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

FORM 10-Q

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

For the quarterly period ended December 2, 2006

OR

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

For the transition period from _____ to _____

Commission file number 0-50761

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

Delaware	**11-3146460**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
603 Queensbury Ave., Queensbury, New York	**12804**
(Address of principal executive offices)	**(Zip Code)**

(518) 798-1215
Registrant's telephone number, including area code

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

As of January 5, 2007, there were 15,783,060 shares of the issuer's common stock outstanding.

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AngioDynamics, Inc. and Subsidiary

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AngioDynamics, Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 2, 2006 (unaudited)	June 3, 2006 (audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 73,158	$ 64,042
Marketable securities, at fair value	14,790	25,710
Accounts receivable - trade, net of allowance for doubtful accounts of $682 and $430, respectively	14,213	13,486
Inventories, net	18,687	15,968
Deferred income taxes	831	822
Prepaid expenses and other	2,037	2,128
Total current assets	123,716	122,156
PROPERTY, PLANT AND EQUIPMENT - AT COST, less accumulated depreciation and amortization	10,842	10,802
DEFERRED INCOME TAXES	800	386
INTANGIBLE ASSETS, less accumulated amortization of $1,339 and $1,203, respectively	8,457	3,565
NON-REFUNDABLE DEPOSIT	5,157	
OTHER ASSETS	142	91
TOTAL ASSETS	$ 149,114	$137,000

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

AngioDynamics, Inc. and Subsidiary

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 2, 2006 (unaudited)	June 3, 2006 (audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 5,613	$ 5,791
Accrued liabilities	5,248	4,836
Income taxes payable	639	
Current portion of long-term debt	180	180
Total current liabilities	11,680	10,807
LONG-TERM DEBT, net of current portion	2,665	2,755
OTHER LONG-TERM LIABILITIES	3,500	
Total liabilities	17,845	13,562
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
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; issued and outstanding 15,682,514 shares at December 2, 2006 and 15,469,431 shares at June 3, 2006	157	155
Additional paid-in capital	123,709	120,219
Retained earnings	7,499	3,146
Accumulated other comprehensive loss	(96)	(82)
Total stockholders' equity	131,269	123,438
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 149,114	$137,000

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

AngioDynamics, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(in thousands, except per share data)

	Thirteen weeks ended		Twenty-six weeks ended	
	December 2, 2006	November 26, 2005	December 2, 2006	November 26, 2005
Net sales	$ 24,369	$ 18,707	$ 44,634	$ 35,074
Cost of goods sold	10,125	7,861	18,464	14,708
Gross profit	14,244	10,846	26,170	20,366
Operating expenses				
Selling and marketing	6,689	5,202	12,419	9,727
General and administrative	2,914	1,700	5,660	3,263
Research and development	1,637	1,545	3,264	3,064
Total operating expenses	11,240	8,447	21,343	16,054
Operating profit	3,004	2,399	4,827	4,312
Other income (expenses)				
Interest income	1,037	167	2,080	330
Interest expense	(30)	(34)	(62)	(70)
Other income	42	73	201	111
Income before income tax provision	4,053	2,605	7,046	4,683
Income tax provision	1,599	950	2,693	1,735
NET INCOME	$ 2,454	$ 1,655	$ 4,353	$ 2,948
Earnings per common share				
Basic	$ .16	$ .14	$ .28	$ .24
Diluted	$ .15	$ .13	$ .27	$ .23

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

AngioDynamics, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Twenty-six weeks ended December 2, 2006
(unaudited)
(in thousands, except share data)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total	Comprehensive income
	Shares	Amount					
Balance at June 3, 2006	15,469,431	$ 155	$120,219	$ 3,146	$ (82)	$123,438	
Net income				4,353		4,353	$ 4,353
Exercise of stock options	189,871	2	904			906	
Tax benefit on exercise of stock options			573			573	
Issuance of performance shares	8,437		214			214	
Purchases of common stock under Employee Stock Purchase Plan	14,775		224			224	
Stock-based compensation			1,417			1,417	
Implementation of FAS 123R			158			158	
Unrealized gain on marketable securities, net of tax of $30					50	50	50
Unrealized loss on interest rate swap, net of tax of $37					(64)	(64)	(64)
Comprehensive income							$ 4,339
Balance at December 2, 2006	15,682,514	$ 157	$123,709	$ 7,499	$ (96)	$131,269	

