary, to be verified or acknowledged.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to all or substantially all the corporate trust, stock transfer or other shareholder services business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; but only if such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of Current Market Price) be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates or be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the

provisions of Section 11, Section 13 or Section 24 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of Common Stock or Preferred Stock will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action taken by, or omission of, the Rights Agent in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Right Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents as reasonably approved by the Company, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any

such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct; provided, however, reasonable care was exercised in the selection thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing mailed to the Company, and to each transfer agent of the Common Stock and Preferred Stock, by registered or certified mail, and, if such resignation occurs after the Distribution Date, to the registered holders of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and Preferred Stock, by registered or certified mail, and, if such removal occurs after the Distribution Date, to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then the Rights Agent or any registered holder of any Rights Certificate may apply, at the expense of the Company, to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a legal business entity organized and doing business under the laws of the United States or of the State of New York or of any other state of the United States, in good standing, having an office in the State of New York, which is authorized under such laws to exercise corporate trust, stock transfer or shareholder services powers and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000 or (b) an affiliate of a legal business entity described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance,

conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and the Preferred Stock, and, if such appointment occurs after the Distribution Date, mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of stock options or under any employee plan or arrangement, granted or awarded as of the Distribution Date, or upon the exercise, conversion or exchange of securities hereinafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued, and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

#### Section 23. Redemption and Termination.

(a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the close of business on the tenth Business Day following the Stock Acquisition Date (or, if the Stock Acquisition Date shall have occurred prior to the Record Date, the close of business on the tenth Business Day following the Record Date), or (ii) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of \$0.001 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The aggregate Redemption Price otherwise payable to a holder of Rights shall be rounded to the nearest \$0.01, provided, however, if such aggregate redemption price is less than \$0.01, such holder will be entitled to receive \$0.01 upon the redemption of such Rights. Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Section 11(a)(ii) Event until such time as the Company's right of redemption hereunder

has expired. The Company may, at its option, pay the Redemption Price in cash, shares of Common Stock (based on the Current Market Price, as defined in Section 11(d)(i) hereof, of the Common Stock at the time of redemption) or any other form of consideration deemed appropriate by the Board of Directors.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, evidence of which shall have been filed with the Rights Agent and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held as described in Section 23(a) hereof. Promptly after the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

(c) Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 and other than in connection with the purchase or repurchase by any of them of Common Stock prior to the Distribution Date.

#### Section 24. Exchange.

(a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 7(e) hereof) for Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors of the Company shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Stock for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Stock then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of shares of Common Stock equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any

defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Stock for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In any exchange pursuant to this Section 24, the Company, at its option, may substitute Preferred Stock (or Equivalent Preferred Stock, as such term is defined in paragraph (b) of Section 11 hereof) for Common Stock exchangeable for Rights, at the initial rate of one ten-thousandth of a share of Preferred Stock (or Equivalent Preferred Stock) for each share of Common Stock, as appropriately adjusted to reflect stock splits, stock dividends and other similar transactions after the date hereof.

(d) In the event that there shall not be sufficient shares of Common Stock issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional shares of Common Stock for issuance upon exchange of the Rights.

(e) The Company shall not be required to issue fractions of shares of Common Stock or to distribute certificates which evidence fractional shares of Common Stock. In lieu of such fractional shares of Common Stock, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional shares of Common Stock would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole share of Common Stock. For the purposes of this subsection (e), the current market value of a whole share of Common Stock shall be the closing price of a share of Common Stock (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

#### Section 25. Notice of Certain Events.

(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular quarterly cash dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Company in a transaction which



complies with Section 11(o) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Rights Certificate and to the Rights Agent, to the extent feasible and in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the shares of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty (20) days prior to the record date for determining holders of the shares of Preferred Stock for purposes of such action, and in the case of any such other action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the shares of Preferred Stock, whichever shall be the earlier.

(b) In case any of the events set forth in Section 11(a)(ii) hereof shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate and to the Rights Agent, to the extent feasible and in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof, and (ii) all references in the preceding paragraph to Preferred Stock shall be deemed thereafter to refer to Common Stock and/or, if appropriate, other securities.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Rights Agent with the Company) as follows:

AngioDynamics, Inc.  
[ \_\_\_\_\_ ]  
[ \_\_\_\_\_ ]  
Attention: [ \_\_\_\_\_ ]

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Rights Agent with the Company) as follows:

[\_\_\_\_\_  
[\_\_\_\_\_  
[\_\_\_\_\_  
Attention: [\_\_\_\_\_]

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date, to the holder of certificates representing shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments.

(a) Prior to the Distribution Date, and subject to the provisions of Section 27(b) hereof, the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing shares of Common Stock. From and after the Distribution Date, and subject to the provisions of Section 27(b) hereof, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder, or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person). Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 27, the Rights Agent shall execute such supplement or amendment. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

(b) Notwithstanding anything herein to the contrary, no supplement or amendment shall be made to this Agreement at a time when the Rights are not redeemable, except as contemplated by clause (i) or (ii) of Section 27(a) hereof.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Determinations and Actions by the Board of Directors, etc. For all purposes of this Agreement, any calculation of the number of shares of Common Stock or any other class of capital stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the

Exchange Act. The Board of Directors of the Company shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject the Board, or any of the directors on the Board to any liability to the holders of the Rights.

Section 30. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Stock).

Section 31. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the close of business on the tenth Business Day following the date of such determination by the Board of Directors. Without limiting the foregoing, if any provision requiring a specific group of directors to act is held to by any court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination shall then be made by the Board of Directors of the Company in accordance with applicable law and the Company's Amended and Restated Certificate of Incorporation and By-laws.

Section 32. Governing Law. This Agreement, each Right and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State, provided, however, that the rights and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of New York. The parties hereto hereby waive the right to a jury trial in any action arising out of this Agreement. Any dispute arising out of this Agreement shall be litigated in the

borough of Manhattan, New York City, New York, and the parties hereby submit to the jurisdiction of such courts and acknowledge that such courts are a convenient forum.

Section 33. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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

ANGIODYNAMICS, INC.

By \_\_\_\_\_  
Name:  
Title:

[\_\_\_\_\_]

By \_\_\_\_\_  
Name:  
Title:

FORM OF  
CERTIFICATE OF DESIGNATION, PREFERENCES AND  
RIGHTS OF SERIES A PREFERRED STOCK

of

ANGIODYNAMICS, INC.

Pursuant to Section 151 of the General Corporation Law  
of the State of Delaware

The undersigned officers of AngioDynamics, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation of said Corporation, said Board of Directors on [\_\_\_\_\_] [\_\_\_], 2004, adopted the following resolution creating a series of 4,500 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Amended and Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 4,500.

Section 2. Dividends and Distributions.

(A) The holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of February, May, August and November of each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$100.00 and (b) subject to the provision for adjustment hereinafter set forth, 10,000 times the aggregate per share amount of all cash dividends, and 10,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$0.01 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after [\_\_\_\_\_] [\_\_\_], 2004 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$100.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Participating Preferred Stock entitled to

receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 10,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.



(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

#### Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. **Reacquired Shares.** Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. **Liquidation, Dissolution or Winding Up.** (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount equal to \$100.00 per share of Series A Participating Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made

to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 10,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 10,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying

such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, neither the Amended and Restated Certificate of Incorporation of the Corporation nor this Certificate of Designation shall be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this [\_\_\_] day of [\_\_\_\_\_], 2004.

By: \_\_\_\_\_  
Name:  
Title:

## [Form of Rights Certificate]

Certificate No. R-

\_\_\_\_\_ Rights

NOT EXERCISABLE AFTER [\_\_\_\_\_] [\_\_\_], 2014 OR EARLIER IF REDEEMED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$0.001 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.]<sup>3/</sup>

## Rights Certificate

AngioDynamics, Inc.

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of [\_\_\_\_\_] [\_\_\_], 2004 (the "Rights Agreement"), between AngioDynamics, Inc., a Delaware corporation (the "Company"), and [\_\_\_\_\_] a [\_\_\_\_\_] banking corporation (the "Rights Agent"), to purchase from the Company at any time prior to 5:00 P.M. (New York City time) on [\_\_\_\_\_] [\_\_\_], 2014 (unless such date is extended prior thereto by the Board of Directors) at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one ten-thousandth of a fully paid, non-assessable share of Series A Junior Participating Preferred Stock (the "Preferred

<sup>3</sup> The portion of the legend in brackets shall be inserted only if applicable and shall replace the preceding sentence.

Stock") of the Company, at a purchase price of \$[\_\_\_].[\_\_\_] per one ten-thousandth of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. The number of Rights evidenced by this Rights Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price per share set forth above, are the number and Purchase Price as of [\_\_\_\_\_] [\_\_\_], 2004, based on the Preferred Stock as constituted at such date. The Company reserves the right to require prior to the occurrence of a Triggering Event (as such term is defined in the Rights Agreement) that a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

Upon the occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Rights Certificate are beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities, which may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Triggering Events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available upon written request to the Rights Agent.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the principal office or offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of one ten-thousandths of a share of Preferred Stock as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.



Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its option at a redemption price of \$0.001 per Right at any time prior to the earlier of the close of business on (i) the tenth Business Day following the Stock Acquisition Date (as such time period may be extended pursuant to the Rights Agreement), and (ii) the Final Expiration Date. The aggregate redemption price otherwise payable to a beneficial holder of Rights shall be rounded to the nearest \$0.01, provided, however, if such aggregate redemption price is less than \$0.01, such holder will be entitled to receive \$0.01 upon the redemption of such Rights. In addition, under certain circumstances following the Stock Acquisition Date, the Rights may be exchanged, in whole or in part, for shares of the Common Stock, or shares of preferred stock of the Company having essentially the same value or economic rights as such shares. Immediately upon the action of the Board of Directors of the Company authorizing any such exchange, and without any further action or any notice, the Rights (other than Rights which are not subject to such exchange) will terminate and the Rights will only enable holders to receive the shares issuable upon such exchange.

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one ten-thousandth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement. The Company, at its election, may require that a number of Rights be exercised so that only whole shares of Preferred Stock would be issued.

No holder of this Rights Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give consent to or withhold consent from any corporate action, or, to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by an authorized signatory of the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

ATTEST: AngioDynamics, Inc.

By: \_\_\_\_\_  
Name: [\_\_\_\_\_] \_\_\_\_\_  
Title: [\_\_\_\_\_] \_\_\_\_\_

By: \_\_\_\_\_  
Name: [\_\_\_\_\_] \_\_\_\_\_  
Title: [\_\_\_\_\_] \_\_\_\_\_

Countersigned:

[\_\_\_\_\_]

By: \_\_\_\_\_  
Authorized Signatory

Date of countersignature: [\_\_\_\_][\_\_], 200[\_\_]

[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED \_\_\_\_\_

hereby sells, assigns and transfers unto \_\_\_\_\_

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney, to transfer the within Rights Certificate on the books of the within named Company, with full power of substitution.

Dated: \_\_\_\_\_, \_\_\_\_

\_\_\_\_\_  
Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate [ ] is [ ] is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, —

\_\_\_\_\_  
Signature

Signature Guaranteed:

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Rights Certificate.)

To: AngioDynamics, Inc.:

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ Rights represented by this Rights Certificate to purchase the shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of and delivered to:

Please insert social security or other identifying number

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(Please print name and address)

---

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

---

(Please print name and address)

---

Dated: \_\_\_\_\_, \_\_\_\_

---

Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate  are  are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it  did  did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, \_\_\_\_\_  
Signature

Signature Guaranteed:

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

SUMMARY OF RIGHTS TO PURCHASE  
PREFERRED STOCK

On [\_\_\_\_\_] [\_\_\_], 2004, the Board of Directors of AngioDynamics, Inc. (the "Company") declared a dividend distribution of one Right for each outstanding share of Company Common Stock to stockholders of record at the close of business on [\_\_\_\_\_] [\_\_\_], 2004 (the "Record Date"). Each Right entitles the registered holder to purchase from the Company a unit consisting of one ten-thousandth of a share (a "Unit") of Series A Junior Participating Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock") at a Purchase Price of \$[\_\_\_].[\_\_\_] per Unit, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and [\_\_\_\_\_] [\_\_\_], as Rights Agent.

Initially, the Rights will be attached to all Common Stock certificates representing shares then outstanding, and no separate Rights Certificates will be distributed. Subject to certain exceptions specified in the Rights Agreement, the Rights will separate from the Common Stock and a Distribution Date will occur upon the earlier of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of the outstanding shares of Common Stock (20%, in the case of certain institutional investors) other than as a result of repurchases of stock by the Company or certain inadvertent actions by institutional or certain other stockholders or the date a Person has entered into an agreement or arrangement with the Company or any Subsidiary of the Company providing for an Acquisition Transaction (the "Stock Acquisition Date") or (ii) 10 business days (or such later date as the Board shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person. An Acquisition Transaction is defined in the Rights Agreement as (x) a merger, consolidation or similar transaction involving the Company or any of its Subsidiaries as a result of which stockholders of the Company will no longer own a majority of the outstanding shares of Common Stock of the Company or a publicly traded entity which controls the Company or, if appropriate, the entity into which the Company may be merged, consolidated or otherwise combined (based solely on the shares of Common Stock received or retained by such stockholders, in their capacity as stockholders of the Company, pursuant to such transaction), (y) a purchase or other acquisition of all or a substantial portion of the assets of the Company and its Subsidiaries, or (z) a purchase or other acquisition of securities representing 15% or more of the shares of Common Stock then outstanding. Until the Distribution Date, (i) the Rights will be evidenced by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (ii) new Common Stock certificates issued after the Record Date will contain a notation incorporating the Rights Agreement by reference and (iii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate. Pursuant to the Rights Agreement, the Company



reserves the right to require prior to the occurrence of a Triggering Event (as defined below) that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Preferred Stock will be issued.

The Rights are not exercisable until the Distribution Date and will expire at 5:00 P.M. (New York City time) on [\_\_\_\_][\_\_], 2014, unless such date is extended or the Rights are earlier redeemed or exchanged by the Company as described below.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and, thereafter, the separate Rights Certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

In the event that a Person becomes an Acquiring Person, except pursuant to an offer for all outstanding shares of Common Stock which the independent directors determine to be fair and not inadequate and to otherwise be in the best interests of the Company and its stockholders, after receiving advice from one or more investment banking firms (a "Qualified Offer"), each holder of a Right will thereafter have the right to receive, upon exercise, Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right. Notwithstanding any of the foregoing, following the occurrence of the event set forth in this paragraph, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void. However, Rights are not exercisable following the occurrence of the event set forth above until such time as the Rights are no longer redeemable by the Company as set forth below.

For example, at an exercise price of \$75.00 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following an event set forth in the preceding paragraph would entitle its holder to purchase \$150.00 worth of Common Stock (or other consideration, as noted above) for \$75.00. Assuming that the Common Stock had a per share value of \$25.00 at such time, the holder of each valid Right would be entitled to purchase 6 shares of Common Stock for \$75.00.

In the event that, at any time following the Stock Acquisition Date, (i) the Company engages in a merger or other business combination transaction in which the Company is not the surviving corporation, (ii) the Company engages in a merger or other business combination transaction in which the Company is the surviving corporation and the Common Stock of the Company is changed or exchanged, or (iii) 50% or more of the Company's assets, cash flow or earning power is sold or transferred, each holder of a Right (except Rights which have previously been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The events set forth in this paragraph and in the second preceding paragraph are referred to as the "Triggering Events."

At any time after a person becomes an Acquiring Person and prior to the acquisition by such person or group of fifty percent (50%) or more of the outstanding Common Stock, the Board may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one share of Common Stock, or one ten-thousandth of a share of Preferred Stock (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

The Purchase Price payable, and the number of Units of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) if holders of the Preferred Stock are granted certain rights or warrants to subscribe for Preferred Stock or convertible securities at less than the current market price of the Preferred Stock, or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Stock on the last trading date prior to the date of exercise.

At any time until ten business days following the Stock Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right (payable in cash, Common Stock or other consideration deemed appropriate by the Board of Directors). The aggregate redemption price otherwise payable to a beneficial holder of Rights shall be rounded to the nearest \$0.01, provided, however, if such aggregate redemption price is less than \$0.01, such holder will be entitled to receive \$0.01 upon the redemption of such Rights. Immediately upon the action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Common Stock (or other consideration) of the Company or for common stock of the acquiring company or in the event of the redemption of the Rights as set forth above.

Any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights, or to shorten or lengthen any time period under the Rights Agreement.

The foregoing notwithstanding, no amendment may be made to the Rights Agreement at a time when the Rights are not redeemable, except to cure any ambiguity or correct or supplement any provision contained in the Rights Agreement which may be defective or inconsistent with any other provision therein.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to the Company's Registration Statement on Form S-1. A copy of the Rights Agreement is available free of charge from the Rights Agent. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

FORM OF  
MASTER SEPARATION AND DISTRIBUTION AGREEMENT  
BETWEEN  
E-Z-EM, INC.  
AND  
ANGIODYNAMICS INC.

MASTER SEPARATION AND DISTRIBUTION AGREEMENT

THIS MASTER SEPARATION AND DISTRIBUTION AGREEMENT (this "Agreement") is entered into as of \_\_\_\_\_, 2004, between E-Z-EM, Inc., a Delaware corporation ("E-Z-EM"), and AngioDynamics, Inc., a Delaware corporation ("AngioDynamics"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in Section 10 hereof.

RECITALS

WHEREAS, the Board of Directors of E-Z-EM (the "E-Z-EM Board") has determined that it is appropriate and desirable for E-Z-EM to separate AngioDynamics from the E-Z-EM Group in a manner that would permit E-Z-EM to divest its entire ownership interest in AngioDynamics through a pro-rata distribution of all of the outstanding shares of common stock, par value \$0.01 per share, of AngioDynamics (the "AngioDynamics Common Stock") to the holders of common stock, par value \$0.10 per share, of E-Z-EM (the "E-Z-EM Common Stock"), pursuant to the terms and subject to the conditions of this Agreement (the "Distribution");

WHEREAS, the Distribution is intended to qualify as a tax-free transaction to E-Z-EM and its shareholders pursuant to Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, AngioDynamics has filed a registration statement on Form S-1 (Registration No. 333-113329) (the "IPO Registration Statement") with the Securities and Exchange Commission (the "Commission"), pursuant to which AngioDynamics has registered AngioDynamics Common Stock for AngioDynamics' initial public offering (the "Offering");

WHEREAS, the parties intend in this Agreement, including the Exhibits hereto, to set forth the principal arrangements between them regarding the Distribution;

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

1. CERTAIN ACTIONS AT OR PRIOR TO THE DISTRIBUTION DATE

1.1 Treatment of Intercompany Accounts. Prior to or contemporaneously with the Commission declaring effective the IPO Registration Statement, E-Z-EM shall cause all of the intercompany indebtedness owing by AngioDynamics to E-Z-EM, less three million dollars (\$3,000,000), to be "capitalized" by making an in-kind contribution to AngioDynamics of its rights in such obligations or otherwise treating such obligations in the manner reasonably requested by AngioDynamics in order to minimize or eliminate any adverse income tax effects upon AngioDynamics. Upon the receipt by AngioDynamics of proceeds of the Offering, AngioDynamics shall promptly (but in no event after two (2) Business Days after receipt of same) deliver to E-Z-EM in same day funds the sum of three million dollars (\$3,000,000) as payment in full and satisfaction of the remaining intercompany indebtedness owing to E-Z-EM by AngioDynamics.

1.2 Documents to Be Delivered By E-Z-EM and AngioDynamics. On or prior to the date on which the Commission declares effective the IPO Registration Statement, E-Z-EM will execute and deliver (and where applicable cause other members of the E-Z-EM Group to execute and deliver) to AngioDynamics, and AngioDynamics will execute and deliver to E-Z-EM (and/or to the appropriate member of the E-Z-EM Group), each of the following agreements (collectively, together with all agreements and documents contemplated by this Agreement, the "Ancillary Agreements"):

1.2.1 Tax Allocation and Indemnification Agreement substantially in the form attached hereto as Exhibit A (the "Tax Agreement");

- 1.2.2 a Corporate Agreement substantially in the form attached hereto as Exhibit B (the "Corporate Agreement") and
- 1.2.3 such other agreements, documents or instruments as the parties may agree are necessary or desirable in order to achieve the purposes hereof.

## 2 THE DISTRIBUTION

### 2.1 The Distribution.

2.1.1 Cooperation. AngioDynamics shall cooperate with E-Z-EM to accomplish the Distribution and shall, at E-Z-EM's direction, promptly take any and all actions necessary or desirable to effect the Distribution. E-Z-EM may select any investment bank or manager in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and financial, legal, accounting and other advisors for E-Z-EM; provided that nothing herein shall prohibit AngioDynamics from engaging (at its own expense) its own financial, legal, accounting and other advisors in connection with the Distribution. AngioDynamics and E-Z-EM, as the case may be, will provide to the distribution or exchange agent to be appointed by E-Z-EM (the "Distribution Agent") all share certificates and any stockholder and other information required in order to complete the Distribution.