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

AngioDynamics, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Twenty-six weeks ended	
	December 2, 2006	November 26, 2005
Cash flows from operating activities:		
Net income	$ 4,353	$ 2,948
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	699	493
Amortization of bond discounts	(191)	
Tax benefit on exercise of stock options	141	960
Gain (loss) on sale of marketable securities	7	(111)
Deferred income taxes	(416)	(64)
Provision for doubtful accounts	252	18
Stock-based compensation	1,417	196
Changes in operating assets and liabilities		
Accounts receivable	(979)	(903)
Inventories	(2,719)	(441)
Prepaid expenses and other	981	583
Accounts payable and accrued liabilities	834	(1,393)
Income taxes payable	639	95
Net cash provided by operating activities	5,018	2,381
Cash flows from investing activities:		
Additions to property, plant and equipment	(600)	(1,569)
Payment of non-refundable deposit	(5,157)	
Payment of deferred acquisition costs	(890)	
Acquisition of distribution rights		(1,593)
Acquisition of patent rights	(1,528)	
Purchases of marketable securities	(30,979)	(12,019)
Proceeds from sale or maturity of marketable securities	42,163	10,216
Net cash provided by (used in) investing activities	3,009	(4,965)
Cash flows from financing activities:		
Repayment of long-term debt	(90)	(80)
Payment of deferred financing costs	(54)	
Proceeds from exercise of stock options	906	1,031
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	224	178
Tax benefit on the exercise of stock options	432	
Payments of costs relating to issuance of common stock	(329)	
Net cash provided by financing activities	1,089	1,129
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,116	(1,455)
Cash and cash equivalents		
Beginning of period	64,042	14,498
End of period	$ 73,158	$ 13,043

AngioDynamics, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited)
(in thousands)

	Twenty-six weeks ended	
	December 2, 2006	November 26, 2005
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 62	$ 70
Income taxes	$ 1,333	$ 513
Supplemental disclosure of non-cash investing and financing activities:		
Acquisition of patent rights	$ 3,500	
Acquisition of distribution rights		$ 800
Issuance of performance shares	$ 214	

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

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 2, 2006 and November 26, 2005
(unaudited)

NOTE A - CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of December 2, 2006, the consolidated statement of stockholders' equity and comprehensive income for the twenty-six weeks ended December 2, 2006, and the consolidated statements of income and cash flows for the thirteen and twenty-six weeks ended December 2, 2006 and November 26, 2005, have been prepared by the Company without audit. The consolidated balance sheet as of June 3, 2006, was derived from audited consolidated financial statements. In the opinion of management, all adjustments (which include only normally recurring adjustments) necessary to state fairly the financial position, changes in stockholders' equity and comprehensive income, results of operations and cash flows as of December 2, 2006 (and for all periods presented) have been made.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted. It is suggested that these unaudited interim consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended June 3, 2006, filed by the Company on August 11, 2006. The results of operations for the periods ended December 2, 2006 and November 26, 2005 are not necessarily indicative of the operating results for the respective full fiscal years.

The unaudited interim consolidated financial statements include the accounts of AngioDynamics, Inc. and its wholly-owned subsidiary, Leocor, Inc. ("Leocor") (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated. The Company's operations are classified in one segment, peripheral vascular disease, as management of the Company's products and services follows principally the same marketing, production, and technology strategies.

NOTE B – ACQUISITIONS

RITA Medical Systems, Inc.

On November 27, 2006, the Company, Royal I, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Merger Sub") and RITA Medical Systems, Inc., a Delaware corporation ("RITA"), executed an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which the Company will acquire RITA.

At the effective time and as a result of the merger, each share of common stock of RITA, par value $0.001 per share, then issued and outstanding, will be converted into the right to receive (i) 0.1722 shares of common stock of the Company, par value $0.01 per share, and (ii) an amount of cash based on the average closing price of the Company's common stock during the 10 trading day period ending three trading days prior to RITA's stockholder meeting to approve and adopt the Merger Agreement (the "Company Stock Price"). If the Company Stock Price is within the range of $18.18 to $27.29, then RITA's stockholders will receive, for each share of RITA common stock that they own, the per share stock consideration and an amount of cash equal to $4.70 less the value, based on the Company Stock Price, of the per share stock

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE B – ACQUISITIONS – (continued)

consideration. If the Company Stock Price is less than $18.18, then RITA's stockholders will receive, for each share of RITA common stock that they own, the per share stock consideration and an amount of cash equal to $1.57. The total purchase price, exclusive of transaction costs, is anticipated to be approximately $220 million.

Consummation of the transactions contemplated by the Merger Agreement is conditioned upon, among other things, (1) approval of the Merger Agreement by the stockholders of RITA and approval of the issuance of common stock of the Company in connection with the merger by the stockholders of the Company at stockholder meetings that are scheduled for January 29, 2007, (2) the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (3) the effectiveness of a registration statement relating to the shares of common stock of the Company to be issued in the merger, which has been declared effective by the SEC.

The Merger Agreement contains customary representations and warranties by RITA, the Company and Merger Sub. The Merger Agreement also contains customary covenants and agreements, including with respect to the operation of the business of RITA and its subsidiaries between signing and closing, restrictions on solicitation of proposals with respect to alternative transactions, governmental filings and approvals, public disclosures and similar matters.

The Merger Agreement contains certain termination rights for both RITA and the Company, and further provides that, upon termination of the Merger Agreement under certain circumstances, RITA may be obligated to pay the Company a termination fee of $8 million.

Oncobionic, Inc.

On October 12, 2006, the Company entered into a Stock Purchase Agreement (the "Purchase Agreement") with Oncobionic, Inc. ("Oncobionic") and the shareholders of Oncobionic to acquire all of the issued and outstanding shares of the capital stock of Oncobionic.

The Company and Oncobionic are parties to an existing distribution and purchase option agreement ("Distribution Agreement") under which the Company has a worldwide exclusive right to market and distribute products called "tissue portal" for use in the field of image-guided tumor ablation, subject to certain limitations set forth in the agreement. The Distribution Agreement also provided for an option to purchase Oncobionic, which expired unexercised in August 2005. The Distribution Agreement will survive any termination of the Purchase Agreement. During the thirteen weeks ended December 2, 2006, the Company made the final $200,000 installment payment under the Distribution Agreement to Oncobionic, which has been recorded as a component of research and development expenses.

Under the Purchase Agreement, the Company has agreed to pay a total purchase price consisting of (i) a fixed purchase price of $25 million, less Oncobionic's long-term debt as of the closing date of the acquisition (the "Fixed Purchase Price") and (ii) a contingent purchase price equal to three

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE B – ACQUISITIONS – (continued)

(3%) percent of net sales (as defined in the Agreement) of any catheter-based products sold by the Company that incorporate Oncobionic's irreversible electroporation technology for use in reducing the incidence of restenosis (the recurrence of narrowing or constriction of the arteries) associated with angioplasty procedures. Oncobionic holds a license to such technology under a license agreement with the Regents of the University of California (the "UC License").

$5.0 million of the Fixed Purchase Price, constituting a non-refundable deposit, was paid by the Company upon the execution of the Purchase Agreement, and together with the costs to execute the agreement of $157,000, has been recorded on the balance sheet under the heading "Non-refundable deposit" as of December 2, 2006. Of the balance of the Fixed Purchase Price, 50% is payable at the closing of the acquisition, 25% is payable six months after the closing, and the remaining 25% is payable 18 months after the closing.

The closing of the acquisition is subject to Oncobionic's successful performance and completion of human use tests confirming the acute efficacy of irreversible electroporation in ablating prostate cancer. If the human use tests do not achieve the results contemplated by the test protocol, the Company may either (i) terminate the Agreement, (ii) waive the closing condition or (iii) propose one-time revisions to the test protocol and an extension of the test period, subject to Oncobionic's consent and at the Company's expense. Oncobionic may terminate the Purchase Agreement if the human use tests do not achieve the results set forth in the test protocol (after giving effect to any revisions thereof and extension thereto), unless the Company waives such closing condition. In the event of any such termination, the Oncobionic shareholders will be entitled to retain the $5.0 million deposit payment received from the Company.

The closing of the acquisition is also subject to customary closing conditions, including any governmental or other consents or approvals. In addition, the Purchase Agreement provides that concurrently with the closing of the acquisition, the Company will enter into non-competition agreements and consulting agreements with certain of the principals of Oncobionic.

The Purchase Agreement also permits Oncobionic to license its irreversible electroporation technology for Cardiac Arrhythmia Application (as defined in the Purchase Agreement) to a single licensee and to appoint an affiliate of certain of the shareholders of Oncobionic as its agent (the "Agent") for a period of four years, commencing on the execution of the Purchase Agreement, to identify a potential licensee for such license. Under the Purchase Agreement, prior to the closing, the Company has a right of first refusal on any third-party offers for a license to the Cardiac Arrhythmia Application.

Under a commission agreement between Oncobionic and the Agent entered into concurrently with the Purchase Agreement, Oncobionic has agreed to pay the Agent fifty (50%) percent of all license fees and royalties received from any licensee identified by the Agent after payment of all license fees dues under the UC License. Additionally, Oncobionic has agreed to pay the Agent a termination fee equal to fifty (50%) percent of (i) the unconditional,

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE B – ACQUISITIONS – (continued)

non-refundable, up-front fees and (ii) the guaranteed minimum royalty payments that would have been paid to Oncobionic under a proposed license in excess of the fees due under the UC License, if Oncobionic rejects a bona fide offer by a potential licensee or is otherwise unable in good faith to reach an agreement with a potential licensee.

NOTE C - STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans, exclusive of the stock option plans related to the distribution by E-Z-EM, Inc. ("E-Z-EM" or the "Former Parent") of all of its shares of the Company's common stock to the E-Z-EM stockholders in October 2004 (the "Spin-off"). These plans provide for the issuance of up to approximately 3.5 million shares of common stock, which includes an additional 1,000,000 shares authorized by the Company's Board of Directors in August 2006 and approved by the Company's stockholders in October 2006, for issuance under the AngioDynamics, Inc. 2004 Stock and Incentive Award Plan, (the "2004 Plan").