2.1.2 Distribution Mechanics. Unless E-Z-EM and AngioDynamics shall mutually agree on another method of effecting the Distribution:

2.1.2.1 Subject to Sections 2.3, 2.4 and 2.6, on or prior to the Payment Date, E-Z-EM will deliver to the Distribution Agent for the benefit of holders of E-Z-EM Common Stock on the Record Date, a single stock certificate, endorsed by E-Z-EM in blank, representing all of the outstanding shares of AngioDynamics Common Stock then owned by E-Z-EM, and shall cause the transfer agent for the E-Z-EM Common Stock to instruct the Distribution Agent to distribute on the Payment Date the appropriate number of such shares of AngioDynamics Common Stock to each such holder or designated transferee or transferees of such holder of E-Z-EM Common Stock. The Distribution shall be deemed binding on E-Z-EM at 11:59 pm New York Time on the Distribution Date.

2.1.2.2 Subject to Sections 2.3, 2.4 and 2.6, each holder of E-Z-EM Common Stock on the Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the pro-rata distribution a number of shares of AngioDynamics Common Stock equal to the number of shares of E-Z-EM Common Stock held by such holder on the Record Date multiplied by the distribution ratio determined by the E-Z-EM Board on the Distribution Date.

### 2.2 Actions In Connection with the Distribution.

2.2.1 Registration under the Exchange Act. In connection with the Offering, AngioDynamics shall have filed a registration on Form 8-A under the Exchange Act (the "Exchange Act Registration Statement"), together with such amendments and supplements thereto as may have been necessary to cause the same to become effective and as may otherwise be required by the Commission or federal, state or foreign securities Laws. AngioDynamics and E-Z-EM shall coordinate the mailing to the holders of E-Z-EM Common Stock, at such time on or prior to the Distribution Date as E-Z-EM shall determine, such information concerning the Distribution and related matters as may be required under applicable federal securities laws, as well as any other information concerning AngioDynamics, its business, operations and

management, the Distribution and such other matters as E-Z-EM shall reasonably determine are necessary (collectively, the "Information Package").

- 2.2.2 Other Documentation. E-Z-EM and AngioDynamics shall also cooperate in preparing, filing with the Commission and causing to become effective registration statements or amendments thereto (including registration statements on Form S-8) that are required to reflect the establishment of, or amendments to, any employee benefit, stock option and other plans necessary or appropriate in connection with the Distribution or other transactions contemplated by this Agreement and the Ancillary Agreements.
  - 2.2.3 Blue Sky. Upon receiving a reasonable request from E-Z-EM to do so, AngioDynamics shall take all such actions (if any) as may be necessary or appropriate under the securities (or "blue sky") laws of the United States (and any comparable Laws under any foreign jurisdiction) in connection with the Distribution.
  - 2.2.4 Nasdaq Listing. Promptly after receiving a request to do so from E-Z-EM, AngioDynamics shall prepare and file, and shall use its reasonable commercial efforts to have approved and made effective (to the extent not included in the initial application by AngioDynamics in connection with the Offering), an application for the listing on Nasdaq of the AngioDynamics Common Stock to be distributed in the Distribution, subject to official notice of distribution.
  - 2.2.5 Conditions. AngioDynamics shall take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 2.4 to be satisfied and to effect the Distribution, or any portion thereof, on the terms, in the manner and on the Distribution Date.
- 2.3 Sole Discretion of E-Z-EM. E-Z-EM shall, in its sole and absolute discretion, determine the date of the consummation of the Distribution and all terms of the Distribution, including, without limitation, the distribution ratio and the form, structure and terms of any transaction(s) to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, E-Z-EM may at any time and from time to time until the completion of the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including, without limitation, by accelerating or delaying the timing of the completion of all or part of the Distribution.
- 2.4 Conditions To Distribution. Subject to Section 2.3, the following are conditions to the consummation of any part of the Distribution. The conditions are for the sole benefit of E-Z-EM and shall not give rise to or create any duty on the part of E-Z-EM or the E-Z-EM Board to waive or not waive any such condition.
- 2.4.1 Effective Exchange Act Registration Statement; Periodic Filings. The Exchange Act Registration Statement shall have remained effective under the Exchange Act and AngioDynamics shall be current with its periodic filings under the Exchange Act. There shall be no stop order with respect to any prospectus or registration statement filed by AngioDynamics, nor any stop trading order in effect relating to the AngioDynamics Common Stock.
  - 2.4.2 Blue Sky Laws. The actions and filings, if any, with regard to state securities and blue sky laws of the United States (and any comparable Laws under any foreign jurisdictions) described in Section 2.2.3 shall have been taken and, where applicable, have become effective or been accepted.
  - 2.4.3 Nasdaq Listing. The AngioDynamics Common Stock to be delivered in the Distribution shall have been approved for listing on Nasdaq, subject to official notice of issuance.

- 2.4.4 IRS Ruling/Tax Opinion. If the Distribution has not taken place on or prior to February 5, 2005, then E-Z-EM shall have received an opinion from its tax counsel to the effect that the Distribution qualifies as a tax-free spin-off both to E-Z-EM and the holders of E-Z-EM Common Stock who receive AngioDynamics Common Stock in the Distribution (resulting in no recognition of gain or loss or other realization of income).
- 2.4.5 Charter and Bylaws. AngioDynamics' Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws in substantially the forms in effect on the closing of the Offering shall remain in effect.
- 2.4.6 Ancillary Agreements. Each of the Ancillary Agreements shall have been duly executed and delivered by the parties thereto and shall be in full force and effect.
- 2.4.7 Payment of Intercompany Indebtedness to E-Z-EM. E-Z-EM shall have received the three million dollar (\$3,000,000) payment required under (and at the time set forth in) Section 1.1 hereof.
- 2.4.8 Governmental Approvals. Any material Governmental Approvals necessary to consummate the Distribution or any portion thereof shall have been obtained and be in full force and effect.
- 2.4.9 No Legal Restraints. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of all or any portion of the Distribution shall be in effect, and no other event outside the control of E-Z-EM shall have occurred or failed to occur that prevents the consummation of all or any portion of the Distribution.
- 2.4.10 No Inadvisable Event. In addition to, and not in lieu of the provisions of Section 2.3, the E-Z-EM Board shall have approved the Distribution and shall have not determined that any events or developments shall have occurred that make it inadvisable to effect the Distribution.
- 2.5 E-Z-EM agrees that if, after the Offering, the E-Z-EM Board decides not to complete the Distribution or waives a material condition to the Distribution set forth in Section 2.4, E-Z-EM will issue a press release to disclose the change in intent or waiver, as applicable, or file a report on Form 8-K with the Commission.
- 2.6 Fractional Shares. No certificates representing fractional shares of AngioDynamics Common Stock will be distributed in the Distribution. Instead, on the Payment Date, E-Z-EM shall direct the Distribution Agent (i) to determine, based on the Distribution ratio, the amount of the fractional share of AngioDynamics Common Stock allocable to each holder of record or beneficial owner of E-Z-EM Common Stock and to aggregate all such fractional shares into whole shares; (ii) to sell the resulting number of whole shares, at the direction of E-Z-EM, in open market transactions or otherwise, at the then prevailing trading prices, and (iii) to cause to be distributed to each such holder or for the benefit of each such beneficial owner to which a fractional share shall be allocable such holder or owner's ratable share of the proceeds of such sale, after making appropriate deductions for any amount required to be withheld for United States federal income tax purposes and to repay expenses reasonably incurred by the Distribution Agent, including all brokerage charges, commissions and transfer taxes, in connection with such sale. E-Z-EM and the Distribution Agent shall use their reasonable commercial efforts to aggregate the shares of E-Z-EM Common Stock that may be held by any beneficial owner thereof through more than one account in determining the fractional share allocable to such beneficial owner.



- 3.1 Release of E-Z-EM from Credit Support Arrangements. Each party acknowledges that, to the best of its knowledge, E-Z-EM has not provided or issued, for the benefit of AngioDynamics, any guarantee, letter of credit, keepwell or support agreement or other credit support document, instrument or other similar arrangement (the "Credit Support Arrangements"), other than Credit Support Arrangements that have been released or waived, or terminate in accordance with their respective terms upon the completion of the Offering. In the event that the parties become aware of pre-Offering Credit Support Arrangements in the future, AngioDynamics (i) shall use all commercially reasonable efforts to cause the obligations of members of the E-Z-EM Group to be unconditionally released as of the Payment Date or as promptly as practicable thereafter, (ii) shall execute and deliver any and all such instruments of substitution and such other instruments or agreements as shall be necessary in connection with the discharge by AngioDynamics of its obligations under this sentence, and (iii) shall not modify or renew, or amend the terms of any agreement, instrument or obligation underlying any of the Credit Support Arrangements in any manner that could increase, extend or give rise to liability of a member of the E-Z-EM Group under any such Credit Support Arrangements.
- 3.2 Further Assurances and Agreements. In addition to the actions specifically provided for elsewhere in this Agreement and the Ancillary Agreements, each of E-Z-EM and AngioDynamics shall use its reasonable efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and do, or cause to be done, all things, and agree to execute, or cause to be executed, by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents, as such action, thing, agreement, instrument or other document may be necessary or desirable in order to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.
- 3.3 Further Filings by E-Z-EM at the U.S. Patent and Trademark Office. Each of E-Z-EM (on behalf of the applicable members of the E-Z-EM Group), as transferor, and AngioDynamics, without further consideration, agrees (i) to execute and deliver (and E-Z-EM will cause any applicable E-Z-EM Group member to execute and deliver) such instruments of transfer, conveyance, assignment, substitution and confirmation, and to cause same to be filed and/or recorded with the U.S. Patent and Trademark Office prior to the date that is three months after the completion of the Offering so as to fully effect the contributions and transfers to AngioDynamics by E-Z-EM pursuant to that certain Contribution Agreement dated as of June 1, 1996 (the "Contribution Agreement") and (ii) to take such action as AngioDynamics may reasonably deem necessary or desirable in order more effectively to transfer, convey and assign to AngioDynamics and confirm AngioDynamics' title to all of the assets, rights and other things of value contemplated to be transferred or allocated to it pursuant to the Contribution Agreement.
- 3.4 Manufacturing Arrangements. AngioDynamics agrees that it will continue to manufacture the products currently being manufactured for E-Z-EM at the respective prices currently charged for such products. E-Z-EM agrees to use all commercially reasonable efforts to engage a new manufacturer for such products (or comparable products) on or prior to December 31, 2004, and AngioDynamics agrees to assist and cooperate (at E-Z-EM's expense) with E-Z-EM's change in manufacturer for the aforementioned products. If the change in manufacturer for the products has not occurred by December 31, 2004, then E-Z-EM and AngioDynamics hereby agree that the prices for such products shall be increased so as to result in AngioDynamics achieving a gross margin of 50% on each such product. Ordering quantities shall be at the sole discretion of E-Z-EM; however, unless E-Z-EM orders lesser amounts of such products, AngioDynamics shall manufacture for E-Z-EM an amount of such products sufficient to sell to E-Z-EM an amount of such products consistent with (but subject to normal yearly variances) the amount sold to E-Z-EM in calendar 2003. The obligations of AngioDynamics hereunder shall terminate upon the earlier of either (i) 60 days after E-Z-EM gives notice to AngioDynamics that E-Z-EM no longer requires such manufacturing services or (ii) in the absence of a mutual agreement to the contrary, December 31, 2005.

- 3.4.1 Upon any termination of the above described manufacturing arrangements by E-Z-EM, E-Z-EM agrees to purchase any finished materials at the agreed upon prices therefor and to acquire from AngioDynamics, at AngioDynamics' cost, such raw materials and components of final products as AngioDynamics was reasonably required to maintain in inventory or as supplies to meet the reasonably anticipated demand by E-Z-EM for AngioDynamics' completed products. AngioDynamics will continue to fulfill E-Z-EM's orders until the effective date of the termination.
- 3.4.2 E-Z-EM's unperformed payment obligations and AngioDynamics unperformed manufacturing obligations under the arrangements in this Section 3.4 shall survive the termination of the above-described manufacturing arrangements.
- 3.4.3 AngioDynamics shall be liable to E-Z-EM, and shall indemnify and hold E-Z-EM harmless from and against any Claims to the extent caused by the negligence, gross negligence or willful misconduct of AngioDynamics (or those performing the manufacturing services on behalf of AngioDynamics) in performing its obligations under this Section 3.4. E-Z-EM shall be liable to AngioDynamics, and shall indemnify and hold AngioDynamics harmless from and against any Claims to the extent caused by E-Z-EM's modifications, if any, to the products manufactured by AngioDynamics, or uses beyond those contemplated for the products or product defects that resulted from product specifications provided by E-Z-EM to AngioDynamics.
- 3.4.4 Nothing set forth herein shall require E-Z-EM to engage AngioDynamics' to manufacture for any products. E-Z-EM agrees that its obligation to acquire inventory and supplies as set forth in Section 3.4.1 includes inventory and supplies existing on the date hereof to be used by AngioDynamics on the production of products for E-Z-EM.
- 3.5 Distribution Arrangements. The parties agree that, if negotiations are not completed before the Offering, they will continue to negotiate (or, in the case of E-Z-EM, will cause its United Kingdom and Canadian subsidiaries to negotiate) in good faith the terms of distribution agreements relating to AngioDynamics' products in the United Kingdom and Canada. Although subject to the terms of definitive agreements, the parties agree that (in the absence of an agreement to the contrary) each such agreement will be for three years on an exclusive basis, and shall such other terms and conditions as AngioDynamics has typically agreed to in contracts with unrelated parties. Furthermore, effective May 31, 2004, the parties acknowledge that no E-Z-EM subsidiary is continuing as a distributor of AngioDynamics' products in Belgium, The Netherlands and Luxembourg.
- 3.6 Confidentiality and Agreement for the Exchange of Information.
- 3.6.1 Confidentiality.
- 1.6.1.1 Except as set forth below and in any Ancillary Agreement with respect to the matters specified therein, upon the completion of the Offering, each of AngioDynamics and E-Z-EM agree that it shall not, except with the prior written consent of the other, at any time within six years of the closing of the Offering, directly or indirectly, disclose, divulge, reveal, report, publish, transfer or use, for any purpose whatsoever, any Confidential Information. Notwithstanding the foregoing, each Party may disclose Confidential Information to its directors, officers, shareholders and employees, but only on a bona fide "need to know" basis, and only if the relevant other person(s) or entity(ies) agree to be bound by this Agreement. Each party shall be responsible for the breach by any such other person of his or her confidentiality obligations to the same extent as if such breach was made by such party. Without limiting the foregoing obligations, each party agrees to use all reasonable precautions (including taking legal action if

necessary or appropriate) to prevent the unauthorized disclosure of the Confidential Information, which precautions shall in no event be less than such party's treatment of its own Confidential Information of a similar nature.

3.6.1.2 Disclosure of Confidential Information shall not be prohibited if such disclosure is directly pursuant to the disclosure obligations under the NASD Rules, the rules and regulations of the American Stock Exchange, the Securities Act and/or the Exchange Act, or a valid and existing order of a court or other governmental body or agency of competent jurisdiction; provided in each case, however, that, if practicable in light of filing or other notification requirements under the applicable regulatory scheme, (i) each party shall first have given prompt notice to the other of any such possible or prospective order (or proceeding pursuant to which any such order may result), (ii) the other Party shall have been afforded a reasonable opportunity to review such disclosure and to prevent or limit any such disclosure and (iii) each party shall use its best efforts to prevent or limit any such disclosure by means of a protective order or a request for confidential treatment.

3.6.2 Provision of Information. Each of E-Z-EM (on behalf of the E-Z-EM Group) and AngioDynamics agrees to provide, or cause to be provided, to the other, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of the other that the requesting party requests (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities or tax Laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in connection with any other judicial, regulatory, administrative, tax or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation, tax or other similar requirements, in each case other than claims or allegations that one party to this Agreement has against the other, (iii) subject to the foregoing clause (ii) above, to comply with its obligations under this Agreement or any Ancillary Agreement, or (iv) in connection with the ongoing businesses of E-Z-EM or AngioDynamics as it relates to the conduct of such businesses prior to the Payment Date, as the case may be; provided, however, that in the event that any party determines that any such provision of Information could be commercially detrimental, violate any Law or agreement, or waive any attorney-client privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

3.6.3 Internal Accounting Controls. In addition to the accounting and audit-related provisions in the Corporate Agreement, after the Distribution Date, each of E-Z-EM (on behalf of the E-Z-EM Group) and AngioDynamics shall maintain in effect, at its own cost and expense, adequate systems and controls for its business, to the extent necessary to enable the other to satisfy their respective reporting, accounting, audit and other obligations.

3.6.4 Ownership of Information. Any Information owned by E-Z-EM (or any member of the E-Z-EM Group) or AngioDynamics that is provided to AngioDynamics or E-Z-EM, as applicable, pursuant to this Section 3.6 shall be deemed to remain the property of the party providing such Information. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

3.6.5 Record Retention. To facilitate the possible exchange of Information pursuant to this Section 3.6 and other provisions of this Agreement after the Distribution Date, each party agrees to use its reasonable commercial efforts to retain all Information in its respective possession or control on the Distribution Date substantially in accordance with its policies as in effect on the Distribution Date. AngioDynamics shall not amend its record retention policies (or establish such policies for a Subsidiary that is different from that of AngioDynamics on the date hereof) prior to the Distribution Date without the consent of E-Z-EM. AngioDynamics

shall retain, in a manner allowing for reasonable access, Information constituting audit work papers and work papers from internal audits, in each case relating to periods prior to the Distribution Date for at least six years thereafter. Except as set forth in any Ancillary Agreement, at any time after the Distribution Date, each party may amend its respective record retention policies at such party's discretion, but in the case of AngioDynamics, subject to the immediately preceding sentence; provided, however, that if a party desires to effect the amendment within three (3) years after the Distribution Date, the amending party must give thirty (30) days prior written notice of such change in the policy to the other party to this Agreement. No party will destroy, or permit any of its present or future Subsidiaries to destroy, any Information that exists on the Distribution Date (other than Information that is permitted to be destroyed under the current record retention policy of such party) without first using its reasonable commercial efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession of such Information prior to such destruction.

- 3.6.6 Limitation of Liability. No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Section 3.6 is found to be inaccurate, in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed or lost after reasonable commercial efforts by such party to comply with the provisions of Section 3.6.5.
- 3.6.7 Other Agreements Providing For Exchange of Information. With respect to the specific issues covered by the Ancillary Agreements, the rights and obligations granted under this Section 3.6 are subject to the more specific limitations, qualifications or additional provisions, if any, on the sharing, exchange or confidential treatment of Information set forth in the applicable Ancillary Agreement.
- 3.6.8 Production of Witnesses; Records; Cooperation. After the Distribution Date, each of E-Z-EM (on behalf of the E-Z-EM Group) and AngioDynamics agrees to use reasonable commercial efforts to make available to the other, upon written request, their former, current and future officers, employees, other personnel and agents as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any legal, regulatory, administrative or other proceeding in which the requesting party may from time to time be involved, regardless of whether such legal, regulatory, administrative or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all reasonable costs and expenses of the other party in connection with the latter party's compliance with the foregoing requests.
- 3.7 Expenses. Except as otherwise provided in this Agreement and/or the Ancillary Agreements, all out-of-pocket costs and expenses of the parties in connection with the Distribution shall be the responsibility of E-Z-EM.
- 3.8 Governmental Approvals. The parties acknowledge that certain of the transactions contemplated by this Agreement and the Ancillary Agreements may be subject to certain conditions established by applicable regulations, orders, and approvals of Governmental Authorities ("Existing Authority"). The parties intend to implement this Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby consistent with and to the extent permitted by applicable Existing Authority and to cooperate toward obtaining and maintaining in effect such Governmental Approvals as may be required in order to implement this Agreement and each of the Ancillary Agreements as fully as possible in accordance with their respective terms. To the extent that any of the transactions contemplated by this Agreement or any Ancillary Agreement require any Governmental Approvals, the parties will use their reasonable commercial efforts to obtain any such Governmental Approvals.