In connection with the Spin-off, as of October 29, 2004, all outstanding E-Z-EM options ("E-Z-EM Pre-spin Options") were adjusted and Company options (the "Mirror Options") for 421,926 shares of the Company's common stock, with a weighted average price of $4.22, were issued to E-Z-EM option holders. Mirror Options to acquire 4,886 shares of common stock were exercisable as of December 2, 2006.

On June 4, 2006, the Company adopted Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which requires the measurement and recognition of all share-based payment awards made to employees and directors, including stock options and employee stock purchases related to the Company's Employee Stock Purchase Plan (the "Stock Purchase Plan") based on estimated fair values. SFAS 123(R) supercedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), SFAS No. 123, "Accounting for Stock-based Compensation" for non-employees, and related interpretations, for periods beginning in fiscal year 2007. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of June 4, 2006, the first day of the Company's 2007 fiscal year. The Company's consolidated financial statements as of and for the thirteen and twenty-six weeks ended December 2, 2006, reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company's consolidated financial statements have not been restated to include the impact of SFAS 123(R). Stock-based compensation expense recognized under SFAS 123(R) for the thirteen and twenty-six weeks ended December 2, 2006, was $499,000 and $921,000, respectively, net of income taxes of $275,000 and $496,000,

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE C - STOCK-BASED COMPENSATION (continued)

respectively. During the thirteen and twenty-six weeks ended November 26, 2005, compensation expense of $22,000 and $44,000, respectively, was recognized for options granted to consultants. During the thirteen and twenty-six weeks ended November 26, 2005, $19,000 and $152,000, respectively, was recognized for restricted stock unit and performance share awards granted to employees.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of the grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized on a straight-line basis over the requisite service period in the Company's consolidated statement of income. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under SFAS 123. Under the intrinsic value method, no stock-based compensation expense had been recognized in the Company's consolidated statements of income, because the exercise price of the Company's stock options granted to employees and directors was equal to or exceeded the fair market value of the underlying stock on the date of grant.

Stock-based compensation expense recognized in the Company's consolidated statements of income for the twenty-six weeks ended December 2, 2006, includes compensation expense for share-based payment awards granted prior to, but not yet vested as of June 3, 2006, based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123 and compensation expense for the share-based payment awards granted subsequent to June 3, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R), and has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS 123 for periods prior to June 4, 2006, forfeitures have been accounted for as they occurred.

For the thirteen and twenty-six weeks ended December 2, 2006, the Company used the Black-Scholes option-pricing model ("Black-Scholes") as its method of valuation under SFAS 123(R) and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Black-Scholes was also previously used for the Company's pro forma information required by SFAS 123 for periods prior to June 4, 2006. The fair value of share based payment awards on the date of the grant as determined by the Black-Scholes model is affected by the Company's stock price as well as other assumptions. These assumptions include, but are not limited to the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE C - STOCK-BASED COMPENSATION (continued)

The weighted-average estimated grant-date value of employee stock options granted during the thirteen and twenty-six weeks ended December 2, 2006 and November 26, 2005 was calculated using the Black-Scholes model with the following weighted-average assumptions:

	Thirteen weeks ended		Twenty-six weeks ended	
	December 2, 2006	November 26, 2005	December 2, 2006	November 26, 2005
Stock options granted	26,190	25,500	334,418	306,800
Weighted-average fair value	$ 13.36	$ 9.54	$ 10.96	$ 12.08
Black-Scholes Assumptions:				
Expected stock price volatility	56.5%	53.1%	56.6%	57.4%
Risk-free interest rate	4.7%	4.2%	4.9%	4.1%
Expected term (in years)	6.1	4.5	6.1	4.5
Expected dividend yield	0	0	0	0

The Company considers historical volatility and trends within the Company's industry/peer group when estimating expected stock price volatility. The Company uses yield rates on U.S. Treasury securities for a period approximating the expected term of the award to estimate the risk-free interest rate. The expected term is based on historical exercise and forfeiture data. The dividend yield is based on the history and expectation of dividend payments. Company historical data includes information only from May 26, 2004, the date of the Company's initial public offering.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE C - STOCK-BASED COMPENSATION (continued)

The following table summarizes stock-based compensation in accordance with SFAS 123(R) for the thirteen and twenty-six weeks ended December 2, 2006, which was allocated as follows:

	Thirteen weeks December 2, 2006	Twenty-six weeks December 2, 2006
	(in thousands)	
Cost of goods sold	$ 101	$ 190
Sales and marketing	218	376
General and administrative	315	586
Research and development	140	265
Stock-based compensation expense included in operating expenses	673	1,227
Total stock-based compensation expense	774	1,417
Tax benefit	275	496
Stock-based compensation expense, net of tax	$ 499	$ 921

If the Company had elected to recognize compensation expense for the thirteen and twenty-six weeks ended November 26, 2005, based upon the fair value at the grant date for options and awards granted under these plans to employees and to members of the Board of Directors, consistent with the methodology prescribed by SFAS No. 123, the Company's pro forma net income and earnings per common share would be as follows:

	Thirteen weeks ended November 26, 2005	Twenty-six weeks ended November 26, 2005
	(in thousands)	
Net income, as reported	$ 1,655	$ 2,948
Add total stock-based compensation recorded under intrinsic value based method for all awards, net of tax effects	27	129
Deduct total stock-based compensation under fair value based method for all awards, net of tax effects	(310)	(598)
Pro forma net income	$ 1,372	$ 2,479
Earnings per common share		
Basic – reported	$ .14	$ .24
Basic – forma	.11	.21
Diluted – reported	$ .13	$ .23
Diluted – pro forma	.11	.19

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE C - STOCK-BASED COMPENSATION (continued)

Option Activity

The following schedule summarizes stock option activity as of and for the twenty-six weeks ended December 2, 2006:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding at June 3, 2006	1,251,145	$ 13.23		
Granted	334,418	$ 18.76		
Exercised	(189,871)	$ 4.77		
Forfeited	(11,203)	$ 21.24		
Outstanding as of December 2, 2006	1,384,489	$ 15.66	7.23 years	$ 11,897
Exercisable as of December 2, 2006	540,135	$ 10.32	6.71 years	3,082
Expected to vest as of December 2, 2006	606,000	$ 20.30	8.90 years	6,210

All options were granted at exercise prices equal to the quoted market price of the Company's common stock at the date of the grants. Options under these grants vest 25% per year over four years for employees and 100% after one year for consultants. Initial grants to directors vest 25% per year over four years and subsequent grants to directors vest 33 1/3% per year over three years. All options expire on the tenth anniversary of the grant date. The total intrinsic value of options exercised, excluding Mirror Options, was $208,000 and $181,000 for the thirteen weeks ended December 2, 2006 and November 26, 2005, respectively, and $332,000 and $484,000 for the twenty-six weeks ended December 2, 2006 and November 26, 2005, respectively. The Company generally issues authorized but unissued shares upon stock option exercises and the settlement of performance share awards and restricted stock units.

Non-Vested Stock Awards

The Company values performance share and restricted stock unit awards based on the closing trading value of the Company's shares on the date of grant. The Company recognizes the compensation cost related to its non-vested stock awards ratably over the requisite service period, which is consistent with the

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE C - STOCK-BASED COMPENSATION (continued)

treatment prior to the adoption of SFAS 123(R). Under APB 25, the performance share and restricted stock unit awards were accrued as vested and recorded in accrued liabilities. During the thirteen weeks ended September 2, 2006, the vested performance shares were issued and the liability for the restricted stock unit awards was reclassified to additional paid-in capital as required by SFAS 123(R).

Information related to non-vested stock awards as of and for the twenty-six weeks ended December 2, 2006, is as follows:

	Non-Vested Stock Award Units	Weighted Average Grant-Date Fair Value
Balance as of June 3, 2006	67,500	$ 18.70
Vested	(8,437)	$ 18.70
Balance as of December 2, 2006	59,063	$ 18.70

Unrecognized Compensation Cost

Under the provisions of SFAS 123(R), the Company will recognize the following future expense for awards outstanding as of December 2, 2006:

	Unrecognized Compensation Cost	Weighted Average Remaining Vesting Period (in years)
Stock options	$ 6,876,000	3.01
Non-vested stock awards	742,000	2.50
	$ 7,618,000	2.98

Unrecognized compensation cost for stock options is presented net of 10.2% assumed annual forfeitures.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE C - STOCK-BASED COMPENSATION (continued)

Employee Stock Purchase Plan

The Stock Purchase Plan provides a means by which employees of the Company (the "participants") are given an opportunity to purchase common stock of the Company through payroll deductions. The maximum number of shares to be offered under the Stock Purchase Plan is 200,000 shares of the Company's common stock, subject to any increase authorized by the Board of Directors. Shares are offered through four overlapping offering periods, each with a duration of approximately 12 months, commencing on the first business day of each fiscal quarter, and each consisting of a series of successive three-month purchase periods. A participant may not participate in more than one offering period at a time. An employee is eligible to participate in an offering period if, on the first day of an offering period, he or she has been employed in a full-time capacity for at least six months, with a customary working schedule of 20 or more hours per week and more than five months in a calendar year. Employees who own stock possessing 5% or more of the total combined voting power or value of all classes of the Company's stock are not eligible to participate in the Stock Purchase Plan. The purchase price of the shares of common stock acquired on each purchase date will be the lower of (i) 85% of the fair market value of a share of common stock on the first day of the offering period or (ii) 85% of the fair market value of a share of common stock on the last day of the purchase period, subject to adjustments made by the Board of Directors. The Stock Purchase Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code.