### 3.9 Non-Competition.

- 3.9.1 Except as permitted under Sections 3.9.2 and 3.9.3, for a period of five years from the completion of the Offering, (i) AngioDynamics shall not engage in any activities or lines of business included within the E-Z-EM Business and (ii) E-Z-EM shall not engage in any activities or lines of business included within the AngioDynamics Business. (For purposes of this Section 3.9, the business of the other party is hereinafter referred to as "Prohibited Activities" of a party.) Solely as between AngioDynamics and E-Z-EM, to the maximum extent permitted under Section 122(17) of the Delaware General Corporation Law, each of AngioDynamics and E-Z-EM hereby renounces an interest or expectancy in being offered an opportunity to participate in business opportunities that are Prohibited Activities during the above-referenced five-year period.
- 3.9.2 Notwithstanding anything in this Agreement to the contrary, E-Z-EM and, subject to Articles 1 and 6 of the Corporate Agreement, AngioDynamics shall be permitted to make acquisitions of and investments in any entity engaged in Prohibited Activities; provided, that, the aggregate of all Prohibited Activities will have represented in such entity's most recently completed fiscal year not more than 20% of the consolidated revenues or net income of such entity being acquired or in which the investment is being made.
- 3.9.3 Notwithstanding anything in this Agreement to the contrary, this Section 3.9 shall not apply to (i) any Person (an "Acquiror") who becomes an Affiliate of AngioDynamics or E-Z-EM, as applicable, after the completion of the Offering as a result of an acquisition of Equity Securities, or (ii) any Person who was an Affiliate of such Acquiror prior to such acquisition. Nothing herein shall be deemed as limiting the restrictions on issuances of Equity Securities under the Corporate Agreement or any other Ancillary Agreement.
- 3.10 Use of Other Party's Name and Marks. AngioDynamics acknowledges that E-Z-EM shall own all rights in the "E-Z-EM" name and logo and related tradenames and marks, and E-Z-EM acknowledges that AngioDynamics shall own all rights in the name "AngioDynamics" and AngioDynamics's logo and related tradenames and marks. Subject to the final sentence of this Section 3.10, within thirty (30) days following the Distribution Date, each party shall (x) cease, and shall cause each of its Subsidiaries, if any, to cease, to all use of the other parties name or any variation thereof as part of its corporate or organizational name, including by causing all licenses, certifications and authorizations issued to its respective personnel, the name of which includes or included the name of the other party or any variation thereof, to be reissued or amended, to the extent necessary, to remove from such licenses, certifications and authorizations any references to the other party's name or any variation thereof in the names of the holders thereof that may be reflected on such licenses, certifications and authorizations (or any related documentation). Subject to the final sentence of this Section 3.10, within sixty (60) days following the Distribution Date, each party shall cease, and shall cause all of its personnel and Subsidiaries, if any, to cease all other use of the other party's name and any variation thereof (including in the URL of any website, unless the other party consents thereto in writing), and the other party's logo and related tradenames and marks. A party may use such names, logos and marks of the other during such 60-day period only to the extent (if any) that it is not practical to change or replace any existing signs, letterheads, business cards, invoices or other business forms, telephone directory listings or promotional material, provided that each party shall maintain, and shall cause its respective personnel and Subsidiaries, if any, to maintain the same standards of quality with respect to such names, logos and marks as previously exercised. Notwithstanding anything in this Section 3.10 to the contrary, AngioDynamics and AngioDynamics personnel may continue, up to and including the later of (i) December 31, 2004 or (ii) six months after the Payment Date, to distribute in

the ordinary course of business promotional materials that contain references to the "E-Z-EM" name, logos, and related tradenames and marks.

#### 4 OPTION PLANS

- 4.1 E-Z-EM Option Plans. Prior to the Payment Date, E-Z-EM will take all action necessary and appropriate to effect amendments to the E-Z-EM Option Plans such that (i) the Distribution will not be deemed a "termination" of the employment of any AngioDynamics Employee for the purposes of such Plans, and (ii) following the Distribution, termination of employment of any AngioDynamics Employee for the purposes of such Plans will be determined by reference to employment by AngioDynamics or any of its Subsidiaries. Following the Distribution, E-Z-EM shall continue the E-Z-EM Option Plans, as so amended, and shall continue to reserve those shares of E-Z-EM Common Stock already reserved for issuance thereunder.
- 4.2 Existing AngioDynamics Option Plans. Prior to the completion of the Offering, AngioDynamics shall take all action necessary and appropriate to present to E-Z-EM all, if any, of AngioDynamics' stock option plans that have not yet been approved by E-Z-EM, in its capacity as the sold stockholder of AngioDynamics, and E-Z-EM hereby agrees to approve same. The provisions of clauses (i) and (ii) of Section 4.1 shall apply to AngioDynamics *mutatis mutandis*. AngioDynamics hereby agrees to continue to reserve at least those shares of AngioDynamics Common Stock already reserved for issuance thereunder.
- 4.3 AngioDynamics Adjustment Plans. Prior to the completion of the Offering, AngioDynamics shall take, or cause to be taken, all action necessary and appropriate (i) to ratify the adoption of all necessary AngioDynamics Adjustment Plans, and (ii) to present the AngioDynamics Adjustment Plans to E-Z-EM, as the sole stockholder of AngioDynamics, for approval. To the extent authorized by E-Z-EM prior to the completion of the Offering, AngioDynamics shall reserve for issuance under each AngioDynamics Adjustment Plan such number of shares of AngioDynamics Common Stock necessary to grant Options pursuant to Section 4.4.2 hereof. Any shares reserved for issuance under an AngioDynamics Adjustment Plan that are not used to grant AngioDynamics Options under Section 4.4.2 will not be available for future awards thereunder.
- 4.4 Treatment of Existing E-Z-EM Options. After the Distribution Date and prior to the Payment Date, each Existing E-Z-EM Option will be converted into an Adjusted E-Z-EM Option and will entitle the grantee to receive a grant of a AngioDynamics Option, as follows:
- 4.4.1 Following the Payment Date, each Existing E-Z-EM Option will survive as an Adjusted E-Z-EM Option in accordance with the terms of the Existing Option and the terms of (i) the relevant non-plan grant, or (ii) E-Z-EM Option Plan, as amended pursuant to Section 4.1 hereof, as the case may be, except that the exercise price of, and number of shares of E-Z-EM Common Stock subject to the Adjusted E-Z-EM Option will be determined as provided in Section 4.6 hereof. E-Z-EM shall use all commercially reasonable efforts to enter into new option agreements with each grantee of an Adjusted E-Z-EM Option, reflecting the modifications required by this Section 4.
- 4.4.2 After the Distribution Date and prior to the Payment Date, AngioDynamics shall grant, to each grantee of an Existing E-Z-EM Option, an AngioDynamics Option, under the appropriate AngioDynamics Adjustment Plan, Existing AngioDynamics Option Plan or pursuant to a non-plan grant, as the case may be, which option will be subject to the same terms and conditions of the Existing E-Z-EM Option, except that (i) the option will be exercisable to purchase shares of AngioDynamics Common Stock and the exercise price of, and number of shares of AngioDynamics Common Stock subject to, the AngioDynamics Options shall be determined as provided in Section 4.5 below, and (ii) the vesting and lapsing thereof shall be adjusted as set forth in Section 4.6 below. AngioDynamics shall use all

commercially reasonable efforts to enter into new option agreements with each grantee of an option to acquire AngioDynamics Common Stock under this Section 4.4.2, which agreements will reflect the modifications required by this Section 4.

#### 4.5 Adjustment and Setting of Number of Shares and Exercise Prices.

4.5.1 The number of shares of E-Z-EM Common Stock subject to each Adjusted E-Z-EM Option will equal the number of shares of E-Z-EM Common Stock subject to the Existing E-Z-EM Option that survives as the applicable Adjusted E-Z-EM Option. Subject to Section 4.5.2, AngioDynamics and E-Z-EM agree to establish (y) the ratio of the exercise price of the AngioDynamics Options to the market price of the AngioDynamics Common Stock equal to (z) the ratio of the exercise price of the Adjusted E-Z-EM Options to the market price of the E-Z-EM Common Stock. In no event will options to purchase any fractional shares of E-Z-EM Common Stock or AngioDynamics Common Stock be issued, nor will any cash be paid in lieu thereof. Options will be issued for whole shares only, determined by rounding down.

4.5.2 The number of shares of E-Z-EM Common Stock and AngioDynamics Common Stock subject to options and the adjusted exercise price of each Adjusted E-Z-EM Option and of the related AngioDynamics Option shall be determined in such a manner so that the aggregate "intrinsic value" of the Adjusted E-Z-EM Option and the AngioDynamics Option together will equal the intrinsic value of the Existing E-Z-EM Stock Option to which such options relate. For the purposes of this Section 4.5.2, "intrinsic value" means:

4.5.2.1 with respect to each Existing E-Z-EM Stock Option, the difference between the exercise price and the last reported sale price of E-Z-EM Common Stock on the last date on which E-Z-EM Common Stock trades as though E-Z-EM still owns AngioDynamics (i.e., the last date on which E-Z-EM trades on an "on dividend" basis), as reported by the American Stock Exchange, multiplied by the number of shares of E-Z-EM Common Stock covered by such option;

4.5.2.2 with respect to each Adjusted E-Z-EM Option, the difference between the exercise price and the average of the last reported sales prices of E-Z-EM Common Stock on the date immediately after the Payment Date, as reported by the American Stock Exchange, multiplied by the number of shares of E-Z-EM Common Stock covered by such option; and

4.5.2.3 with respect to each AngioDynamics Option granted pursuant to Section 4.4.2, the difference between the exercise price and the average of the last reported sales prices of AngioDynamics Common Stock on date immediately after the Payment Date, as reported by the Nasdaq National Market, multiplied by the number of shares of AngioDynamics Common Stock covered by such option.

4.6 Vesting and Lapsing of AngioDynamics Options. The AngioDynamics Options granted under Section 4.4.2 will vest and become exercisable in accordance with the terms of the Existing E-Z-EM Options to which they relate, but will expire on the earlier of (i) the date on which the Existing E-Z-EM Option would have expired (subject to Section 4.1) or (ii) the date calculated as follows:

4.6.1 For officers and directors of AngioDynamics,

4.6.1.1 One-half of the AngioDynamics Options will expire upon the later of (i) 12 months after one-half of the options become exercisable in full and (ii) 12 months after expiration of the 180-day lock-up period described in the "Underwriting" section of the IPO Registration Statement.

4.6.1.2 The remaining one-half of the options will expire upon the later of (i) 24 months after the remaining one-half of the options become exercisable in full and (ii) 24 months after expiration of the 180-day lock-up period described in Section 4.6.1.1.

4.6.2 For all other options recipients,

4.6.2.1 One-half of their options will expire upon the later of (i) 12 months after one-half of the options become exercisable in full and (ii) 12 months from the Payment Date.

4.6.2.2 The remaining one-half of their options will expire upon the later of (i) 24 months after the remaining one-half of the options become exercisable in full and (ii) 24 months from the Payment Date.

4.7 Employment Taxes. Upon the exercise of AngioDynamics Options granted under any AngioDynamics Adjustment Plan, AngioDynamics, as agent for E-Z-EM, shall collect and timely remit to E-Z-EM the employee's share of all required employment taxes (including federal and state income taxes required to be withheld and the employee's share of FICA taxes) relating to such exercises, and shall otherwise cooperate in such fashion, provide such information and take such action as E-Z-EM may request to assure that proper and timely employment tax remittance and reporting is made by E-Z-EM with respect to such exercises and to establish E-Z-EM's entitlement to deduct on its income tax returns the compensation expense arising from such exercises, pursuant to Treas. Reg. ss. 1.83-6. Provided that AngioDynamics fulfills its obligations under this Section 4.7, AngioDynamics shall be entitled to receive and retain the aggregate exercise price payable to AngioDynamics upon such exercises.

4.8 Communication Regarding Termination Of Employment and Effect on Outstanding Options. E-Z-EM shall promptly notify AngioDynamics of the termination of employment of any E-Z-EM Employee holding AngioDynamics Options. AngioDynamics shall promptly notify E-Z-EM of the termination of employment of any AngioDynamics Employee holding an E-Z-EM Option. Such notices with respect to termination shall specify the date of termination, the reason for termination (e.g. for cause, without cause, upon a change of control, etc.), whether the termination is with or without written consent and the effect that such termination has on any outstanding grant or award of options.

4.9 Determination of Consent to Termination of Employment Plans. Each party agrees that the giving or withholding of consent to the termination of employment of any E-Z-EM Employee or AngioDynamics Employee, as the case may be, shall be as determined by the party employing such person and stated in the notice of termination as required by Section 4.8 hereof.

## 5 BENEFIT PLANS

5.1 Benefit Matters Generally.

5.1.1 Subject to the other terms and conditions of this Section 5 (including without limitation the termination provisions of Section 5.9), after the Offering, E-Z-EM shall maintain and administer the existing E-Z-EM Plans through the earlier of (i) the Payment Date and (ii) the next anniversary date of the applicable E-Z-EM Plan.

5.1.2 E-Z-EM and AngioDynamics acknowledge and agree that AngioDynamics has previously established its own medical, dental and short-term disability Plans separate and apart from any Employee Welfare Plans of E-Z-EM, and that AngioDynamics is solely responsible for the funding, administration and all other matters related thereto (which shall be unaffected by this Agreement). Additionally, each party is responsible for the funding of E-Z-EM Plans for its own Employees prior to the termination of E-Z-EM's obligations to maintain such



E-Z-EM Plans under this Section 5. AngioDynamics hereby agrees to use all reasonable commercial efforts to establish, prior to the Payment Date, AngioDynamics' Employee Welfare Plans and business insurance policies separate and apart from any applicable E-Z-EM "master policy" and other E-Z-EM Plans; provided, however, that AngioDynamics shall obtain its own directors and officers insurance prior to the completion of the Offering and E-Z-EM's obligations with respect thereto shall terminate upon the completion of the Offering. Furthermore, and regardless of when the Payment Date occurs (if at all), after the termination of E-Z-EM's obligations to maintain a particular E-Z-EM Plan, each party shall fund and maintain its own separate corresponding Plan. Accordingly, any Claims or Proceedings by or on behalf of Employees or any federal, state or local government agency for alleged underfunding of, or failure to make payments to, health and welfare funds based on acts or omissions will be the sole responsibility of each party as to its own Employees and the responsible party will indemnify, defend, and hold harmless the other from any such Claims.

- 5.1.3 Effective immediately prior to the termination of E-Z-EM's obligations under this Section 5 with respect to a particular Plan, AngioDynamics hereby assumes (i) the complete responsibility for providing coverage under Employee Welfare Plans to the AngioDynamics Employees and administering such Employee Welfare Plans, and (ii) the associated liabilities and accrued obligations of and relating to all AngioDynamics Employees (and their eligible dependents and beneficiaries under the terms of the aforementioned Plans) who participate in the AngioDynamics Employee Welfare Plans. Nothing contained in the preceding sentence limits the obligations of AngioDynamics to make the contributions and other payments to E-Z-EM required under the balance of this Section 5.
- 5.1.4 Refunds. In the event that subsequent to the date on which AngioDynamics is covered under its own Employee Welfare Plans (the "AngioDynamics Plan Commencement Date"), refunds are received from, or additional premium adjustments become payable to, carriers providing health or medical insurance where such amounts are the result of actual experience differing from that used to compute premiums for any periods prior to the AngioDynamics Plan Commencement Date, such refunds or obligations will be shared between E-Z-EM and AngioDynamics based on the relative percentages of AngioDynamics employees and E-Z-EM employees to the total of all such employees based on the average number of employees during the period to which the refund or obligation relates.
- 5.1.5 Service Credits. If Service Credits for all or any AngioDynamics Employees are reflected in, or determined by reference to, the E-Z-EM payroll system records, then for purposes of determining Service Credits under any Plans, AngioDynamics shall credit each AngioDynamics Employee with such Employee's Service Credits and original hire date as may be reflected in the E-Z-EM payroll system records as of the Payment Date. Such Service Credits and hire date shall continue to be maintained as described herein for as long as the Employee is not terminated. Subject to the provisions of ERISA, AngioDynamics may, in its sole discretion, make such decisions as it deems appropriate with respect to determining Service Credits for AngioDynamics Employees whose employment with AngioDynamics is terminated following the Payment Date but who are subsequently re-employed by AngioDynamics.
- 5.1.6 Preservation Of Right To Amend Or Terminate Plans. Except as otherwise expressly provided herein, no provision of this Agreement, including, without limitation, the agreement of E-Z-EM or AngioDynamics to make a contribution or payment to or under any Plan for any period, shall be construed as a limitation on the right of E-Z-EM or AngioDynamics to amend such Plan or terminate its participation therein. No provision of this Agreement shall be construed to create any additional rights in any Employee, or dependent or beneficiary of such Employee, under a Plan. AngioDynamics may request changes in the applicable terms

of the E-Z-EM Plans; however, the approval of changes in the terms of any of the E-Z-EM Plans shall be in the sole discretion of E-Z-EM, and may be withheld for any or no reason.

## 5.2 Benefit Services.

5.2.1 For so long as E-Z-EM is required to maintain the E-Z-EM Plans under Section 5.1.1, E-Z-EM agrees to provide the same Benefits Services (as defined in Section 5.2.2) to and in respect of the officers, directors and employees and agents of AngioDynamics under the Welfare Benefit Plans that were provided prior to the date hereof.

5.2.2 The parties acknowledge that the costs, if any, payable by AngioDynamics for Intercompany Services relating to administering the life insurance policy, travel life insurance policy, long-term disability policy and workers compensation policy under E-Z-EM's "master policy" (such subset of Intercompany Services are collectively referred to as the "Benefits Services") are covered in Section 8.1 and Exhibit C as accounting administration services. The parties agree that all fees payable to insurers for such policies shall continue to be invoiced directly from the relevant insurer(s) to AngioDynamics as is the practice on the date hereof, and that any deductions from payroll to pay for such policies shall be administered by AngioDynamics.

5.2.3 E-Z-EM and AngioDynamics agree to cooperate fully with each other in the administration and coordination of regulatory and administrative requirements associated with the E-Z-EM Plans and any successor Plans adopted by AngioDynamics. Such coordination, upon request, will include (but is not limited to) the following: sharing payroll data for determination of highly compensated associates, providing census information (including accrued benefits) for purposes of running discrimination tests, providing actuarial reports for purposes of determining the funded status of any plan, review and coordination of insurance and other independent third party contracts, and providing for review of all summary plan descriptions, requests for determination letters, insurance contracts, Forms 5500, financial statement disclosure and plan documents.

## 5.3 Invoicing and Settlement of Funding and Related Costs.

5.3.1 After the date the Offering is completed, E-Z-EM will invoice or notify AngioDynamics on a monthly basis of the out of pocket costs, fees, funding contributions and policy premiums incurred in connection with maintaining and funding, as applicable, the E-Z-EM Plans (other than those paid directly by AngioDynamics, as set forth in the first sentence of Section 5.2.2). Such notice shall be consistent with the notices used in connection with costs incurred on behalf of AngioDynamics or other E-Z-EM Subsidiaries on the date hereof (except as otherwise agreed), which reflect the "cross-charges" among E-Z-EM and its Subsidiaries. In connection with the invoicing and notices described in this Section 5.3.1, E-Z-EM will provide to AngioDynamics a reasonable level of billing data and detail. Within 30 days of receipt of any such invoice from E-Z-EM (each, a "Plan Payment Date"), AngioDynamics shall pay E-Z-EM the respective amount set forth therein.

5.3.2 Except as otherwise agreed by the parties, AngioDynamics shall take such action as is necessary to fund all medical, retirement and other benefit claims payable to or on behalf of AngioDynamics personnel and their dependents to the extent not covered by third party insurance. Benefit claims processing activities performed by E-Z-EM or its subcontractors shall be coordinated to facilitate payments. Following prior written notice of not less than 15 business days, E-Z-EM shall be relieved of any obligation to deliver Benefit Services under this Section 5 at any time when AngioDynamics fails to fund the payment of a properly presented claim, unless AngioDynamics should deliver the required funds within such 15 day period.

- 5.4 401(k) Retirement Plan. On or prior to the Payment Date, AngioDynamics shall cause all (if any) references to E-Z-EM to be removed from AngioDynamics' 401(k) Plan and shall cause the 401(k) Plans to be completely independent. Without limiting the foregoing sentence, AngioDynamics shall take such actions as are reasonably necessary to exclude E-Z-EM (because of a deemed "control group" or otherwise) from the testing or analysis of AngioDynamics' 401(k) Plan.
- 5.5 Delegation. AngioDynamics hereby delegates to E-Z-EM final, binding and exclusive authority, responsibility, and discretion to interpret and construe the provisions of any E-Z-EM-administered Employee Welfare Plan in which AngioDynamics is participating under this Agreement (being those set forth in the first sentence of Section 5.2.2). E-Z-EM may further delegate such authority to plan administrators to:
- 5.5.1 provide administrative and other services;
- 5.5.2 reach factually supported conclusions consistent with the terms of the Employee Welfare Plans;
- 5.5.3 make a full and fair review of each claim denial and decision related to the provision of benefits provided or arranged for under the Employee Welfare Plans, pursuant to the requirements of ERISA, if within sixty days after the receipt of the notice of denial, a claimant requests in writing a review for reconsideration of such decisions. Any such administrator shall notify the claimant in writing of its decision on review, and such notice shall satisfy all ERISA requirements relating thereto; and
- 5.5.4 notify the claimant in writing of its decision to review.
- 5.6 Limitation of Liability. AngioDynamics agrees that none of E-Z-EM or any E-Z-EM Indemnified Person shall have any liability, whether direct or indirect, in contract or tort or otherwise, to AngioDynamics for or in connection with the payment of the out-of-pocket costs, fees, funding contributions and policy premiums required hereunder, except for damages which have resulted from the gross negligence or willful misconduct of E-Z-EM or such Indemnified Person in connection with any such actions or inactions.
- 5.7 Reports. E-Z-EM shall provide or shall cause to be provided to AngioDynamics data or reports requested by AngioDynamics relating to (i) benefits paid to or on behalf of AngioDynamics personnel under the E-Z-EM Plans, including but not limited to financial statements, claims history, and census information, and (ii) other information relating to the E-Z-EM Plans that is required to satisfy any reporting or disclosure requirements of ERISA or the Code. E-Z-EM will provide such information within a reasonable period of time after it is requested. The costs for reports which are prepared by E-Z-EM or on behalf of E-Z-EM generally for its business shall be billed as part of the amounts payable under this Section 5.
- 5.8 Notice. Unless otherwise agreed in writing by the parties, AngioDynamics agrees to provide E-Z-EM with at least one month prior written notice of any material change in the eligible AngioDynamics personnel covered by the E-Z-EM Plans. Notwithstanding the preceding sentence, if AngioDynamics provides E-Z-EM with less than one month notice of any such change and E-Z-EM is nonetheless able, with reasonable efforts, to effectuate such change with such shorter notice, then E-Z-EM shall implement the requested change.

## 5.9 Term and Termination.

- 5.9.1 The obligations of the parties under this Section 5 may be terminated by AngioDynamics upon giving E-Z-EM at least 60 days prior written notice. E-Z-EM shall deliver to AngioDynamics upon receipt of same (or as soon thereafter as practicable) any refunds or rebates received allocable to the AngioDynamics Employees for periods in which AngioDynamics participated in a Plan, in connection with the reduction in coverage under the E-Z-EM Plans.
- 5.9.2 Subject to Section 5.3.2, E-Z-EM may terminate AngioDynamics participation in an E-Z-EM Plan at any time if (i) AngioDynamics shall have failed to perform any of its material obligations under this Agreement relating to such E-Z-EM Plan, (ii) E-Z-EM has notified AngioDynamics in writing of such failure, and (iii) such failure shall have continued for a period of 30 days after receipt of AngioDynamics of notice of such failure. E-Z-EM agrees that after a failure by AngioDynamics to perform its obligations under this Section 5 and prior to exercising its termination rights under this Section 5, E-Z-EM will consult for a reasonable period with AngioDynamics in advance of such termination as to its implementation.
- 5.9.3 Effect of Termination. Other than as required by law, upon termination of the agreements under this Section 5 in accordance with its terms or the unilateral termination thereof by a party hereto, E-Z-EM will have no further obligation to include AngioDynamics or any of its personnel under the E-Z-EM Plans and AngioDynamics will have no obligation to pay any fees relating the E-Z-EM Plans or make any other payments hereunder; provided that notwithstanding such termination, but subject to the second sentence of Section 5.9.1, AngioDynamics shall remain liable to E-Z-EM for (i) out of pocket costs, fees, funding contributions and policy premiums incurred prior to the effective date of the termination, and (ii) administrative and program costs relating to benefits paid after but incurred prior to the termination of the obligations under this Section 5.

## 6 INDEMNIFICATION

- 6.1 Indemnification by AngioDynamics. AngioDynamics shall indemnify and hold harmless E-Z-EM and its officers, directors, stockholders, employees or other representatives (for each party, each such Person is sometimes referred to as an "Indemnified Person") from and against any losses, claims, damages or liabilities, joint and/or several (or actions in respect thereof) (collectively, "Claims"), to which E-Z-EM or such Indemnified Person may become subject arising out of or due to any of the following:
- 6.1.1 the failure of AngioDynamics to pay, perform or discharge in due course the liabilities, if any, assumed by AngioDynamics in connection with the Distribution or the separation from E-Z-EM;
- 6.1.2 the failure of AngioDynamics to comply with the terms of this Agreement or any of the Ancillary Agreements,
- 6.1.3 without limiting Section 6.1.2 above, the tax ramifications set forth in (i) through (iv) below (collectively, the "Adverse Tax Results"), if suffered by E-Z-EM and its stockholders, resulting primarily from action or inaction by AngioDynamics, its transfer agent(s) or any other agent or representative of AngioDynamics, to the extent E-Z-EM or its stockholders are adversely affected: (i) a gain being recognized (or an amount being included in the income of) the stockholders of E-Z-EM upon the receipt of AngioDynamics Common Stock in the Distribution; (ii) a gain or loss being recognized to E-Z-EM upon the completion of the Distribution; (iii) the failure of the basis of the AngioDynamics Common Stock and the E-Z-

EM Common Stock in the hands of the stockholders of E-Z-EM after the Distribution to be, in each instance, the same as the aggregate basis of the E-Z-EM stockholders in the E-Z-EM Common Stock immediately before the Distribution (allocated in proportion to the fair market value of each), and/or (iv) the failure of the holding period of the AngioDynamics Common Stock received by the stockholders of E-Z-EM as a result of the Distribution to include the holding period of the E-Z-EM Common Stock with respect to which the AngioDynamics Common Stock was received, provided that such E-Z-EM Common Stock is held as a capital asset on the date of the Distribution. Bases for AngioDynamics becoming obligated to indemnify and hold harmless the applicable Indemnified Persons include, without limitation, if (within the prescribed period under the Code) (y) a sufficient number of shares of AngioDynamics Common Stock is held by new stockholders such that there is a change in ownership of 50% or greater in either the voting power or value of AngioDynamics Common Stock (which may include changes in ownership occurring as a result of the Offering) under the Code, or (y) E-Z-EM's share ownership in AngioDynamics decreases below 80.0% and such decrease results in one of the Adverse Tax Results. E-Z-EM acknowledges that changes in the ownership of E-Z-EM Common Stock that cause such Adverse Tax Results shall not be events for which AngioDynamics shall be required to indemnify E-Z-EM or any Person deriving rights through E-Z-EM;

- 6.1.4 any investigating, preparing, pursuing or defending any Proceeding (as defined in Section 6.4) or investigation arising out of or in connection with the funding and other payment obligations of AngioDynamics under Section 5; provided that AngioDynamics will not be responsible for any damages of E-Z-EM or any E-Z-EM Indemnified Person that have resulted from his or its gross negligence or willful misconduct in connection therewith;
  - 6.1.5 any pre-Offering Credit Support Arrangements;
  - 6.1.6 the business operations of AngioDynamics prior to the Distribution in which E-Z-EM is a defendant solely because E-Z-EM was the sole stockholder of AngioDynamics;
  - 6.1.7 without duplication of Section 6.1.4, any Claims for which AngioDynamics is responsible under Section 7.3;
  - 6.1.8 Claims with respect to Intercompany Services provided under Section 8.1, to the extent that such Claims result from or are attributable to the gross negligence or willful misconduct of AngioDynamics;
  - 6.1.9 Claims under Section 3.4, to the permitted limited therein;
  - 6.1.10 any untrue statement of a material fact or material omission the IPO Registration Statement or any similar document relating to the Offering or the Distribution, other than information relating to E-Z-EM in the IPO Registration Statement; and
  - 6.1.11 any taxes, interest, fines, or penalties assessed by any Governmental Authority against E-Z-EM, plus any fees and expenses incurred by E-Z-EM in connection with any such assessment, as a result of AngioDynamic's failure to discharge its obligations under Section 4.7.
- 6.2 Indemnification by E-Z-EM. E-Z-EM shall indemnify and hold harmless AngioDynamics and its "Indemnified Persons" from and against any and all Claims suffered by AngioDynamics or such Indemnified Person arising out of or due to any of the following:

- 6.2.1 E-Z-EM's failure to pay, perform or discharge in due course E-Z-EM's liabilities that are not assumed by AngioDynamics in connection with the Distribution or the separation from AngioDynamics;
  - 6.2.2 any investigating, preparing, pursuing or defending any Claim or Proceeding arising out of the gross negligence or willful misconduct of E-Z-EM or any E-Z-EM Indemnified Person with respect to its obligations under Section 5;
  - 6.2.3 the occurrence of any Adverse Tax Results (as defined in Section 6.1.3 above) with respect to AngioDynamics or AngioDynamics' stockholders as a result of the action or inaction of E-Z-EM, including by way of example (i) transfers of E-Z-EM Common Stock and (ii) plans or agreements to which E-Z-EM is a party (other than the Distribution and plans and agreements to which AngioDynamics is a party) for the transfers of E-Z-EM Common Stock or AngioDynamics Common Stock;
  - 6.2.4 any Claims for which E-Z-EM is responsible under Section 7.3;
  - 6.2.5 Claims with respect to Intercompany Services provided under Section 8.1, to the extent that such Claims result from or are attributable to the gross negligence or willful misconduct of E-Z-EM;
  - 6.2.6 E-Z-EM's failure to comply with the terms of this Agreement or any of the other Ancillary Agreements; and
  - 6.2.7 any taxes, interest, fines, or penalties assessed by any Governmental Authority against AngioDynamics, plus any fees and expenses incurred by AngioDynamics in connection with any such assessment, as a result of the discharge by AngioDynamics of its obligations under Section 4.7.
- 6.3 Limitations upon Indemnification Provisions in this Agreement.
- 6.3.1 The indemnification obligations in Sections 6.1 and 6.2 are subject to the more specific indemnification obligations set forth in the Ancillary Agreements, including by way of example only Article 4 of the Corporate Agreement. To the extent that any indemnification obligation set forth herein is covered by or inconsistent with more specific provisions of one of the Ancillary Agreements, the indemnification obligations set forth in such Ancillary Agreement shall govern and this Agreement shall be interpreted so as to be consistent with the applicable Ancillary Agreement.
  - 6.3.2 All indemnification amounts will be reduced by any insurance proceeds and other offsetting amounts actually recovered by the party entitled to indemnification.
- 6.4 Procedure for Indemnification. Promptly after receipt by any Indemnified Person under Section 6.1 or Section 6.2 hereof of notice of the commencement of any action, claim or proceeding (each, a "Proceeding"), such Indemnified Person shall, if a Claim in respect thereof is sought against an AngioDynamics or E-Z-EM, respectively (for purposes of this Section 6.4, an "Indemnitor"), notify such Indemnitor in writing of the commencement thereof, but any omission or delay in notifying the Indemnitor shall not relieve it from any liability which it may have to any Indemnified Person except to the extent of any actual prejudice. In case any such action shall be brought against any Indemnified Person, it shall notify an Indemnitor of the commencement thereof, such Indemnitor shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other Indemnitor similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person, and, after notice from the Indemnitor to such Indemnified Person of its election so to assume the defense thereof, such Indemnitor shall not be liable to such Indemnified Person under this

Section 6 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such Indemnified Person, in connection with the defense thereof. No Indemnitor shall, without the prior written consent of the applicable Indemnified Person, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened Proceeding in respect of which indemnification may be sought hereunder (whether or not the Indemnified Person is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the Indemnified Person from all Claims arising out of such Proceeding and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnified Person. Notwithstanding the foregoing, an Indemnified Person shall have the right to employ separate counsel reasonably acceptable to the Indemnitor in any such proceeding and to participate in (but not control, other than with respect to (3) below) the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (1) the Indemnitor has agreed to pay such fees and expenses; (2) the Indemnitor shall have failed after notice to assume the defense of such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Person and the Indemnitor, and a conflict of interest may reasonably be expected to exist if such counsel represents such Indemnified Person and the Indemnitor. In the case of clause (3), the Indemnified Person shall have the right to control the Indemnified Person's defense and, for each of clauses (1)-(3), if such Indemnified Person notifies the Indemnitor in writing that it elects to employ separate counsel, the reasonable fees and expenses of such counsel shall be at the expense of the Indemnitor; provided, however, that the Indemnitor shall not, in connection with any one such Proceeding or separate but substantially similar or related Proceedings in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such Indemnified Persons. An Indemnitor shall not be liable for any settlement of an action effected without its written consent.

## 7 EMPLOYMENT MATTERS

Notwithstanding any other provision of this Agreement or any Ancillary Agreement to the contrary, E-Z-EM and AngioDynamics acknowledge and agree that:

- 7.1 Separate Employers. After the Payment Date, E-Z-EM and AngioDynamics will be separate and independent employers for all purposes. Except as otherwise provided in this Agreement or in any Ancillary Agreement and without in any way limiting Sections 4.1 and 4.2, the preceding sentence shall not, of itself, constitute a severance or a termination of employment under any Plan (including severance agreements) maintained by E-Z-EM or AngioDynamics, and to the maximum extent permitted by applicable law, no severance, separation or termination shall be deemed to occur by reason of the Distribution.
- 7.2 Employment Policies And Practices. Further to Section 5.1.6, E-Z-EM and AngioDynamics may adopt, continue, modify or terminate such employment policies, compensation practices, Employee Welfare Plans, and other plans or policies of any kind or description, as each may determine, in its sole discretion, are necessary and appropriate.
- 7.3 Claims.
  - 7.3.1 This Section 7.3 is intended to allocate all liabilities for employment-related claims involving E-Z-EM or AngioDynamics including, but not limited to, claims against either or both E-Z-EM and AngioDynamics and their respective officers, directors, agents and employees, or against or by their respective employee benefit plans and plan administrators and fiduciaries, except to the extent covered under Section 5 of this Agreement.

- 7.3.2 An employment-related claim shall include any actual or threatened lawsuit, arbitration, ERISA claim, or federal, state or local judicial or administrative proceeding of whatever kind involving a demand by or on behalf of or relating to E-Z-EM Employees or AngioDynamics Employees, or by or relating to any federal, state or local government agency alleging liability against E-Z-EM or AngioDynamics, or (except to the extent covered by Section 5 of this Agreement) against any employee health, welfare, deferred compensation or other benefit plan and/or their respective officers, directors, agents, employees, administrators, trustees and fiduciaries.
- 7.3.3 The duty of a party to indemnify, defend and hold harmless the other party under this Section 7.3 shall include such duties, and be subject to such procedures, as set forth in Section 6 of this Agreement, as modified in this Section 7.3.
- 7.3.4 With respect to pre-Distribution claims:
- 7.3.4.1 E-Z-EM shall indemnify, defend and hold harmless AngioDynamics from any employment-related claims of an E-Z-EM Employee arising from acts occurring before the Payment Date.
- 7.3.4.2 AngioDynamics shall indemnify, defend and hold harmless E-Z-EM from any employment-related claims of a AngioDynamics Employee arising from acts before the Payment Date.
- 7.3.5 Where employment-related claims alleging or involving joint and several liability asserted against E-Z-EM and AngioDynamics are not separately traceable to liabilities relating to E-Z-EM Employees or AngioDynamics Employees, any liability shall be apportioned between E-Z-EM and AngioDynamics in accordance with the percentage that each party's Employees represents of the combined total number of Employees of both parties, as described below. The percentage of the liability assumed by E-Z-EM shall equal the ratio of (i) the total number of E-Z-EM Employees on the Distribution Date to (ii) the combined total number of E-Z-EM Employees and AngioDynamics Employees on such date. The percentage of the liability assumed by AngioDynamics shall equal the ratio of (i) the total number of AngioDynamics Employees on the Distribution Date, to (ii) the combined total number of E-Z-EM Employees and AngioDynamics Employees on such date. Each party will indemnify, defend and hold harmless the other to the extent of the indemnifying party's apportioned percentage determined in accordance herewith.
- 7.3.6 Employment related claims arising from acts occurring on and after the Payment Date and not relating to, arising from, or in connection with the Distribution will be the sole responsibility of E-Z-EM as to E-Z-EM Employees and of AngioDynamics as to AngioDynamics Employees and each will indemnify, defend, and hold harmless the other from employment-related claims of the other company.

## 8 SERVICES AGREEMENT

- 8.1 Intercompany Services and Intercompany Charges. Legal, professional, administrative, clerical, consulting and/or support services (the "Intercompany Services") provided to one party by personnel of the other party, upon the request of the first party or when such services are otherwise required by this Agreement, shall be charged to the party receiving such services on terms that reflect arm's length negotiation (the "Intercompany Charges").
- 8.1.1 The parties acknowledge and agree that the Intercompany Services and the Intercompany Charges are expected to be those set forth on Exhibit C, but that Exhibit C is neither binding (except where the Intercompany Charges are set forth as a fixed percentage) nor reflective of



additional services (or their cost) that may be provided as mutually agreed by the persons named or described therein.

8.1.2 With respect to the amounts on Exhibit C relating to payments to Howard Stern, AngioDynamics hereby assumes E-Z-EM's payment obligations under E-Z-EM's agreement with Howard Stern dated as of January 1, 2002, to the extent set forth on Exhibit C, and only from the date hereof through December 2004, as indicated in the right-most column of Exhibit C.

8.2 Payment. E-Z-EM and AngioDynamics agree to pay the amount invoiced by the other (absent manifest error) for the Intercompany Services within ten (10) days of the end of the month in which the respective Intercompany Services are provided. With respect to those Intercompany Costs that are ascertainable in advance or remain relatively constant, such as contributions for the respective salaries and benefits set forth on Exhibit C, the parties agree to negotiate in good faith a more frequent payment schedule if requested by the party who employs or has engaged the personnel providing such Intercompany Services.

8.3 Termination. The obligation to perform the Intercompany Services shall terminate on December 31, 2004; provided that (i) in the case of a payment default, the party providing the applicable Intercompany Services may terminate providing same upon 15 days prior written notice (unless such payment default is cured within such 15-day period) and (ii) nothing set forth in this Section 8 shall require either party use or pay for Intercompany Services from the other. The payment obligations under Section 8.2 and the applicable indemnification obligations under Section 6 shall survive any termination of the obligations under this Section 8.

8.4 Return of Property. Upon the termination of the parties' obligations under this Section 8, each party shall return to the other any and all items of the other's property, if any, utilized in performing the services contemplated above.

8.5 Limitation on Applicability. This Section 8 shall not apply to (i) manufacturing or production services provided by AngioDynamics to E-Z-EM, which shall be governed by Section 3.4 of this Agreement, (ii) Benefit Services (which shall be governed by Section 5), (iii) tax allocations and any related services covered in the Tax Agreement, and (iv) any other services specifically covered in another provision of this Agreement or an Ancillary Agreement.

## 9 MISCELLANEOUS

9.1 Entire Agreement. This Agreement, the Ancillary Agreements and the Exhibits and Schedules referenced or attached hereto and thereto, constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings, negotiations, discussions, writings, commitments and conversations with respect to the subject matter hereof and thereof, and there are no agreements or understandings between the parties other than those set forth or referred to herein or therein.

9.2 Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to any conflict of laws principles). The parties hereto unconditionally and irrevocably agree and consent to the exclusive jurisdiction of the United States District Court and the courts of the State of New York located in the County of New York, State of New York, and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby and further agree not to commence any such action, suit or proceeding except in any such court. Each party irrevocably waives any objections or immunities to jurisdiction to which it may otherwise be entitled or become entitled (including sovereign immunity,

immunity to pre-judgment attachment, post-judgment attachment and execution) in any legal suit, action or proceeding against it arising out of or relating to this Agreement or the transactions contemplated hereby which is instituted in any such court.

9.3 Termination. Notwithstanding the specific termination provisions in any Section hereof, this Agreement and all Ancillary Agreements may be terminated at any time prior to the sale of shares of AngioDynamics Common Stock to the underwriters in the Offering by and in the sole discretion of E-Z-EM without the approval of either AngioDynamics or the stockholders of E-Z-EM. Thereafter, this Agreement may only be terminated in a written agreement executed by AngioDynamics and E-Z-EM, although portions of this Agreement may be terminated unilaterally as specifically provided in such sections. In the event of termination pursuant to this Section 9.3, no party shall have any liability of any kind to the other party or any other Person, except to the extent agreed herein, in the Ancillary Agreements or otherwise by the parties.

9.4 Notices. All notices and other communications required or permitted to be given by either party pursuant to the terms of this Agreement shall be in writing to and shall be deemed to have been duly given when delivered in person, by express or overnight mail delivery by a nationally recognized courier (delivery charges prepaid), or by registered or certified mail (postage prepaid, return receipt requested), as follows:

if to E-Z-EM:

1111 Marcus Avenue, Suite LL-26  
Lake Success, NY 11042  
Attention: General Counsel

if to AngioDynamics:

603 Queensbury Avenue  
Queensbury, New York 12804  
Attention: Chief Executive Officer

or to such other address as the party to whom notice is given may have previously furnished to the other in writing in the manner set forth above. All notices and other communication shall be deemed to have been given and received on the date of actual delivery.

9.5 Counterparts. This Agreement and each Ancillary Agreement, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

9.6 Binding Effect; Assignment; Third-Party Beneficiaries. AngioDynamics may not, directly or indirectly, in whole or in part, whether by operation of Law or otherwise, assign or transfer this Agreement or its rights hereunder, without E-Z-EM's prior written consent and, except as otherwise permitted hereby, any attempted assignment, transfer or delegation without such prior written consent shall be voidable at the sole option of E-Z-EM. Nothing in this Agreement shall restrict any transfer of this Agreement by E-Z-EM, whether by operation of Law or otherwise, in connection with a transfer of AngioDynamics Common Stock in a non-public transaction; otherwise, the prior written consent of AngioDynamics shall be required. Without limiting the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their permitted successors and assigns. Except for Indemnified Persons (who are intended third party beneficiaries of this Agreement, but solely to the extent set forth in Section 6) and as otherwise expressly provided herein, this Agreement shall be binding upon and inure solely to the benefit of each party hereto and its legal representatives and successors and assigns and nothing in this Agreement, express or implied, is intended to confer

upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

- 9.7 Severability. If any term or other provision of this Agreement is determined by a court or administrative agency of competent jurisdiction or arbitrator in any binding arbitration, to be invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.
- 9.8 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Exhibits attached hereto (and under the Ancillary Agreements and the Schedules and Exhibits thereto) are cumulative to, and not exclusive of, any rights or remedies otherwise available.
- 9.9 Amendment. This Agreement may not be amended by any custom of trade, course of dealing or otherwise, except by an instrument in writing signed on behalf of each of the parties to such agreement.
- 9.10 Authority. Each of the parties hereto represents to the other that (a) it has the requisite corporate power and authority to execute, deliver and perform this Agreement and each Ancillary Agreement, (b) the execution, delivery and performance by it of this Agreement and each Ancillary Agreement have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement and each Ancillary Agreement, and (d) this Agreement and each Ancillary Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights generally and general equity principles.
- 9.11 Conflicting Agreements. In the event of conflict between this Agreement and any Ancillary Agreement or other agreement executed in connection herewith, the provisions of this Agreement shall prevail. However, to the extent that any Ancillary Agreement addresses an issue more specifically than such issue is addressed herein, the terms of such Ancillary Agreement shall prevail to the extent they are not in conflict with this Agreement.
- 9.12 Specific Performance and Other Equitable Rights. Each of the parties hereto recognizes and acknowledges that a breach by a party or by any assignee thereof of any covenants or other commitments contained in this Agreement will cause the other party to sustain injury for which it would not have an adequate remedy at law for money damages. Therefore, each of the parties hereto agrees that in the event of any such breach, the aggrieved party shall be entitled to the remedy of injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity, and the parties hereto further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.
- 9.13 Attorney-Client Privilege. The provisions herein requiring either party to this Agreement to cooperate shall not be deemed to be a waiver of the attorney/client privilege for either party or shall it require either party to waive its attorney/client privilege.