The Company uses the Black-Scholes option pricing model to calculate the purchase date fair value of the shares issued under the Stock Purchase Plan and recognizes expense related to shares purchased ratably over the offering period.

For the thirteen and twenty-six weeks ended December 2, 2006, 7,190 and 14,775 shares, respectively, were issued at an average price of $14.86 and $15.12, respectively, under the Stock Purchase Plan. As of December 2, 2006, 152,422 shares remained available for future purchases under the Stock Purchase Plan.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE D - 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 shares and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options and vesting of restricted stock unit awards, reduced by the shares that may be repurchased with the funds received from the exercise of options, based on the average price during the period.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	December 2, 2006	November 26, 2005	December 2, 2006	November 26, 2005
Basic	15,645,742	12,249,124	15,572,862	12,196,206
Effect of dilutive securities	262,443	634,309	308,620	674,237
Diluted	15,908,185	12,883,433	15,881,482	12,870,443

Excluded from the calculation of diluted earnings per common share, are options issued to employees and non-employees to purchase 707,130 and 578,368 shares of common stock for the thirteen and twenty-six weeks ended December 2, 2006, respectively, as their inclusion would not be dilutive. The exercise prices of the excluded options were between $17.25 and $28.45 at December 2, 2006.

NOTE E – EFFECTS OF RECENTLY ISSUED PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (“FAS 109”),” to clarify the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FAS 109, “Accounting for Income Taxes.” This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company has not determined the impact on its financial statements of this Interpretation at this time.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE E - EFFECTS OF RECENTLY ISSUED PRONOUNCEMENTS (continued)

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement focuses on creating consistency and comparability in fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of this new accounting pronouncement is not expected to have a material impact on the Company’s consolidated financial statements.

In September 2006, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires companies to quantify misstatements based on their impact on each of their financial statements and related disclosures. SAB 108 is effective for fiscal years ending after November 15, 2006, allowing a one-time transitional cumulative effect adjustment to retained earnings for errors that were not previously deemed material but are material under the guidance in SAB 108. The Company is currently evaluating the impact this adoption will have on the consolidated financial statements.

NOTE F – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss, net of related tax, are as follows:

	December 2, 2006	June 3, 2006
	(in thousands)	
Cumulative loss on interest rate swap	$ (113)	$ (49)
Unrealized holding gain (loss) on marketable securities	17	(33)
Accumulated other comprehensive loss	$ (96)	$ (82)

NOTE G – MARKETABLE SECURITIES

Marketable securities as of December 2, 2006, consist of the following:

	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair value
		(in thousands)		
U.S. government agency obligations	$ 8,208	$ 22	$ (6)	$ 8,224
Corporate bond securities	6,559	23	(16)	6,566
	$ 14,767	$ 45	$ (22)	$14,790

Marketable securities as of June 3, 2006 consist of the following:

	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
U.S. government agency obligations	$ 9,329	$ 31	$ (30)	$ 9,330
Auction-rate securities	10,000			10,000
Corporate bond securities	6,436	6	(62)	6,380
	$ 25,765	$ 37	$ (92)	$25,710

As of December 2, 2006, the Company held 18 securities with a fair value of $7,511,000, that had unrealized losses totaling $22,000. As of June 3, 2006, the Company held 11 securities with a fair value of $8,443,000, that had unrealized losses totaling $92,000. The Company believes that the unrealized losses are the result of temporary market fluctuations. Accordingly, the Company has not recorded any impairment losses related to these investments. During the thirteen and twenty-six weeks ended December 2, 2006, the Company reclassified $7,000 of unrealized holding gains and $18,000 of unrealized holding losses, net of income taxes, respectively, from accumulated other comprehensive loss to “other income, net,” in the consolidated statement of income as marketable securities were sold or matured.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE G – MARKETABLE SECURITIES (continued)

The amortized cost and fair value of marketable securities as of December 2, 2006, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(in thousands)	
Due in one year or less	$ 10,156	$10,174
Due after one through five years	4,611	4,616
	$ 14,767	$14,790

NOTE H - INVENTORIES

Inventories consist of the following:

	December 2, 2006	June 3, 2006
	(in thousands)	
Finished goods	$ 10,090	$ 9,115
Work in process	1,848	2,239
Raw materials	6,749	4,614
	$ 18,687	$15,968

Reserves for excess and obsolete inventory were $1,719,000 and $1,322,000 at December 2, 2006 and June 3, 2006, respectively.

NOTE I – ASSET PURCHASE AGREEMENT

On May 1, 2006, the Company entered into an Asset Purchase Agreement (the “Agreement”) to acquire all right, title, and interest in, and to, Patent Pending Technology for purposes of manufacturing, marketing, and selling proprietary Vascular Access Ports (“the Product”), following administrative approval. Upon signing the agreement, the Company paid $500,000, which was recorded on the balance sheet under “Intangible Assets”. During the twenty-six weeks ended December 2, 2006, the Company made an additional payment of $1,500,000, which has also been recorded under “Intangible Assets”.