9.14 Independent Status. The relationship of AngioDynamics and E-Z-EM hereunder with respect to manufacturing (Section 3.4), distribution (Section 3.5) and other services hereunder (including without limitation Section 8) shall be that of independent contractors. Nothing in this Agreement with respect to services is intended to, or shall be construed to constitute E-Z-EM or any of E-Z-EM's employees, salespersons or agents, an agent, employee or partner of AngioDynamics (and vice-versa), except to the extent an agent for purposes of sales and marketing purposes.

## 10 DEFINITIONS

10.1 Interpretation. The headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule or Exhibit but not otherwise defined therein shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to a Section, Exhibit or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. Any reference in this Agreement to another agreement or instrument shall be deemed to include such agreement or instrument as it may be amended, modified, restated and/or supplemented from time to time. References in this Agreement to any legislation (including for purposes of (i) below rules and regulations) shall be deemed to include, unless the context indicates to the contrary, (i) any amendments or supplemental or substitute legislation from time to time, and (ii) any "rules or regulations" promulgated under such legislation. References to the plural shall also be deemed to be a reference to the singular, and vice-versa, as the context may dictate.

10.2 As used herein, the following terms have the respective definitions set forth below:

"401(k) Retirement Plan" means a defined contribution plan maintained pursuant to Section 401(k) or 401(a) of the Code for Employees and their beneficiaries.

"Acquiror" has the meaning set forth in Section 3.9.3

"Adjusted E-Z-EM Option" means an Existing E-Z-EM Option adjusted in the manner set forth in Section 4.

"Affiliate" or "Affiliates" as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with that Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

"Ancillary Agreements" has the meaning set forth in Section 1.2 hereof.

"AngioDynamics Adjustment Plans" means, collectively, any (i) non-plan grants and/or (ii) stock option plans (which shall be deemed to include "mirror plans" and AngioDynamics 2004 Stock and Incentive Award Plan) to be adopted by AngioDynamics in furtherance of Section 4.3 hereof, to enable AngioDynamics to grant options to purchase AngioDynamics Common Stock to the holders of Existing E-Z-EM Options granted under the E-Z-EM Option Plans. For greater certainty, each AngioDynamics Adjustment Plan will "mirror" the material provisions of the corresponding E-Z-EM Option Plan or related Existing E-Z-EM Option, except that each AngioDynamics Adjustment Plan will provide that: (i) the Distribution will not be deemed a "termination" of the employment of any E-Z-EM Employee for the purposes of the Plan, (ii) following the Distribution, termination of employment of any E-Z-EM Employee for the purposes of the Plan will be determined by reference to employment by E-Z-EM or any of its subsidiaries, and (iii) the expiration date of such option shall be modified as set forth in Section 4.6 hereof.

"AngioDynamics Business" means the business of AngioDynamics as conducted consistent with practices in place prior to the Distribution Date and as expected to be conducted in the future (as described in the IPO Registration Statement).

"AngioDynamics Option" means an option to acquire AngioDynamics Common Stock granted under any currently existing Plans of AngioDynamics, the AngioDynamics Adjustment Plans or any non-plan grant.

"AngioDynamics Plan Commencement Date" has the meaning set forth in Section 5.1.4.

"Benefits Services" has the meaning ascribed thereto in Section 5.2.2.

"Business Day" means a day other than a Saturday, a Sunday or a day on which banking institutions located in the State of New York are authorized or obligated by Law or executive order to close.

"Code" has the meaning set forth in the Recitals hereof.

"Commission" has the meaning set forth in the Recitals hereof.

"Confidential Information" shall mean:

(a) all information concerning a party and its business constituting a trade secret, except for such information as is described below, whether or not reduced to writing, marked as confidential, patentable or protectible by copyright, patent or trademark, that the other Party receives or receives access to, directly or indirectly, including, without limitation:

(i) financial information relating to a Party;

(ii) application, operating system, data base, communication and other computer software, whether now or hereafter existing, all modifications, enhancements and versions and all options available with respect thereto, and all future products developed or derived therefrom;

(iii) source and object codes, flowcharts, algorithms, coding sheets, routines, sub-routines, compilers, assemblers, design concepts and related documentation and manuals;

(iv) processes, marketing techniques and arrangements, mailing lists, purchasing information, pricing policies, quoting procedures, customer and prospect names and requirements, employee, customer, supplier and distributor data and other materials or information relating to the party's business and activities and the manner in which the party does business;

(v) discoveries, concepts, and ideas including, without limitation, the nature and results of research and development activities, processes, formulas, formulations, protocols, inventions, computer-related equipment or technology, techniques, data, "know-how", designs, drawings, prototypes, diagrams, schematics, descriptions, trade secrets, records, proposals, reports and methods and specifications;

(vi) any other materials or information related to the business or activities of the party that are not generally known to others engaged in similar businesses or activities; and

(vii) all ideas that are derived from or relate to the other party's access to or knowledge of any of the above enumerated materials and information.

(b) For purposes of this Agreement, the term "Confidential Information" shall not include information that is disclosed pursuant to the order of a court or Governmental Authority having competent jurisdiction, or that becomes publicly available without breach of either (i) this Agreement or (ii) any other agreement or instrument to which the applicable party is a party or a beneficiary; provided, however, that each party hereby acknowledges and agrees that if it shall seek to disclose, divulge, reveal, report, publish, transfer or use, for any purpose whatsoever, any Confidential Information, it shall bear the burden of proving that any such information has become publicly available without any such breach.

"Credit Support Arrangements " has the meaning set forth in Section 3.1 hereof.

"Distribution" has the meaning set forth in the Recitals hereof.

"Distribution Agent" has the meaning set forth in Section 2.1.1 hereof.

"Distribution Date" means the date as so determined by E-Z-EM in its sole and absolute discretion in accordance with Section 2 hereof on which the Distribution is declared (which date shall not necessarily be the same as the Payment Date).

"E-Z-EM Board" has the meaning set forth in the Recitals hereof.

"E-Z-EM Business" means the development, manufacture, and marketing of medical products used by radiologists, gastroenterologists and speech language pathologists for diagnostic imaging of diseases and disorders of the GI tract, as well as manufacturing barium sulfate suspensions, defense decontaminants, mining of barium sulfate, and acting as distributors for E-Z-EM's gastrointestinal products, but in no case may the E-Z-EM Business include any such activities if related to the AngioDynamics Business.

"E-Z-EM Common Stock" has the meaning set forth in the Recitals hereof.

"E-Z-EM Group" means E-Z-EM and each Subsidiary and Affiliate of E-Z-EM immediately after the Distribution Date and each Person that becomes a Subsidiary or an Affiliate of E-Z-EM (other than AngioDynamics and its Subsidiaries, if any) after the Distribution Date.

"E-Z-EM Option Plans" means the stock option plans currently in effect for E-Z-EM.

"E-Z-EM Plans" means (i) with the exceptions of the AngioDynamics Plans referred to in the first sentence of Section 5.1.2, every plan, policy, arrangement, contract or agreement providing compensation or benefits for any group of Employees or for any individual Employee or the dependents or beneficiaries of any such Employee, including without limitation Employee Welfare Plans, whether formal or informal or written or unwritten, and including, without limitation, any means, whether or not legally required, pursuant to which any benefit is provided by an employer to any Employee or the beneficiaries of any such Employee, and (ii) to the extent the context does not indicate to the contrary, other insurance policies currently in effect insuring E-Z-EM and AngioDynamics and their employees, directors and officers, including without limitation (A) directors and officers insurance and any other "fiduciary"-based insurance policies, (B) product liability insurance, (C) property (real or personal) insurance, and (D) business, casualty, general and/or umbrella liability insurance policies. The term "Plan" as used in this Agreement does not include any contract, agreement or understanding entered into by E-Z-EM or AngioDynamics relating to settlement of actual or potential employee-related litigation claims.

"Employee" means an individual who, on the Payment Date, is identified as being in any of the following categories.

E-Z-EM Categories of Employees (which shall for all purposes exclude AngioDynamics Employees):

(i) E-Z-EM Terminee. Any individual formerly employed in the E-Z-EM Business whose employment was terminated prior to the Payment Date.

(ii) E-Z-EM Employee. Any individual who is an Employee of E-Z-EM on the Payment Date.

AngioDynamics Categories of Employees:

(i) AngioDynamics Terminee. Any individual formerly employed in the AngioDynamics Business whose employment was terminated prior to the Payment Date.

(ii) AngioDynamics Employee. Any individual who is an Employee of AngioDynamics on the Payment Date.

"Employee Welfare Plans" means any Plan that provides medical, health, disability, accident, life insurance, death, dental or any other welfare benefit, including, without limitation, any post-employment benefit.

"Equity Securities" means all classes of equity securities of AngioDynamics, and any options, instruments or other securities of AngioDynamics or any other issuer exercisable for, convertible into or exchangeable for AngioDynamics' equity securities.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Exchange Act" means the Securities and Exchange Act of 1934.

"Exchange Act Registration Statement" shall have the meaning set forth in Section 2.2.1.

"Existing Authority" has the meaning set forth in Section 3.8 hereof.

"Existing E-Z-EM Stock Option" means each unexercised option to purchase E-Z-EM Common Stock outstanding as of the Record Date, issued pursuant to any of the E-Z-EM Option Plans or non-plan grant.

"Governmental Approvals" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

"Governmental Authority" shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority.

"Indemnified Person" has the meaning set forth in Section 6.1.

"Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, audit work papers, work papers from internal audits, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"Information Package" has the meaning set forth in Section 2.2.1 hereof.

"Intercompany Services" and "Intercompany Charges" shall have the meaning set forth in Section 8.1.

"Law" means any applicable federal, state, local or foreign law, statute, ordinance, directive, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Authority.

"IPO Registration Statement" has the meaning set forth in the Recitals hereof.

"Nasdaq" means the Nasdaq National Market of the Nasdaq Stock Market, Inc.

"Payment Date" means the date of the delivery date of the AngioDynamics Common Stock distributed in the Distribution.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Plan Payment Date" has the meaning ascribed thereto in Section 5.3.1.

"Prohibited Activities" has the meaning set forth in Section 3.9.1 hereof.

"Record Date" means the close of business on the date to be determined by the E-Z-EM Board as the record date for determining the shareholders of E-Z-EM entitled to receive shares of AngioDynamics Common Stock pursuant to a pro-rata distribution of shares of AngioDynamics Common Stock as part of the Distribution.

"Service Credit" means the period taken into account under any Plan for purposes of determining length of service or plan participation to satisfy eligibility, vesting, benefit accrual and similar requirements under such Plan.

"Subsidiary" means with respect to any specified Person, corporation, limited liability company, partnership or other legal entity of which such Person or its Subsidiaries owns, directly or indirectly, more than 50% of the stock or other equity interest entitled to vote on the election of the members of the board of directors or similar governing body.

"Tax Agreement" has the meaning set forth in Section 1.2.1 hereof.

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IN WITNESS WHEREOF, the parties hereto have signed this Distribution Agreement effective as of the date first set forth above.

E-Z-EM, INC

ANGIODYNAMICS, INC.

By: \_\_\_\_\_  
Name: Anthony Lombardo  
President and Chief  
Executive Officer

By: \_\_\_\_\_  
Name: Eamonn Hobbs  
President and Chief  
Executive Officer

EXHIBIT C

Intercompany Services and Intercompany Charges

		MONTHLY (EST.) -----	Termination -----
E-Z-EM CHARGES TO			
ANGIODYNAMICS			
- - - - -	%	\$	
Financial Consulting Services	20%	4,600	Fiscal year end - May 29, 2004
Accounting - Salary plus benefits		1,300	Fiscal year end - May 29, 2004
Howard S. Stern - Consulting	35%	7,300	December 31, 2004
Howard S. Stern - Expenses	35%	2,300	December 31, 2004
Foreign Sales Management	45%	6,300	December 31, 2004
In-house Legal	40%	8,400	Fiscal year end - May 29, 2004
		-----	
		\$30,200	
Commissions (Foreign Sales of AngioDynamics Products)	100%		December 31, 2004
Miscellaneous Invoices		(de minimis)	
ANGIODYNAMICS			
(NON-MANUFACTURING)			
CHARGES TO E-Z-EM			
- - - - -			
Miscellaneous Invoices		(de minimis)	

TAX ALLOCATION AND INDEMNIFICATION AGREEMENT

TAX ALLOCATION AND INDEMNIFICATION AGREEMENT (this "Agreement") dated as of \_\_\_\_\_, 2004, among E-Z-EM, INC. ("E-Z-EM"), a Delaware corporation, and ANGIODYNAMICS, INC. ("AngioDynamics"), a Delaware corporation, and the direct and indirect subsidiaries of E-Z-EM other than AngioDynamics (the "Remaining Subsidiaries").

WHEREAS, the parties to this Agreement are currently members ("Members") of an affiliated group (the "Group") within the meaning of Section 1504(a) of the Internal Revenue Code of 1986 (the "Code"), of which E-Z-EM is the common parent;

WHEREAS, E-Z-EM, as the common parent of the Group, has filed and will file consolidated federal income tax returns ("Group Tax Returns") and other tax returns on behalf of the Group for certain periods relevant hereto;

WHEREAS, as a result of the proposed distribution by E-Z-EM of its entire stockholdings in AngioDynamics to the E-Z-EM shareholders in a transaction intended to qualify as a tax-free spin-off under section 355 of the Internal Revenue Code (the "Distribution"), AngioDynamics and its subsidiaries will cease to be Members of the Group as of the end of the closing date of the proposed Distribution (the "Distribution Date");

WHEREAS, Members of the Group may be subject to state income and franchise tax liabilities on a combined or consolidated basis for periods both before and after the aforementioned transactions; and

WHEREAS, E-Z-EM and its Remaining Subsidiaries (the "E-Z-EM Subgroup" as constituted following the Distribution) and AngioDynamics and its subsidiaries (the "AngioDynamics Subgroup" as constituted following the Distribution) desire to set forth their rights and obligations with respect to certain tax liabilities.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

1. Applicable Period; Tax Period. For purposes of this Agreement, the term "Applicable Period" shall refer to the period June 1, 2003 through the date on which AngioDynamics ceases to be a Member of the Group. The term "Tax Period" shall refer to all taxable periods beginning or ending in the Applicable Period.

2. Return Filing Responsibilities.

a. E-Z-EM shall be responsible for preparing and filing the Group Tax Returns for the 2003 and 2004 taxable years (taxable years ended May 29, 2004 and May

28, 2005, respectively) in a manner which fairly reflects the interests of AngioDynamics. AngioDynamics will be responsible for providing to E-Z-EM, by no later than 75 days prior to the extended due date for filing each Tax Return, the information relating to the AngioDynamics Subgroup which is needed for the preparation of such return. Such information shall include the general ledger and audit file for AngioDynamics. The information so provided will be included in the Group Tax Return without modification, provided that positions taken by the AngioDynamics Subgroup have a realistic possibility of being sustained on their merits. AngioDynamics will determine the items of income, gain, loss, deduction and credit of the AngioDynamics Subgroup to be included on the Group Tax Return for taxable year in which Angio Dynamics ceases to be a member of the Group by using the "ratable allocation" method described in Treas. Reg. ss. 1.1502-76(b)(2)(ii). AngioDynamics shall provide such assistance and documents, without charge, as may reasonably be requested by E-Z-EM in the preparation of the 2003 and 2004 Group Tax Returns. E-Z-EM shall commission an earnings and profits allocation study by an outside consultant, in accordance with Treas. Reg. ss. 1.312-10, and AngioDynamics shall provide whatever information is necessary to complete the study and shall bear 50 percent of the cost of the study. E-Z-EM shall provide to AngioDynamics a copy of each Group Tax Return as filed for each Tax Period. In the event of a dispute between the parties regarding the treatment of a particular item relating to the AngioDynamics Subgroup on the 2003 or 2004 Group Tax Return, the issue will be submitted to the law firm of Caplin & Drysdale, whose decision shall be binding on both parties.

b. All Group Tax Returns filed after the date of this Agreement, in the absence of a controlling change in law or circumstances, shall be prepared on a basis consistent with the elections, accounting methods, conventions and principles of taxation used for the most recent taxable periods for which Group Tax Returns have been filed, and in a manner that does not unreasonably accelerate deductions or defer income to the advantage of one Subgroup and corresponding disadvantage of the other Subgroup.

3. Group Tax Liability; Group AMT Liability. For purposes of this Agreement, the term "Group Tax Liability" shall mean the consolidated Federal income tax liability, if any, reported on the Group Tax Return (as adjusted under Section 8 of this Agreement). For purposes of this Agreement, the term "Group AMT Liability" shall mean the alternative minimum tax liability under Section 55 of the Code, if any, reported on the Group Tax Return (as adjusted under Section 8 of this Agreement).

4. Allocation of Group Tax Liability to Members. The Group Tax Liability for each Tax Period shall be allocated among the Members as provided in this Section 4.

a. The separate Federal income tax liability of each Member with Federal income tax liability for each Tax Period shall first be ascertained under the applicable provisions of the Code and the Consolidated Return Regulations. Any gain or loss that is treated as recognized by one or more members of an affiliated group under the Internal Revenue Code and regulations shall be treated as attributable to that member for purposes of

this Agreement. In computing the Federal income tax liability of each Member having taxable income on a separate return basis (a "Profit Member") (i) the surtax exemption to which the Group as a whole is entitled shall be apportioned among the Profit Members in proportion to their respective separate taxable incomes, and (ii) the consolidated research and development credit ("R&D Credit") to which the Group as a whole is entitled shall be apportioned among the Profit and Loss Members in proportion to their respective qualified research and development expenditures for the taxable year.

b. The separate Federal income tax liabilities of all of the Profit Members computed under Section 4(a) for each Tax Period shall then be aggregated into a single sum.

c. Each Profit Member shall then be allocated a portion of the Group Tax Liability, if any, for each Tax Period equal to the product of (i) the Group Tax Liability for such Tax Period and (ii) a fraction, the numerator of which is the separate Federal income tax liability of such Profit Member for such Tax Period determined under Section 4(a) and the denominator of which is the aggregate sum for such Tax Period determined under Section 4(b).

d. The portion of the Group Tax Liability allocated in the manner described in this Section 4 to the AngioDynamics Subgroup shall be a joint and several liability of each member of the AngioDynamics Subgroup to E-Z-EM.

5. Allocation of Group AMT Liability to Members. The Group AMT Liability, if any, for each Tax Period shall be allocated among the Members as provided in this Section 5:

a. The separate alternative minimum tax liability of each Member with positive separate alternative minimum taxable income (an "AMT Member") shall be computed under Section 55(a) of the Code, after first apportioning the exemption amount under Section 55(d)(2) of the Code (as adjusted under Section 55(d)(3)(A) of the Code) among the AMT Members in proportion to their respective separate alternative minimum taxable incomes.

b. The separate AMT tax liability of each AMT Member determined under Section 5(a) shall be aggregated into a single sum.

c. Each AMT Member shall then be allocated a portion of the Group AMT Liability for each Tax Period equal to the product of (i) such Group AMT Liability and (ii) a fraction, the numerator of which is the separate AMT tax liability of such AMT Member determined under Section 5(a) and the denominator of which is the aggregate sum determined under Section 5(b).

d. The portion of the Group AMT Liability allocated in the manner described in this Section 5 to the AngioDynamics Subgroup shall be a joint and several liability of each member of the AngioDynamics Subgroup to E-Z-EM.

6. Payment of Allocable Tax Liability. Section 4 and Section 5 are intended to allocate liability for the payment of the Group Tax Liability and any Group AMT Liability for each Tax Period to the AngioDynamics Subgroup in proportion to their respective contributions to such liabilities. The amounts allocated in this manner shall be a joint and several liability of the members of the AngioDynamics Subgroup enforceable by E-Z-EM and the remaining Members of its Group under the terms of this Agreement, and requiring the AngioDynamics Subgroup promptly to transmit payment in the amount of the allocation to E-Z-EM in a timely manner so that such payment may be included with the filing of the Group Tax Return for such Tax Period. The members of the AngioDynamics Subgroup shall be jointly and severally liable for any interest or penalties resulting from their failure to tender such payments timely. Notwithstanding the foregoing, the AngioDynamics Subgroup shall pay their allocable share of estimated Federal income taxes (including estimated alternative minimum taxes) to E-Z-EM in a timely manner, and provide to E-Z-EM the information relating to the AngioDynamics Subgroup that is needed for the determination of the Group's estimated Federal income tax payments, so that E-Z-EM may timely make such payments during each Tax Period. The amount of any payment for taxes owed by any Profit Member or AMT Member to E-Z-EM shall be net of any estimated income or alternative minimum taxes, as the case may be, paid by such Member with respect to the particular Tax Period. E-Z-EM shall promptly provide AngioDynamics with evidence of the timely payment of each Group Tax Liability, Group AMT Liability and estimated tax liability.

7. Payments to Loss Members.

a. In addition to the allocations set forth above with respect to the Group Tax Return for each Tax Period, each Profit Member for such Tax Period shall also be allocated an amount equal to the difference between (i) the federal income tax liability that would have been due on the Profit Member's separate taxable income under Section 4(a) or 5(a), as the case may be, if such party had filed a separate tax return for such Tax Period and (ii) the tax amount allocated to it under Section 4(c) or 5(c), as the case may be, (the "Additional Allocation").

b. A portion of the Additional Allocation determined under Section 7(a) with respect to each Profit Member shall be a liability of that Profit Member to each Member generating a net operating loss ("NOL") in the particular Tax Period (the "Loss Member") in an amount equal to the product of (i) the Additional Allocation and (ii) a fraction the numerator of which is such Loss Member's NOL (including NOLs carried forward from prior periods) actually used in computing the Group Tax Liability plus the taxable income equivalent of the consolidated R&D credit allocated to such Loss Member under Section 4(a)(ii) and the denominator of which is the total NOLs and consolidated R&D credits of all the Loss Members actually used in computing the Group Tax Liability.

c. The amounts allocated to the AngioDynamics Subgroup under Sections 7(a) and 7(b) shall be netted against each other and, (i) to the extent that it results in a net payment liability, shall be paid by AngioDynamics to E-Z-EM, and (ii) to the extent that it results in a net amount receivable, shall be paid by E-Z-EM to AngioDynamics. The appropriate liability or receivable, as the case may be, shall be paid within 45 days after the filing of the Group Tax Return for the particular Tax Period and shall be a joint and several liability of each Profit Member of the E-Z-EM Subgroup or of the AngioDynamics Subgroup, as the case may be.

8. Audits and Other Adjustments.

a. Any increase in, or reduction of, the Group Tax Liability as a result of any (i) filing of an amended return or claim for refund, (ii) final determination or settlement with the Internal Revenue Service (the "IRS"), or (iii) court decision, relating to a Group Tax Return for any taxable period ending prior to the Applicable Period or for any Tax Period shall be allocated among the E-Z-EM Subgroup and the AngioDynamics Subgroup under the apportionment methods described in Sections 4, 5 and 7, plus any allocable interest and penalties.

b. If an amended return or claim for refund is filed by the E-Z-EM Subgroup or the AngioDynamics Subgroup as a result of a net operating loss carryback or capital loss carryback from a taxable period commencing after AngioDynamics ceases to be a member of the Group to any Tax Period or any taxable period prior to the Applicable Period, and such amended return or claim for refund results in a reduction in the Group Tax Liability, then the Subgroup which filed the amended return or claim for refund shall be entitled to the entire refund (including any interest thereon) resulting from such reduction. If, however, as a result of any subsequent determination, settlement or court decision, there is an increase in such Group Tax Liability, then the increase shall be allocated first to the party which obtained the refund up to the amount of the refund of tax, and then to both Subgroups in accordance with Section 8a.

9. Conduct of Disputes. If E-Z-EM as common parent of the Group receives notice of any audit or other examination by the IRS of any Group Tax Return involving any taxable period ending prior to the Applicable Period or any Tax Period, E-Z-EM shall promptly notify AngioDynamics of such audit or examination. E-Z-EM shall, at its option upon timely notice to AngioDynamics, control the conduct of any audit and the defense of any suit, action or proceeding resulting therefrom. E-Z-EM shall consult with AngioDynamics with respect to the conduct of any audit and the defense of any suit, action or proceeding resulting therefrom relating to the tax liability of the AngioDynamics Subgroup as determined under Sections 4, 5 and 7. Each party will cooperate with the other in these proceedings and provide such assistance and documents, without charge, as may reasonably be requested by the other party for such purpose.

10. Certain Post-Applicable Period Returns. For any taxable year in which the federal income tax liability of the AngioDynamics Subgroup is not reported on the same tax return as that of E-Z-EM the person or persons preparing the returns and representing the taxpayers in any examination or appeal shall do so in a manner which fairly reflects the interests of all taxpaying entities.

11. State and Local Income and Franchise Taxes.

a. In the case of any taxable year for which a consolidated income or franchise tax return is filed with any state or local jurisdiction, which return includes any member of the AngioDynamics Subgroup, AngioDynamics shall pay to E-Z-EM the proportionate share of any taxes reported on such return attributable to the AngioDynamics Subgroup computed in a manner consistent with the principles set forth in Sections 4, 5 and 7 of this Agreement. The principles set forth in Sections 1 through 10 shall also be applicable to state and local income and franchise tax returns.

b. If the state income or franchise tax liability of E-Z-EM or any one or more of its Remaining Subsidiaries is determined by reference to the income, loss, assets, expenses, or activities of any member of the AngioDynamics Subgroup:

(i) AngioDynamics shall cause a payment to be made to E-Z-EM equal to the amount, if any, by which the State tax liability of the E-Z-EM Subgroup (determined on a with and without basis) is increased because of the income, loss, assets, expenses, or activities of that member or members of the AngioDynamics Subgroup;

(ii) E-Z-EM shall cause a payment to be made to AngioDynamics equal to the amount, if any, by which the State tax liability of the E-Z-EM Subgroup (determined on a with and without basis) is reduced because of the income, loss, assets, expenses, or activities of that member or members of the AngioDynamics Subgroup; and

(iii) Such payments shall be adjusted to reflect any examination adjustments or amended returns consistent with the principles set forth in Section 8.

c. Principles similar to those set forth in Section 11(b) shall apply if the state income or franchise tax liability of any member of the AngioDynamics Subgroup is determined by reference to the income, loss, assets, expenses, or activities of E-Z-EM or one or more of its Remaining Subsidiaries.

d. No state income or franchise tax return or report shall be made on a basis that combines or consolidates the income of any member of the AngioDynamics Subgroup with any member of the E-Z-EM Subgroup unless such combined reporting has been approved by the boards of directors of both E-Z-EM and AngioDynamics or has been



determined to be required by the taxing authority of the state in which such return or report is filed.

e. AngioDynamics agrees to pay all state taxes that arise from the transfer of assets of the AngioDynamics Subgroup in connection with the proposed distribution or sale.

12. Indemnification. Each party shall pay and be responsible for, and shall indemnify, defend and hold harmless all other parties to this Agreement from and against all liabilities allocated to it under this Agreement. Nothing herein shall be construed to create a claim by one party against the other for reimbursement of any type of tax covered by this agreement for any taxable period which is outside of the Applicable Period or is not a Tax Period within the meaning of Section 1. If any party pays or has paid any Group Tax Liability or state or local income or franchise tax liability for which another party to this Agreement is or becomes liable pursuant to the terms of this Agreement, appropriate reimbursement shall be made no later than 10 days after demand therefore. The portion of any refund, rebate or reimbursement received by any party to which another party is entitled pursuant to this Agreement shall be paid over within 10 days of receipt to the party which is entitled thereto. Any payments required to be made between the parties pursuant to this Agreement which are not made in a timely fashion shall bear interest calculated at the rate specified under Section 6621(a)(2) of the Code (the "Underpayment Rate") from the date such payment is due pursuant to this Agreement to the date the payment is made. In all other respects Article 10 of the Section 355 Disposition Agreement shall govern the indemnification procedures and payments under this Agreement.

13. Record Retention. E-Z-EM agrees to (i) retain all Group Tax Returns, related schedules and workpapers, and all material records and other documents as required under Section 6001 of the Code and the regulations promulgated thereunder ("Tax Records") existing on the date hereof, or relating to any Tax Period, for such period as a tax deficiency may be assessed or a refund claim filed under applicable periods of limitation, and (ii) allow AngioDynamics and its representatives (and representatives of any of its subsidiaries), at times and dates reasonably acceptable to E-Z-EM, to inspect, review and make copies of such records, and have access to such employees, as AngioDynamics may reasonably deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and without disruption to E-Z-EM's business.

14. Complete Agreement. This Agreement shall constitute the entire agreement among the parties with respect to the subject matter hereof and shall supersede any previous negotiations, commitments and writings with respect to such subject matter.

15. Successors and Assigns. This Agreement and all of its provisions hereof shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its principles of conflicts of law.

17. Amendments. This Agreement may not be modified or amended except by an agreement in writing signed by the parties hereto.

18. Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect against a party hereto, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and such invalidity, illegality or unenforceability shall only apply as to such party in the specific jurisdiction where such judgment shall be made.

19. Notices, Communications. All notices and other communications hereunder shall be in writing and shall be delivered in the manner and at the address (unless subsequently notified to the contrary in the manner provided therein) as provided in the Section 355 Disposition Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the \_\_\_\_ day of \_\_\_\_\_, 2004.

Attest

E-Z-EM, INC.,  
On Behalf Of Itself And Its  
SUBSIDIARIES

By: \_\_\_\_\_

By: \_\_\_\_\_

Attest

ANGIODYNAMICS, INC.  
On Behalf Of Itself And Its  
SUBSIDIARIES

By: \_\_\_\_\_

By: \_\_\_\_\_

## CORPORATE AGREEMENT

THIS CORPORATE AGREEMENT, dated as of \_\_\_\_\_, 2004 (this "Agreement"), is by and between E-Z-EM, Inc., a Delaware corporation ("E-Z-EM"), and AngioDynamics, Inc. (the "Company"). Certain capitalized terms used herein are defined in ARTICLE 8 hereof.

WHEREAS, the Company is currently a wholly-owned subsidiary of E-Z-EM, and E-Z-EM and the Company contemplate that the Company will make an initial public offering (the "IPO") of a portion of its common stock pursuant to a registration statement on Form S-1 filed under the Securities Act;

WHEREAS, on the date on which the IPO is completed (the "IPO Closing Date"), E-Z-EM will own at least than 80% of the shares of Common Stock, par value \$.01 per share ("Common Stock"), of the Company outstanding on a Fully Diluted Basis; and

WHEREAS, in connection with the IPO and the subsequent Distribution, the parties desire to enter into this Agreement, inter alia, to provide E-Z-EM with certain continuing stockholder rights with respect to the Company following the IPO and to assure compliance by the Company with certain corporate governance requirements;

NOW, THEREFORE, in consideration of the above premises and mutual agreements set forth in this Agreement and subject to the terms and conditions stated herein, the parties hereby agree as follows:

## ARTICLE 1

## CONSENT RIGHT

## 1.1 Definitions used in this ARTICLE 1.

- (a) As used in Section 1.2, "Spinoff Event" means that E-Z-EM's voting rights, ownership percentage in the voting stock of the Company and/or ownership of any other class of securities in the Company, as calculated under the applicable rules and regulations under the Code, would either (i) decrease below 80% on a Fully-Diluted Basis (other than Excluded Options), or (ii) be the primary cause of the Distribution by E-Z-EM's and any applicable E-Z-EM Entities failing to be a tax-free transaction under the Code.
- (b) As used in Section 1.1(a), "Excluded Options" means options granted for compensatory or other purposes that are not included in calculations relevant to determining whether a spinoff has remained a tax-free transaction under Section 355 of the Code (including calculations as to changes in share ownership and voting power and determining the availability of safe harbors).

1.2 E-Z-EM Consent Right. Without the prior written consent of E-Z-EM, which may be withheld or conditioned by E-Z-EM in its sole discretion, the Company agrees that it will not

- (a) offer, sell, issue or acquire any Equity Securities,
- (b) enter into any agreement to do any of the foregoing, or

(c) sell or dispose of any assets other than in the ordinary course of business ("ordinary course" to be read as including the disposition of obsolete, non-performing and/or immaterial assets),

if such action would result in, or be the primary cause of, a Spinoff Event.

- 1.3 Notice. In requesting the consent of E-Z-EM, the Company shall provide E-Z-EM with not fewer than 20 Business Days prior written notice of the date of the intended offer, sale, issuance, acquisition and/or non-ordinary course sale of assets, and all other information material to E-Z-EM or reasonably requested by E-Z-EM, including without limitation the intended date and the proposed size of the offer, intended sale, issuance, acquisition or non-ordinary course sale of assets, as well as the characteristics of the Equity Securities (as applicable). The failure of E-Z-EM to respond to such request shall be deemed conclusively to be a denial of E-Z-EM of the consent required under Section 1.2 above.
- 1.4 Without limiting the introductory language in Section 1.2, as a condition to E-Z-EM's providing its consent, E-Z-EM may condition the issuance of Equity Securities upon the issuance (at the same per unit or per share cost) to E-Z-EM of a sufficient number of shares of the applicable Equity Securities as would enable the E-Z-EM Entities to own at least 80% of the Company's outstanding equity and voting power on a Fully Diluted Basis (other than Excluded Options). This Section 1.4 shall inure solely to the benefit of E-Z-EM and the E-Z-EM Entities, and the Company shall have no rights to compel E-Z-EM or the E-Z-EM Entities to acquire any Equity Securities at any time.
- 1.5 Termination of Consent Right. The consent right granted under this ARTICLE 1 shall terminate upon the earliest to occur of
- (a) E-Z-EM granting its consent to the offer, sale, issuance or acquisition of Equity Securities where such event is expected by E-Z-EM to result, and did result, in a Spinoff Event,
  - (b) E-Z-EM giving notice to the Company that it is abandoning the Distribution,
  - (c) the completion of the Distribution by E-Z-EM and any applicable E-Z-EM Entities, or
  - (d) February 6, 2005, the one year anniversary of the receipt by E-Z-EM and the Company of the favorable private letter ruling from the Internal Revenue Service with respect to the Distribution and the application submitted on behalf of E-Z-EM and the Company by Caplin and Drysdale, Chartered, dated August 7, 2003 (as amended and supplemented, the "PLR Application"). If, prior to February 6, 2005, E-Z-EM obtains an opinion of tax counsel that the completion of the Distribution after the aforementioned one-year period will not result in any of the adverse tax effects set forth in the "Rulings Requested" portion of the PLR Application, then consent right shall terminate on August 6, 2005 and not February 6, 2005.

ARTICLE 2

REGISTRATION RIGHTS

2.1 Demand Registration.

- (a) E-Z-EM shall have the right, exercisable on multiple occasions from time to time during the term of this Agreement, but together with Unregistered Demands (as defined in Section 3.1(a) below) no more frequently than once during any twelve-month period, to require the Company to register for offer and sale under the Securities Act (a "Demand") all or a portion of the Common Stock held by the E-Z-EM Entities, subject to the restrictions set forth herein; provided that E-Z-EM shall not be entitled to make a Demand hereunder unless (i) the Common Stock subject to such Demand represents at least 5% of the aggregate shares of Common Stock then issued and outstanding, (ii) at least six months have passed since the completion of the IPO and (iii) at least six months have passed since the completion of the last offering pursuant to a Demand or Unregistered Demand under Section 3.1. As promptly as practicable (but in no event later than 45 days) after the Company receives from E-Z-EM a notice pursuant to this Section 2.1(a) (a "Demand Notice"), demanding that the Company register part or all of the Common Stock held by the E-Z-EM Entities for offer and sale under the Securities Act, subject to Section 2.1(b), the Company shall (i) file with the Commission a Registration Statement relating to the offer and sale of the Applicable Securities on such form as E-Z-EM may reasonably deem appropriate and (ii) after such filing, use reasonable best efforts to cause such Registration Statement to be declared effective under the Securities Act. Subject to Section 2.1(b), the Company shall use reasonable best efforts to keep each Registration Statement continuously effective in order to permit E-Z-EM to use the Prospectus forming a part thereof for resales of the Applicable Securities for a period ending on the earlier of (i) 120 days from the Effective Time of such Registration Statement and (ii) such time as all of such securities have been disposed of by E-Z-EM. Subject to Section 2.1(b), the Company shall use reasonable best efforts to prepare and file with the Commission such amendments, post-effective amendments and supplements to the Registration Statement as may be necessary to maintain the effectiveness of the Registration Statement for such period and to cause the Prospectus forming a part thereof (and any amendments or supplements thereto) to be filed pursuant to Rules 424 and 430A under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all Applicable Securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution thereof, as specified in writing by E-Z-EM.
- (b) The Company shall have the right to postpone the filing, or delay the effectiveness, of a Registration Statement, or fail to keep such Registration Statement continuously effective or not amend or supplement the Registration Statement or included Prospectus, if the Board of Directors of the Company determines in good faith that (i) based upon the advice of counsel, filing such Registration Statement or causing the Registration Statement to go effective

would require disclosure of material nonpublic information concerning a planned or proposed financing, acquisition, disposition, business combination or other similar transaction or other material event involving the Company or its Subsidiaries and (ii) disclosure at such time would be adverse to the Company or its stockholders; provided that no such postponement shall exceed 90 days and there shall be no more than one such postponement in any 12-month period. Any such postponement shall terminate immediately upon public disclosure by the Company or public admission by the Company of such material nonpublic information. The Company shall advise E-Z-EM of any such determination as promptly as practicable after such determination.

- (c) E-Z-EM shall have the right to withdraw any Demand at any time. Any such withdrawn Demand after a Registration Statement has been filed shall still be counted as a Demand for determining the number or frequency of Demands under Section 2.1(a), unless E-Z-EM shall reimburse or pay the costs and fees incurred in connection therewith.
- (d) In the event that any Registration pursuant to this Section 2.1 shall involve, in whole or in part, an underwritten offering, the lead managing underwriter (book runner) shall be selected by E-Z-EM and shall be reasonably acceptable to the Company, and, if the shares covered by the Registration have an aggregate value exceeding \$20 million, a the Company may select a co-managing underwriter reasonably acceptable to E-Z-EM.

## 2.2 Piggy-back Registration.

- (a) If at any time the Company intends to file on its behalf or on behalf of any of its securityholders a Registration Statement in connection with a public offering of any securities of the Company on a form and in a manner that would permit the registration for offer and sale of Common Stock held by the E-Z-EM Entities, other than a registration statement on Form S-8 or Form S-4, then the Company shall give written notice (an "Intended Offering Notice") of such intention to E-Z-EM at least 20 Business Days prior to the anticipated filing date of such Registration Statement. Such Intended Offering Notice shall offer to include in such Registration Statement for offer to the public such number of shares of Common Stock as E-Z-EM may request, subject to the conditions set forth herein, and shall specify, to the extent then known, the number and class of securities proposed to be registered, the proposed date of filing of such Registration Statement, any proposed means of distribution of such securities, any proposed managing underwriter or underwriters of such securities and a good faith estimate by the Company of the proposed maximum offering price of such securities, as such price is proposed to appear on the facing page of such Registration Statement. E-Z-EM shall advise the Company in writing (such written notice being a "Piggy-back Notice") not later than 10 Business Days after the Company's delivery to E-Z-EM of the Intended Offering Notice, if E-Z-EM desires to participate in such offering. The Piggy-back Notice shall set forth the number of shares of Common Stock E-Z-EM desires to have included in the Registration Statement and offered to the public. Upon the request of the Company, E-Z-EM shall enter into such underwriting, custody and other agreements as are customary in connection with registered secondary offerings or necessary or appropriate in connection with the offering.

- (b) In connection with an underwritten offering pursuant to this Section 2.2, if the managing underwriter or underwriters advise the Company and E-Z-EM in writing that in its or their opinion the number of securities proposed to be registered exceeds the number that can be sold in such offering, the Company shall include in such Registration the number of securities that, in the opinion of such managing underwriter or underwriters, can be sold as follows: (i) first, the securities that the Company proposes to sell, (ii) second, Applicable Securities requested to be included in such Registration by E-Z-EM and (iii) third, other securities requested to be included in such Registration.
- (c) The rights of E-Z-EM pursuant to Section 2.1 hereof and this Section 2.2 are cumulative, and the exercise of rights under one such section shall not exclude the subsequent exercise of rights under the other section (except to the extent expressly provided otherwise herein). Notwithstanding anything herein to the contrary, the Company may abandon and/or withdraw any Registration as to which any right under Section 2.2 may exist at any time and for any reason without liability hereunder. In such event, the Company shall notify E-Z-EM (if E-Z-EM has delivered a Piggy-back Notice to the Company to participate therein).
- (d) Nothing contained in this Section 2.2 shall be deemed to eliminate the requirements of obtaining E-Z-EM's consent under ARTICLE 1.