Future periodic payments under the Agreement are as follows:

$3,500,000 on the two-year anniversary of the effective date of the Agreement (May 1, 2008), or upon the first commercial sale of the Product by the Company, whichever is earlier. The amount of this future payment has been included on the balance sheet under “Intangible Assets” with a corresponding credit to “Other long-term liabilities” at December 2, 2006.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and August 27, 2005
(unaudited)

NOTE I – ASSET PURCHASE AGREEMENT (continued)

A final payment of $2,500,000 is contingent upon the issuance (within 10 years of the effective date of the Agreement) of a U.S. patent claiming priority to the Patent Application, or any issuance of a patent to the Company within 10 years of the effective date of the Agreement in which the original owners are the inventors.

Amortization is being recognized on a straight-line basis over the remaining life of the patent. Amortization expense of $73,000 was recognized under this agreement for the thirteen and twenty-six weeks ended December 2, 2006.

NOTE J – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 2, 2006	June 3, 2006
	(in thousands)	
Payroll and related expenses	$ 3,469	$3,203
Sales and franchise taxes	1,050	1,071
Fair value of interest rate swap	180	78
Other	549	484
	$ 5,248	$4,836

NOTE K – INCOME TAXES

The Company's effective income tax rates for the thirteen and twenty-six weeks ended December 2, 2006 were 39.5% and 38.2%, respectively, compared to 36.5% and 37.0%, respectively, for the thirteen and twenty-six weeks ended November 26, 2005. The increase is related to the expected impact of graduated tax rates on taxable income for the fiscal year ending June 2, 2007, as well as the Company's inability, in the current period, to record previously available research and development tax credits due to unsigned Federal legislation. This legislation was signed in December 2006, subsequently to the current period, thus permitting these research and development credits to be retroactively applied for the remainder of the fiscal year.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE L – LITIGATION

Diomed v. AngioDynamics and
VNUS Medical Technologies v. Diomed, Vascular Solutions, and AngioDynamics

On January 6, 2004, Diomed, Inc. ("Diomed") filed an action against the Company 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 the Company infringed on Diomed's U.S. patent no. 6,398,777 by selling a kit for the treatment of varicose veins (now called the "VenaCure 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 the Company's VenaCure Procedure Kit. The complaint alleges 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 a training program, and asks for compensatory and treble money damages, reasonable attorneys' fees, costs and pre-judgment interest. The Company believes that these products do not infringe the Diomed patent.

On April 12, 2005, the Court issued a Memorandum and Order on Claims Construction, commonly known as a Markman ruling, in which the Court rejected Diomed's interpretation of certain claim limitations. Instead, the Court agreed with the Company on certain claim limitations and, as a result, effectively added additional weight to the Company's position that the proper use of its products do not infringe Diomed's patent.

In December 2005, the Company filed a motion for summary judgment of non-infringement in this action. Diomed, Inc. also moved for summary judgment. On June 26, 2006, the judge assigned to the action issued an Order of Recusal, and the case was assigned to another judge. On August 30, 2006, the Court denied both the Company's and Diomed's motions for summary judgment. The Court has set a trial date of March 12, 2007. There is a reasonable possibility of an outcome unfavorable to the Company in the Diomed action, with a range of potential loss at between $1.1 million and $10.5 million, as calculated through September 30, 2006. As the range is based on calculations of lost profits and reasonable royalty payments per accused sales of the Company's Venacure products, the potential loss continues to increase as sales are made.

On January 3, 2006, the Company filed a declaratory judgment action in the U.S. Federal District court for the District of Delaware entitled AngioDynamics, Inc. v. Diomed Holdings, Inc., civ. action no. 06 002 (GMS) seeking a declaration by the court that the claims of Diomed's recently issued U.S. patent no. 6,981,971, entitled "Medical Laser Device," are invalid, unenforceable and not infringed by the manufacture or sale of any of the Company's products, systems or processes, and that Diomed be stopped from asserting any of these claims against the Company. On January 17, 2006, the Company filed an Amended Complaint for Declaratory Judgment seeking a judgment declaring that the claims of a second Diomed patent, U.S. patent no. 6,986,766, entitled "Method of Endovenous Laser treatment," are invalid, unenforceable and not infringed by the manufacture or sale of any of the Company's products, systems or processes, and that Diomed also be stopped from

NOTE L – LITIGATION (continued)

asserting any of these claims against the Company. On January 31, 2006, Diomed filed a motion to dismiss, alleging that this declaratory judgment action should be dismissed as purportedly having no actual case or controversy between the Company and Diomed and stating that Diomed believed there was no imminent threat of litigation by Diomed against the Company. On September 7, 2006, the Court dismissed the Company's declaratory judgment action against Diomed.