2.3 Registration Procedures. In connection with a Registration Statement, the following provisions shall apply:

- (a) Before filing a Registration Statement or the Prospectus included therein, the Company will furnish to E-Z-EM and the managing underwriter or underwriters, if any, draft copies of all such documents proposed to be filed at least three (3) days prior to such filing, which documents will be subject to the reasonable review of E-Z-EM and the managing underwriter or underwriters, if any, and their respective agents and representatives and (x) the Company will not include in any Registration Statement information concerning or relating to E-Z-EM to which E-Z-EM shall reasonably object (unless the inclusion of such information is required by applicable law or the regulations of any securities exchange or automated quotation system to which the Company may be subject), and (y) the Company will not file any Registration Statement pursuant to Section 2.1, any amendment thereto, or any Prospectus or any supplement thereto to which E-Z-EM shall reasonably object.
- (b) The Company shall furnish to E-Z-EM, prior to the time the Registration Statement has been declared effective, a copy of the Registration Statement as initially filed with the Commission, and each amendment thereto and each amendment or supplement, if any, to the Prospectus included therein.
- (c) Subject to Section 2.1(b) and in respect of a Registration Statement under Section 2.1, the Company shall use reasonable best efforts to take promptly such action as may be necessary so that (i) each of the Registration Statement and any amendment thereto and the Prospectus forming part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by

reference in each case), when it becomes effective, complies in all material respects with the Securities Act and the Exchange Act, (ii) each of the Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) each of the Prospectus forming part of the Registration Statement, and any amendment or supplement to such Prospectus, does not at any time during the period during which the Company is required to use reasonable best efforts to keep a Registration Statement effective under Section 2.1(a) include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

- (d) The Company shall, promptly upon learning thereof, advise E-Z-EM and the managing underwriter or underwriters, if any, thereof, of the following, and shall confirm such advice in writing if so requested:
- (i) when a Registration Statement and any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;
  - (ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus included therein or for additional information with respect to the Registration Statement and Prospectus;
  - (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for such purpose;
  - (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included in the Registration Statement for sale in any jurisdiction or the initiation of any proceeding for such purpose; and
  - (v) following the effectiveness of any Registration Statement, of the happening of any event or the existence of any state of facts that requires the making of any changes in the Registration Statement or the Prospectus included therein so that, as of such date, such Registration Statement and Prospectus do not contain an untrue statement of a material fact and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to E-Z-EM to suspend the use of the Prospectus until the requisite changes have been made, which instruction E-Z-EM agrees to follow).
- (e) In respect of a Registration Statement under Section 2.1 (and not Section 2.2), the Company shall use reasonable best efforts to prevent the issuance, and if issued to obtain the withdrawal, of any stop order suspending the effectiveness of the Registration Statement at the earliest possible time.



- (f) The Company shall furnish to E-Z-EM, without charge, at least one copy of the Registration Statement and all post-effective amendments thereto, including financial statements and schedules, and, if E-Z-EM so requests in writing, all reports, other documents and exhibits that are filed with or incorporated by reference in the Registration Statement.
- (g) The Company shall, during the period during which it is required to use reasonable best efforts to keep a Registration Statement continuously effective under Section 2.1(a) or elects to keep a Registration Statement effective under Section 2.2, deliver to E-Z-EM without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in the Registration Statement and any amendment or supplement thereto as E-Z-EM may reasonably request, and the Company consents (except during the continuance of any event described in Section 2.1(b) or Section 2.3(d)(v) hereof) to the use of the Prospectus, with any amendment or supplement thereto, by E-Z-EM in connection with the offering and sale of the Applicable Securities covered by the Prospectus and any amendment or supplement thereto during such period.
- (h) In connection with the rights provided by this ARTICLE 2, the Company shall, except during any permitted postponement pursuant to Section 2.1(b), make available for inspection by E-Z-EM or by any attorney, accountant or other agent retained by E-Z-EM (collectively, the "Inspectors") financial and other records and pertinent corporate documents of the Company (collectively, the "Records"), provide the Inspectors with opportunities to discuss the business of the Company with its officers, and provide opportunities to discuss the business of the Company with the independent public accountants who have certified its most recent annual financial statements, in each case to the extent but only to the extent reasonably necessary to enable E-Z-EM to conduct a "reasonable investigation" for purposes of Section 11(a) of the Securities Act. Records that the Company determines, in good faith, to be confidential and with respect to which the Company notifies the Inspectors as to the confidential nature thereof shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement of a material fact or omission to state a material fact in the Registration Statement, (ii) the disclosure of such Records is required by any court or governmental body with jurisdiction over E-Z-EM or the Inspectors or (iii) all of the information contained in such Records has been made generally available to the public. E-Z-EM agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction or by any governmental body, promptly give prior notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of those Records deemed confidential.
- (i) Prior to any offering of Applicable Securities pursuant to the Registration Statement, the Company shall use reasonable best efforts to (i) register or qualify or cooperate with E-Z-EM and its counsel in connection with the registration or qualification of such Applicable Securities for offer and sale under the securities (or "blue sky") laws of such jurisdictions within the United States as E-Z-EM may reasonably request, (ii) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers and sales in such jurisdictions for the period during which the Company is required to use

reasonable best efforts to keep a Registration Statement continuously effective under Section 2.1(a), and (iii) take any and all other reasonable actions requested by E-Z-EM which are necessary to enable the disposition in such jurisdictions of such Applicable Securities; provided, however, that in no event shall the Company be obligated to (1) qualify as a foreign corporation or as an issuer of or dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Agreement or (2) file any general consent to service of process or subject itself to tax in any jurisdiction where it is not so subject.

- (j) The Company shall cooperate with E-Z-EM to facilitate the timely preparation and delivery of certificates representing Applicable Securities to be sold pursuant to the Registration Statement, which certificates shall comply with the requirements of any United States securities exchange upon which any Applicable Securities are listed (provided that nothing herein shall require the Company to list any Applicable Securities on any securities exchange or with any quotation system on which they are not currently listed or quoted, as applicable) or the NASD Rules, as applicable, and which certificates shall be free of any restrictive legends and in such permitted denominations and registered in such names as E-Z-EM may request in connection with the sale of Applicable Securities pursuant to the Registration Statement.
- (k) The Company shall:
  - (i) make such reasonable representations and warranties in the applicable underwriting agreement to the underwriters, in form, substance and scope as are customary and as are consistent with the representations and warranties made in the underwriting agreement related to the IPO;
  - (ii) in connection with any underwritten offering, use reasonable best efforts to obtain opinions of counsel to the Company (which counsel and opinions, in form, scope and substance, shall be reasonably satisfactory to the underwriters) addressed to the underwriters, covering such matters as are customary to the extent reasonably required by the applicable underwriting agreement;
  - (iii) in connection with any underwritten offering, use reasonable best efforts to obtain "cold comfort" letters and updates thereof from the independent public accountants of the Company (and, if necessary, from the independent public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to E-Z-EM and the underwriters, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with secondary underwritten offerings of equity securities;
  - (iv) in connection with any underwritten offering, use reasonable best efforts to deliver such documents and certificates as may be reasonably requested by E-Z-EM and the underwriters, if any, including, without limitation, certificates to evidence compliance with any conditions

contained in the underwriting agreement or other agreements entered into by the Company; and

- (v) undertake such obligations relating to expense reimbursement, indemnification and contribution as provided in Section 2.4 and ARTICLE 4 hereof.

- (l) The Company shall comply with all applicable rules and regulations of the Commission and make available to its security holders an earnings statement, as soon as reasonably practicable but in no event later than 90 days after the end of the twelve month period commencing on the first day of any fiscal quarter after the date hereof following each sale by E-Z-EM of Applicable Securities, which earnings statement shall cover such twelve-month period and shall satisfy the requirements under the Securities Act.

- (m) In respect of a Registration Statement under Section 2.1 (and not Section 2.2), the Company shall use reasonable best efforts to take all other steps reasonably necessary to effect the timely registration, offering and sale of the Applicable Securities covered by the Registration Statements contemplated hereby.

2.4 Registration Expenses. The Company shall bear the Registration Expenses in connection with the performance of its obligations under Section 2.1, Section 2.2 and Section 2.3. E-Z-EM shall bear all of the fees and expenses of counsel to E-Z-EM, any applicable underwriting discounts or commissions, and registration or filing fees with respect to the Applicable Securities being sold by E-Z-EM.

2.5 Registrable Securities. The registration rights granted under this ARTICLE 2 relate only to the following securities: (i) the shares of the Company's common stock held by E-Z-EM or the E-Z-EM Entities on the date of the Distribution, (ii) shares of the Company's common stock acquired by E-Z-EM or another E-Z-EM Entity as a condition to granting a consent under ARTICLE 1 hereof (including without limitation as set forth in Section 1.4), and (iii) securities constituting proceeds of the foregoing (other than securities acquired with cash dividends), whether received through stock dividends, stock splits, share consolidations/reverse splits, mergers or otherwise (as contemplated in Section 7.6 hereof).

2.6 Other Provisions; Cooperation; Filing of Reports.

- (a) The respective agreements and other provisions set forth in this ARTICLE 2 or made pursuant to this ARTICLE 2 shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of E-Z-EM, any director, officer or partner of E-Z-EM, any agent or underwriter, any director, officer or partner of such agent or underwriter, or any Affiliate of any of the foregoing, and shall survive the registration, offering and sale of the Applicable Securities.
- (b) E-Z-EM shall cooperate with respect to any Registration effected under this Agreement and shall provide such information, documents, and instruments as may be reasonably requested in connection therewith.

- (c) The Company shall use reasonable best efforts to file all reports required to be filed with respect to the Company under Section 13 or Section 15(d) of the Exchange Act during such time as E-Z-EM has rights remaining under this ARTICLE 2.

### ARTICLE 3

#### UNREGISTERED OFFERINGS

##### 3.1 Unregistered Demand.

- (a) E-Z-EM shall have the right, exercisable on multiple occasions from time to time during the term of this Agreement, but together with any Demand no more frequently than once during any twelve-month period, to require (in an "Unregistered Demand") that the Company prepare an offering memorandum or similar document (each, an "Offering Memorandum") in connection with any offer or sale of Common Stock held by the E-Z-EM Entities, subject to the restrictions set forth herein, that is not registered under the Securities Act (each, an "Unregistered Offering"); provided that E-Z-EM shall not be entitled to make an Unregistered Demand hereunder unless (i) the Common Stock subject to such Unregistered Demand represents at least 5% of the aggregate shares of Common Stock then issued and outstanding, (ii) at least six months have passed since the completion of the IPO and (iii) at least six months have passed since the completion of the last offering pursuant to a Demand under Section 2.1 or sale pursuant to an Unregistered Demand. As promptly as practicable (but in no event later than 30 days) after the Company receives from E-Z-EM a notice pursuant to this Section 3.1(a) (an "Unregistered Notice"), demanding that the Company prepare an Offering Memorandum with respect to part or all of the Common Stock held by the E-Z-EM Entities for offer and sale, subject to Section 3.1(b), the Company shall prepare such Offering Memorandum.
- (b) The Company shall have the right to postpone the preparation or distribution of an Offering Memorandum if the Board of Directors of the Company determines in good faith that (i) based upon the advice of counsel, distributing such Offering Memorandum would require disclosure in the Offering Memorandum of material nonpublic information concerning a planned or proposed financing, acquisition, disposition, business combination or similar transaction or other material event involving the Company and (ii) disclosure at such time would be adverse to the Company or its stockholders; provided that no one such postponement shall exceed 90 days and the Company may only postpone preparation or distribution of the Offering Memorandum one time in any 12-month period. Any such postponement shall terminate immediately upon public disclosure by the Company or public admission by the Company of such material nonpublic information. The Company shall advise E-Z-EM of any such determination as promptly as practicable after such determination.
- (c) Anything in this Agreement to the contrary notwithstanding, the Company shall not be obligated to prepare any Offering Memorandum or may postpone and delay the preparation and distribution of any Offering Memorandum if the Company shall determine, based on advice of recognized U.S. securities counsel

which counsel shall be available to the E-Z-EM to discuss the basis of such advice, that the proposed offer and sale of Applicable Securities in E-Z-EM's intended method of distribution would require that the Company register the securities under the Securities Act. In making such determination, the Company shall be entitled to take into account any offerings or anticipated offerings by it of its securities that may be deemed a part of the Unregistered Offering. In such event, such proposed Unregistered Offering shall not be counted as an Unregistered Demand for determining the frequency of Unregistered Demands under Section 3.1. In addition, E-Z-EM shall be entitled to exercise any Piggy-Back Registration rights subject to the terms and conditions of Section 2.2, or alternatively, to require the Company to undertake a Demand subject to the terms and conditions of Section 2.1.

- (d) E-Z-EM shall have the right to withdraw any Unregistered Demand at any time, provided that any such withdrawn Unregistered Demand shall still be counted as an Unregistered Demand for determining the frequency of Unregistered Demands under Section 3.1(a) unless E-Z-EM shall reimburse or pay the costs and fees incurred in connection therewith.

3.2 Unregistered Offering Procedures. In connection with an Offering Memorandum, the following provisions shall apply:

- (a) Before distributing an Offering Memorandum or any amendments or supplements thereto, the Company will furnish to E-Z-EM, and the placement agent or agents, if any, for the Applicable Securities, draft copies of all such documents proposed to be distributed at least three (3) days prior to such distribution, which documents will be subject to the reasonable review of E-Z-EM, the placement agent or agents, if any, for the Applicable Securities, and their respective agents and representatives and (x) the Company will not include in any Offering Memorandum information concerning or relating to E-Z-EM to which E-Z-EM shall reasonably object (unless the inclusion of such information is required by applicable law or the regulations of any securities exchange to which the Company may be subject), and (y) the Company will not distribute any Offering Memorandum pursuant to Section 3.1 or any amendment thereto or any supplement thereto to which E-Z-EM shall reasonably object;
- (b) Subject to Section 3.1(b) and in respect of an Offering Memorandum under Section 3.1, the Company shall use reasonable best efforts to take promptly such action as may be necessary so that each of the Offering Memorandum and any amendment thereto does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (c) The Company shall, promptly upon learning thereof, advise E-Z-EM of the following, and shall confirm such advice in writing if so requested:
  - (i) the issuance by the Commission of any stop order suspending the use of any Offering Memorandum or the initiation of any proceedings for such purpose;

- (ii) the receipt by the Company of any notification with respect to the suspension of the qualification of the Applicable Securities for sale in any jurisdiction or the initiation of any proceeding for such purpose; and
  - (iii) the happening of any event or the existence of any state of facts that requires the making of any changes in the Offering Memorandum so that such Offering Memorandum does not contain an untrue statement of a material fact and does not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (which advice shall be accompanied by an instruction to E-Z-EM to suspend the use of the Offering Memorandum until the requisite changes have been made, which instruction E-Z-EM agrees to follow).
- (d) The Company shall furnish to E-Z-EM, without charge, at least one copy of the Offering Memorandum and all amendments and supplements thereto, including financial statements and schedules, and, if E-Z-EM so requests in writing, all reports, other documents and exhibits that are filed with or incorporated by reference in the Offering Memorandum.
  - (e) During the distribution of the Offering Memorandum pursuant to Section 3.1, the Company shall deliver to E-Z-EM without charge as many copies of the Offering Memorandum and any amendment or supplement thereto as E-Z-EM may reasonably request, and the Company consents (except during the continuance of any event described in Section 3.1(b), Section 3.1(c) or Section 3.2(c)(iii) hereof) to the use of the Offering Memorandum, with any amendment or supplement thereto, by E-Z-EM in connection with the offering and sale of the Applicable Securities covered by the Offering Memorandum and any amendment or supplement thereto during such distribution period.
  - (f) Prior to any offering of Applicable Securities pursuant to the Offering Memorandum, the Company shall use reasonable best efforts to (i) qualify or cooperate with E-Z-EM and its counsel in connection with the qualification of such Applicable Securities for offer and sale under the securities (or "blue sky") laws of such jurisdictions in the United States as E-Z-EM may reasonably request, (ii) keep such qualifications in effect and comply with such laws so as to permit the continuance of offers and sales in such jurisdictions for the period during which the Company is required to use reasonable best efforts to prepare an Offering Memorandum under Section 3.1(a), and (iii) take any and all other reasonable actions requested by E-Z-EM that are necessary to enable the disposition in such jurisdictions of such Applicable Securities; provided, however, that in no event shall the Company be obligated to (1) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Agreement or (2) file any general consent to service of process or subject itself to tax in any jurisdiction where it is not so subject.
  - (g) The Company shall cooperate with E-Z-EM to facilitate the timely preparation and delivery of certificates representing Applicable Securities to be sold pursuant to the Offering Memorandum, which certificates shall comply with the requirements of any United States securities exchange which any Applicable Securities are listed (provided that nothing herein shall require the Company to

list any Applicable Securities on any securities exchange or with any quotation system on which they are not currently listed or quoted) or the NASD Rules, as applicable, and which certificates shall contain customary legends and be in such permitted denominations and registered in such names as E-Z-EM may request in connection with the sale of Applicable Securities pursuant to the Offering Memorandum.

- (h) The Company shall use reasonable best efforts to make such reasonable representations and warranties in the applicable placement agency agreement to the placement agents, in form, substance and scope as are customary.
- (i) In connection with any Unregistered Offering pursuant to Rule 144A under the Securities Act, the Company shall, to the extent customary in connection with transactions comparable to such Unregistered Offering, undertake to enter into a registration rights agreement containing customary terms and conditions with the purchasers in such Unregistered Offering.
- (j) In respect of an Offering Memorandum under Section 3.1, the Company shall use reasonable best efforts to take all other steps reasonably necessary to effect the timely distribution, offering and sale of the Applicable Securities covered by the Offering Memorandum contemplated hereby.

### 3.3 Other Provisions; Cooperation.

- (a) The respective agreements and other provisions set forth in this ARTICLE 3 or made pursuant to this ARTICLE 3 shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of E-Z-EM, any director, officer or partner of E-Z-EM, any placement agent, any director, officer or partner of such placement agent, or any Affiliate of any of the foregoing, and shall survive the distribution, offering and sale of the Applicable Securities.
- (b) E-Z-EM shall cooperate with respect to any Offering Memorandum effected under this Agreement and shall provide such information, documents, and instruments as may be reasonably requested in connection therewith.

### 3.4 Private Sales to which Applicable. The obligations to prepare and distribute an offering memorandum and other obligations set forth in this ARTICLE 3 relate only to the sale, transfer and/or assignment by E-Z-EM of the following securities: (i) the shares of the Company's common stock held by E-Z-EM or the E-Z-EM Entities on the date of the Distribution, (ii) shares of the Company's common stock acquired by E-Z-EM or another E-Z-EM Entity as a condition to granting a consent under ARTICLE 1 hereof (including without limitation as set forth in Section 1.4), and (iii) securities constituting proceeds of the foregoing (other than securities acquired with cash dividends), whether received through stock dividends, stock splits, share consolidations/reverse splits, mergers or otherwise.

## ARTICLE 4

### INDEMNIFICATION AND CONTRIBUTION

- 4.1 Indemnification by the Company. Upon the effectiveness of the Registration of Applicable Securities pursuant to Section 2.1 or Section 2.2, or the distribution of the Offering Memorandum pursuant to Section 3.1, the Company shall indemnify and hold harmless E-Z-EM and each underwriter, selling agent or placement agent, and their respective officers and directors and each Person who controls E-Z-EM or such underwriter, selling agent or placement agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such Person being sometimes referred to as an "Indemnified Person") from and against any losses, claims, damages or liabilities, joint or several (or actions in respect thereof), to which such Indemnified Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any Prospectus contained therein) or Offering Memorandum, as the case may be, under which such Applicable Securities are registered under the Securities Act or distributed, respectively, or furnished by the Company to any Indemnified Person, or any amendment or supplement thereto in each case relating to the sale of Applicable Securities, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any reasonable legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage or liability (or action in respect thereof) as such expenses are incurred; provided, however, that (i) the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement, Prospectus or Offering Memorandum, or amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein; (ii) the Company shall not be liable to the extent that any loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (a) the use of any Prospectus after such time as the obligation of the Company to keep the same effective and current has expired, or (b) the use of any Prospectus after such time as the Company has advised E-Z-EM in writing that a post-effective amendment or supplement thereto is required, except such Prospectus as so amended or supplemented.
- 4.2 Indemnification by E-Z-EM. E-Z-EM agrees, as a consequence of the inclusion of Applicable Securities in such Registration Statement or Offering Memorandum, to (i) indemnify and hold harmless the Company and its directors and officers and each Person, if any, who controls the Company, within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities (or actions in respect thereof) to which the Company or such other Persons may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement, Prospectus or Offering Memorandum, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the



statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by E-Z-EM expressly for use therein, and (ii) subject to the limitation set forth immediately preceding this clause (ii), reimburse the Company for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such action or claim as such expenses are incurred.

4.3 Procedure for Indemnification. Promptly after receipt by any Person entitled to indemnity (an "Indemnitee") under Section 4.1 or Section 4.2 hereof of notice of the commencement of any action or claim, such Indemnitee shall, if a claim in respect thereof is to be made against an indemnitor (an "Indemnitor") under this ARTICLE 4, notify such Indemnitor in writing of the commencement thereof, but any omission or delay in notifying the Indemnitor shall not relieve it from any liability which it may have to any Indemnitee except to the extent of any actual prejudice. In case any such action shall be brought against any Indemnitee, it shall notify an Indemnitor of the commencement thereof, such Indemnitor shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other Indemnitor similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee, and, after notice from the Indemnitor to such Indemnitee of its election so to assume the defense thereof, such Indemnitor shall not be liable to such Indemnitee under this ARTICLE 4 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such Indemnitee, in connection with the defense thereof. No Indemnitor shall, without the prior written consent of the Indemnitee, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnitee is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the Indemnitee from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnitee. Notwithstanding the foregoing, an Indemnitee shall have the right to employ separate counsel reasonably acceptable to the Indemnitor in any such proceeding and to participate in (but not control, other than as provided in (3) below) the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnitee unless (1) the Indemnitor has agreed to pay such fees and expenses; (2) the Indemnitor shall have failed after notice to assume the defense of such proceeding; or (3) the named parties to any such proceeding (including any impleaded parties) include both such Indemnitee and the Indemnitor or any of its Affiliates or controlling persons, and a conflict of interest may reasonably be expected to exist if such counsel represents such Indemnitee and the Indemnitor (or such Affiliate or controlling person) and in the case of (3), the Indemnitee shall have the right to control the Indemnitee's defense and in each of the cases, if such Indemnitee notifies the Indemnitor in writing that it elects to employ separate counsel, the reasonable fees and expenses of such counsel shall be at the expense of the Indemnitor; it being understood, however, that the Indemnitor shall not, in connection with any one such proceeding or separate but substantially similar or related proceedings in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (together with appropriate local counsel) at any time for all such Indemnitees, which firm shall be designated by the Indemnitee that had the largest number of shares included in the applicable Registration

Statement. An Indemnitor shall not be liable for any settlement of an action effected without its written consent.

4.4 Contribution. If the indemnification provided for in this ARTICLE 4 is unavailable to or insufficient to hold harmless an Indemnitee under Section 4.1 or Section 4.2 hereof in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each Indemnitor shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnitor and the Indemnitee in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such Indemnitor and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnitor or by such Indemnitee, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 4.4 were determined solely by pro rata allocation (even if E-Z-EM or any underwriters, selling agents or placement agents or all of them were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 4.4. The amount paid or payable by an Indemnitee as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnitee in connection with investigating or defending any such action or claim. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The obligations of E-Z-EM, the Company and any underwriters, selling agents or placement agents in this Section 4.4. to contribute shall be several in proportion to the number of Applicable Securities registered or underwritten or sold, as the case may be, by them and not joint. Notwithstanding any other provision of this Section 4.4, E-Z-EM shall not be required to contribute any amount in excess of the amount by which the net proceeds received by E-Z-EM from the sale of Common Stock pursuant to a Registration Statement or Offering Memorandum exceeds the amount of damages which E-Z-EM has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

4.5 Other Provisions.

- (a) The obligations of the Company under this ARTICLE 4 shall be in addition to any liability that it may otherwise have and shall extend, upon the same terms and conditions, to each Indemnified Person; and the obligations of E-Z-EM and any agents or underwriters contemplated by this ARTICLE 4 shall be in addition to any liability that E-Z-EM or its respective agent or underwriter may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act.
- (b) The indemnities set forth in this ARTICLE 4 or made pursuant to this ARTICLE 4 shall remain in full force and effect, regardless of any investigation

(or any statement as to the results thereof) made by or on behalf of E-Z-EM, any director, officer or partner of E-Z-EM, any agent or underwriter, any director, officer or partner of such agent or underwriter, or any Affiliate of any of the foregoing, and shall survive the registration, offering and sale of the Applicable Securities.

## ARTICLE 5

### AUDITING PRACTICES

For so long as E-Z-EM is required or permitted in accordance with U.S. generally accepted accounting principles to consolidate the Company's results of operations and financial position in E-Z-EM's financial statements, the parties agree as follows:

- 5.1 Selection of Auditors. Subject to requirements of law, the Company shall select the same firm as is selected by E-Z-EM to serve as the Company's (and its Subsidiaries', if any) independent certified public accountants (the "Company Auditors") for purposes of providing an opinion or report on its financial statements, unless E-Z-EM's shall provide a prior written consent to a change in the Company Auditors.
- 5.2 Date of Auditors' Opinion and Quarterly Reviews. The Company shall use its reasonable best efforts to enable the Company Auditors to complete their audit such that they will date their opinion or report on the Company's audited annual financial statements on the same date that E-Z-EM's independent certified public accountants (the "E-Z-EM Auditors") date their opinion on E-Z-EM's audited annual financial statements, and to enable E-Z-EM to meet its timetable for the printing, filing and public dissemination of E-Z-EM's annual financial statements. The Company shall use its reasonable best efforts to enable the Company Auditors to complete their quarterly review procedures on the Company's quarterly financial statements on the same date that the E-Z-EM Auditors complete their quarterly review procedures on E-Z-EM's quarterly financial statements.
- 5.3 Annual and Quarterly Financial Statements. The Company shall provide to E-Z-EM on a timely basis all information that E-Z-EM reasonably requires to meet its schedule for the preparation, printing, filing, and public dissemination of E-Z-EM's annual and quarterly financial statements. Without limiting the generality of the foregoing, the Company will provide all required financial information with respect to the Company and its Subsidiaries, if any, to the E-Z-EM Auditors in a sufficient and reasonable time and in sufficient detail to permit the Company Auditors to take all steps and perform all reviews necessary to provide sufficient assistance to the E-Z-EM Auditors with respect to financial information to be included or contained in E-Z-EM's annual and quarterly financial statements.
- 5.4 Identity of Personnel Performing the Annual Audit and Quarterly Reviews. The Company shall authorize the Company Auditors to make available to the E-Z-EM Auditors both the personnel who performed or will perform the annual audits and quarterly reviews of the Company's financial statements and work papers and other underlying documents related to the annual audits and quarterly reviews of the Company's financial statements, in all cases within a reasonable time prior to the Company Auditors' opinion date, so that the Company Auditors are able to assure the

coordination of their activities with those of the E-Z-EM Auditors in order to achieve a proper review of matters affecting the consolidating or combining of accounts in E-Z-EM's financial statements, all within sufficient time to enable E-Z-EM to meet its timetable for the printing, filing and public dissemination of E-Z-EM's annual and quarterly statements.

- 5.5 Access to Books and Records. The Company shall provide E-Z-EM's internal auditors and their designees access to the Company's and its Subsidiaries' (if any) books and records so that E-Z-EM may conduct reasonable audits relating to the financial statements provided by the Company pursuant hereto as well as to the internal accounting controls and operations of the Company and such Subsidiaries. The Company shall also provide to E-Z-EM copies of all periodic reports and related documents the Company intends to file with the Securities and Exchange Commission prior to the Company causing such filings (as well as final copies upon filing).
- 5.6 No Change in Accounting Principles or Policies. The Company will not change its significant accounting policies for periods in which its financial results are included in E-Z-EM's consolidated financial statements unless the Company is required to do so to comply, in all material respects, with generally accepted accounting principles or SEC requirements from those in effect on the Payment Date (as defined in the Separation Agreement). In the event of any such change, the Company will consult with E-Z-EM and, if requested by E-Z-EM, the E-Z-EM Auditors with respect thereto.
- 5.7 Press Releases. The Company agrees to consult with E-Z-EM regarding the timing and content of its earnings releases.

## ARTICLE 6

### OTHER COVENANTS OF THE PARTIES

- 6.1 No Discrimination. The Company hereby covenants and agrees that, for so long as the E-Z-EM Entities own at least 50% of the outstanding shares of Common Stock:
- (a) the Company shall not, without the prior written consent of E-Z-EM (which it may withhold in its sole discretion), take, or cause to be taken, directly or indirectly, any action, including making or failing to make any election under the law of any state, which has the effect, directly or indirectly, of restricting or limiting the ability of E-Z-EM to freely sell, transfer, assign, pledge or otherwise dispose of Equity Securities or would restrict or limit the rights of any transferee of E-Z-EM as a holder of Equity Securities. Without limiting the generality of the foregoing, the Company shall not, without the prior written consent of E-Z-EM (which it may withhold in its sole discretion), (i) adopt or thereafter amend, supplement, restate, modify or alter any stockholder rights plan in any manner that would result in (a) the ownership of Equity Securities by E-Z-EM causing the rights thereunder to detach or become exercisable and/or (b) E-Z-EM and its transferees not being entitled to the same rights thereunder as other holders of the applicable Equity Securities or (ii) take any action, or take any action to recommend to its stockholders any action, which would among other things, limit the legal rights of, or deny any benefit to, E-Z-EM as a stockholder of the Company in a manner not applicable to the Company's stockholders generally

without regard to the number of shares of Common Stock held by such stockholders; or

- (b) the Company shall not, without the prior written consent of E-Z-EM (which it may withhold in its sole discretion), issue, sell and/or acquire any Equity Securities in the Company if it would cause E-Z-EM to own less than 50% of the then outstanding shares of Common Stock of the Company or otherwise result in a cumulative change of 50% or more in either the share ownership of the Company, or the voting power in the Company evidenced thereby, unless E-Z-EM obtains a private letter ruling from the Internal Revenue Service that such action will not have an adverse effect on the tax-free status of the Distribution.

6.2 Limitations on Subsequent Registration Rights. The Company shall not enter into any agreement with any holder or prospective holder of any Equity Securities of the Company that would allow such holder or prospective holder to include such Equity Securities in any Registration Statement filed pursuant to Section 2.1 hereof, unless, under the terms of such agreement, such holder or prospective holder may include such Equity Securities in any such Registration Statement only to the extent that their inclusion would not reduce the amount of the Applicable Securities of E-Z-EM included therein.

6.3 Voting by E-Z-EM. E-Z-EM agrees that it will not vote its Equity Securities in the Company, and agrees to use all commercially reasonable efforts to cause all of the E-Z-EM Entities and E-Z-EM's other Subsidiaries to not vote their respective Equity Securities in the Company, whether at meetings of stockholders or, if permitted after an amendment to the Company's organizational documents, by written consent, so as to cause the Company to fail to (i) meet the eligibility standards for listing securities under the NASD Rules and the rules and regulations promulgated by the Commission and, without limiting the foregoing, (ii) to the extent required under the NASD Rules and the rules and regulations promulgated by the Commission, (A) have a majority of its Board of Directors comprised of "independent directors" and (B) have at least one independent director who satisfies the criteria for a "financial expert".

## ARTICLE 7

### MISCELLANEOUS

7.1 Termination. The term of ARTICLE 2 and ARTICLE 3 shall extend from the date hereof to the first date on which either (i) E-Z-EM and the other E-Z-EM Entities cease to hold in the aggregate at least 5% of Company's outstanding equity and voting power on a Fully Diluted Basis, excluding any securities acquired by them after the date hereof other than those acquired under ARTICLE 1 hereof or securities acquired as proceeds of the shares of common stock held by E-Z-EM and the other E-Z-EM Entities on the date hereof, or (ii) E-Z-EM and the other E-Z-EM Entities are permitted under Rule 144 under the Securities Act to sell all of their (collective) Equity Securities in the Company during one three-month period. The terms of ARTICLE 5 shall terminate at such time as E-Z-EM shall not be permitted to consolidate the Company within its financial statements in accordance with generally accepted accounting principles. This Agreement may not be terminated prior to such date without the consent of the parties hereto.

- 7.2 Specific Performance and Other Equitable Rights. Each of the parties hereto recognizes and acknowledges that a breach by a party or by any assignee thereof of any covenants or other commitments contained in this Agreement will cause the other party to sustain injury for which it would not have an adequate remedy at law for money damages. Therefore, each of the parties hereto agrees that in the event of any such breach, the aggrieved party shall be entitled to the remedy of injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity, and the parties hereto further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.
- 7.3 Assignment. No party to this Agreement may assign this Agreement, nor any of its rights or obligations under this Agreement, without the prior written consent of the other parties hereto, and any such purported assignment shall be null and void, except that the rights and obligations of E-Z-EM under this Agreement may be assigned by E-Z-EM without the consent of the Company to an E-Z-EM Entity. For greater certainty, the rights granted under ARTICLE 2 and ARTICLE 3 are not transferred upon the sale of the equity securities, but are separate contractual rights transferable to E-Z-EM Entities only, and only when the applicable E-Z-EM Entity receives Equity Securities in the Company.
- 7.4 Further Assurances. Each party shall provide (at the expense of the requesting party) such further documents or instruments reasonably requested by any other party as may be necessary or desirable to effect the purpose and intention of this Agreement and carry out its provisions.
- 7.5 Notices. All notices, requests, claims, demands and other communications hereunder shall be given in accordance with Section 7.4 of the Separation Agreement, except as otherwise expressly provided in this Agreement.
- 7.6 Reclassification, Reorganization, Merger, Etc. The rights and restrictions contained in this Agreement with respect to the Company's Common Stock apply to all of such Common Stock held on the date hereof by E-Z-EM and any Common Stock acquired in the future by any E-Z-EM Entity as proceeds of an exchange, reclassification, reorganization, stock split, dividend or any other change in the Company's capital structure.
- 7.7 Waivers and Amendments; Non-Contractual Remedies; Preservation of Remedies. This Agreement may be amended, superseded, cancelled, renewed or extended, and the terms hereof may be waived only by a written instrument signed by the parties or in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof except as expressly provided herein. No waiver on the part of any party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, shall preclude any further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity.
- 7.8 Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to any conflict of laws principles). The parties hereto unconditionally and irrevocably agree and consent to the exclusive jurisdiction of the United States District Court and the courts

of the State of New York located in the County of New York, State of New York, and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby and further agree not to commence any such action, suit or proceeding except in any such court. Each party irrevocably waives any objections or immunities to jurisdiction to which it may otherwise be entitled or become entitled (including sovereign immunity, immunity to pre-judgment attachment, post-judgment attachment and execution) in any legal suit, action or proceeding against it arising out of or relating to this Agreement or the transactions contemplated hereby which is instituted in any such court.

- 7.9 No Third Party Beneficiaries; Binding Effect. Except for Indemnified Persons (who are intended third party beneficiaries of this Agreement) and as otherwise expressly provided herein, there shall be no third party beneficiaries hereto. all the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective legal successors and permitted assigns of the parties hereto.
- 7.10 Counterparts. This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties.
- 7.11 Headings. The headings in the Agreement are for reference only, and shall not affect the interpretation of this Agreement.
- 7.12 Severability. It is the intention of the parties that if any portion of this Agreement shall be deemed unenforceable, the remaining portions shall be valid and enforceable.
- 7.13 Time of Essence. Time is of the essence for each and every provision of this Agreement.

## ARTICLE 8

### DEFINITIONS

- 8.1 Definitions. Any capitalized terms that are used in this Agreement but not defined herein shall have the meanings set forth in the Separation Agreement, and, as used herein, the following terms shall have the following meanings:
- (a) "Affiliate" or "Affiliates" has the meaning set forth in the Separation Agreement.
  - (b) "Applicable Securities" means in relation to a Registration Statement the Common Stock identified in the related Demand Notice or Piggy-back Notice and, in relation to an Offering Memorandum, the Common Stock identified in the related Unregistered Demand Notice.
  - (c) "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions located in the State of New York are authorized or obligated by law or executive order to close.

- (d) "Code" means the Internal Revenue Code of 1986.
- (e) "Commission" means the Securities and Exchange Commission.
- (f) "Distribution" has the meaning set forth in the Separation Agreement.
- (g) "E-Z-EM Entities" means, collectively, every entity that is (i) a wholly-owned Subsidiary of E-Z-EM (other than the Company and its Subsidiaries, if any), (ii) an entity owning all of the capital stock of E-Z-EM or (iii) a wholly-owned Subsidiary of an entity owning all of the capital stock of E-Z-EM (other than the Company and its Subsidiaries, if any). "E-Z-EM Entity" refers to any one of the foregoing.
- (h) "Equity Securities" means all classes of equity securities of the Company, and any options or other instruments or securities issued by the Company or any other Person that are exercisable for, convertible into or exchangeable for the Company's equity securities.
- (i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (j) "Fully Diluted Basis" means the number of shares of all classes of equity securities of the Company that would be outstanding assuming the exercise, conversion or exchange of all outstanding options and securities exercisable for, convertible into or exchangeable for the Company's equity securities.
- (k) "Indemnified Person" has the meaning set forth in Section 4.1 hereof.
- (l) "NASD Rules" means the rules and regulations promulgated by the National Association of Securities Dealers, Inc. and its affiliated companies, as well as any other rules and regulations governing Nasdaq. For purposes of this definition, "Nasdaq" means the Nasdaq Stock Market, except that with respect to the Company's remaining in compliance with listing standards, "Nasdaq" means the Nasdaq National Market.
- (m) "Person" means and includes natural persons, corporations, limited partnerships, LLCs, general partnerships, joint stock companies, joint ventures, associations, companies, trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.
- (n) "Prospectus" means the prospectus (including, without limitation, any preliminary prospectus, any final prospectus and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A under the Securities Act or any successor rule thereto) included in a Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Applicable Securities covered by a Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.



- (o) "Registration" means a registration under the Securities Act effected pursuant to Section 2.1 or Section 2.2.
- (p) "Registration Expenses" means all expenses incident to the Registration of Common Stock pursuant to this Agreement, including, without limitation, National Association of Securities Dealers, Inc. fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "comfort" letters required by or incident to such performance and compliance, premiums and other costs of policies of insurance obtained by the Company against liabilities arising out of the public offering of Common Stock being registered, but excluding fees and disbursements of counsel retained by E-Z-EM, premiums and other costs of policies of insurance obtained by E-Z-EM or its agents or underwriter against liabilities arising out of the public offering of the Common Stock being registered, all underwriting discounts and commissions and transfer taxes, if any, and registration and filing fees relating to the Common Stock being registered.
- (q) "Registration Statement" means a registration statement filed under the Securities Act by the Company pursuant to the provisions of Section 2.1 or Section 2.2, including the Prospectus contained therein, any amendments and supplements to such registration statement, including post-effective amendments, all exhibits and all material incorporated by reference in such registration statement.
- (r) "Securities Act" means the Securities Act of 1933, as amended.
- (s) "Separation Agreement" means that certain Master Separation and Distribution Agreement dated the date hereof by and between E-Z-EM and the Company.
- (t) "Subsidiary" means any corporation, association partnership, limited partnership, limited liability partnership, limited liability company, business trust or other business entity of which 50% or more of the total voting power of shares of stock entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by the Company or one or more of the other Subsidiaries of the Company or a combination thereof.

8.2 Construction of Defined Terms Generally. In the event of a conflict between any provision of this Agreement and the Separation Agreement, the terms of the Separation Agreement shall govern. Any reference in this Agreement to another agreement or instrument shall be deemed to include such agreement or instrument as it may be amended, modified, restated and/or supplemented from time to time. References in this Agreement to any legislation (including for purposes of (i) below rules and regulations) shall be deemed to include, unless the context indicates to the contrary, (i) any amendments or supplemental or substitute legislation from time to time, and (ii) any "rules or regulations" promulgated under such legislation. References to the plural shall also be deemed to be a reference to the singular, and vice-versa, as the context may dictate.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date first above written.

ANGIODYNAMICS, INC.

By: \_\_\_\_\_  
Name:  
Title:

E-Z-EM, INC.

By: \_\_\_\_\_  
Name:  
Title:

## INDEMNIFICATION AGREEMENT

**INDEMNIFICATION AGREEMENT**, effective as of [            ] [            ], 200[    ], by and between AngioDynamics, Inc., a Delaware corporation (the “Company”), and [            ] (the “Indemnitee”).

**WHEREAS**, it is essential to the Company to retain and attract as directors and officers the most capable persons available; and

**WHEREAS**, the Indemnitee is a director or officer of the Company; and

**WHEREAS**, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today’s environment; and

**WHEREAS**, the Certificate of Incorporation and By-laws of the Company require the Company to indemnify and advance expenses to its directors and officers to the fullest extent permitted by law and the Indemnitee has been serving and continues to serve as a director or officer of the Company in part in reliance on such provisions of the Certificate of Incorporation and By-laws of the Company; and

**WHEREAS**, in recognition of Indemnitee’s need for substantial protection against personal liability in order to enhance Indemnitee’s continued service to the Company in an effective manner and Indemnitee’s reliance on the aforesaid provisions of the Certificate of Incorporation and By-laws of the Company, and in part to provide Indemnitee with specific contractual assurance that the protection promised by such provisions of the Certificate of Incorporation and By-laws of the Company will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of such provisions or any change in the composition of the Company’s Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement and for the continued coverage of Indemnitee under the Company’s directors’ and officers’ liability insurance policies.

**NOW, THEREFORE**, in consideration of the premises and of the Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions:

- (a) Change in Control: shall be deemed to have occurred if (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the total voting power represented by the Company’s then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company’s assets.
- (b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether instituted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.
- (c) Expenses: include attorneys’ fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

- (d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.
- (e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).
- (f) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.
- (g) Voting Securities: any securities of the Company which vote generally in the election of directors.

2. Basic Indemnification Arrangement. (a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee unless the Board of Directors has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be

permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 2(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the Reviewing Party shall be selected by the Board of Directors, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of New York or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

3. Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or provision of the Company's Certificate of Incorporation or By-Laws now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

4. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or provision of the Company's Certificate of Incorporation or By-Laws now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. No Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under or provision of the Company's Certificate of Incorporation or By-Laws or the General Corporation Law of the State of Delaware (the "DGCL") or otherwise. To the extent that a change in the DGCL (whether by statute or judicial decision) permits greater indemnification by agreement than would

be afforded currently under the provisions of the Company's Certificate of Incorporation and By-Laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, By-law or otherwise) of the amounts otherwise indemnifiable hereunder.

14. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as an officer or director of the Company or of any other enterprise at the Company's request.

15. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or



otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this [ ] day of [ ], 200[ ].

ANGIODYNAMICS, INC.

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
[Indemnitee]

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated July 3, 2003, except for Notes I, K and O(1), as to which the dates are February 2, 2004, December 29, 2003 and February 27, 2004, respectively accompanying the consolidated financial statements of AngioDynamics, Inc. and Subsidiaries, a wholly-owned subsidiary of E-Z-EM, Inc., contained in the Registration Statement and Prospectus. We consent to the use of the aforementioned report in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption "Experts."

/s/ GRANT THORNTON LLP

Melville, New York  
April 14, 2004

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April 14, 2004  
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We hereby consent to the inclusion of the summary of our legal opinion as set forth under the caption "Litigation" in the Business section of the prospectus of AngioDynamics, Inc. that appears in the Registration Statement (Form S-1), SEC file no. 333-113329.

/s/ ReedSmith, LLP

by \_\_\_\_\_  
Lloyd McAulay

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