On October 4, 2005, VNUS Medical Technologies, Inc. ("VNUS") filed an action against the Company, and others (collectively, the "Defendants") entitled VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc., Diomed Inc., AngioDynamics, Inc., and Vascular Solutions, Inc., case no. C05-02972 MMC, filed in the U.S. District Court for the Northern District of California. The complaint alleges that the Defendants infringed on VNUS' U.S. patent nos. 6,258,084, 6,638,273, 6,752,803, and 6,769,433 by making, using, selling, offering to sell and/or instructing users how to use Diomed's "EVLT" products, AngioDynamics' "VenaCure" products, and Vascular Solutions' "Vari-Lase" products. The complaint alleges the Defendants' actions have caused, and continue to cause, VNUS to suffer substantial damages. The complaint seeks to prohibit the Defendants from continuing to market and sell these products and asks for compensatory and treble money damages, reasonable attorneys' fees, costs and pre-judgment and post-judgment interest. The Company believes that its products do not infringe the VNUS patents and has filed an answer to the complaint, including a counterclaim for relief and a demand for jury trial. Progress in this action has not reached a point to assess with any reasonable degree of certainty the likelihood of an unfavorable outcome or an estimate of any potential loss. The Court has set October 2007 for the trial of this action.

The Company purchases the lasers and laser fibers for its laser systems from biolitec Inc. ("biolitec") under a supply and distribution agreement. In response to the Company's request to biolitec that it assume the defense of the VNUS action, biolitec advised the Company that the claims asserted in the VNUS action were not covered by the indemnification provisions in the supply and distribution agreement. biolitec further advised the Company that, based on the refinement of the claims in the Diomed action, such claims were also not within biolitec's indemnification obligations under the agreement. The Company advised biolitec that it disagreed with biolitec's position and that the Company expected biolitec to continue to honor its indemnification obligations to the Company under the agreement. The Company is engaged in discussions with biolitec to resolve this disagreement. Pending the outcome of these ongoing discussions, biolitec has agreed to continue to provide, at its cost and expense, the Company's defense in the Diomed action, but, contrary to what the Company believed its understanding with biolitec to be, has not agreed to pay the costs of defense of the VNUS action as they are incurred. Consequently, the Company is currently paying those costs. Should it ultimately be determined that the claims asserted in these actions are not within biolitec's indemnification obligations under the supply and distribution agreement, the Company may be required to reimburse biolitec for the costs and expenses of defending the Diomed action and will be unable to recover the costs incurred in defending the VNUS action, and will be responsible for paying any settlements or judgments in these actions.

AngioDynamics, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 2, 2006 and November 26, 2005
(unaudited)

NOTE L – LITIGATION (continued)

The Company is party to other legal actions that arise in the ordinary course of business. The Company believes that any liability resulting from any such currently pending litigation will not, individually or in the aggregate, have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

NOTE M – SUBSEQUENT EVENT

In December 2006, the Company closed on the financing for the expansion of its warehouse and manufacturing facility in Queensbury, New York. The expansion is being financed principally with Taxable Adjustable Rate Notes (the "Notes") issued by the Company aggregating $5,000,000. The Notes were issued under a Trust Agreement by and between the Company and a bank, as trustee (the "Trustee"). In connection with the issuance of the Notes, the Company entered into a Letter of Credit and Reimbursement Agreement with the Bank that requires the maintenance of a letter of credit to support principal and certain interest payments on the Notes and requires payment of an annual fee on the outstanding balance. The Company also entered into a Remarketing Agreement, pursuant to which the Remarketing Agent is required to use its best efforts to arrange for sales of the Notes in the secondary market.

The Reimbursement Agreement contains certain financial covenants relating to fixed charge coverage and interest coverage, as defined. Amounts borrowed under the Reimbursement Agreement are collateralized by the aforementioned letter of credit and all Company assets.

The Company entered into an interest rate swap agreement (the "Swap Agreement") with the Bank, effective December 2006, with an initial notional amount of $5,000,000, to limit the effect of variability due to interest rates on its rollover of the Notes. 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 5.06% and receive payments based on 30-day LIBOR repriced every seven days through December 2016.

Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following information should be read together with the consolidated financial statements and the notes thereto and other information included elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. In some cases, forward-looking statements may be identified by terminology such as "may", "will", "should", "expects", "intends", "anticipates", "plans", "believes", "seeks", "estimates", "predicts", "potential", "continue" or variations of such terms or similar expressions. These statements relate to future events or AngioDynamics' future financial performance and involve known and unknown risks, uncertainties and other factors that may cause AngioDynamics or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, among other things, our ability to develop new products and enhance existing products, our ability to protect our intellectual property, pending and potential intellectual property infringement claims by third parties, our dependence on single source suppliers, our relationships with interventional physicians, possible undetected defects in our products, potential product liability claims by customers or patients, the volatility of our operating results, the effect on our operations of healthcare reform measures, potential declines in reimbursements by government or other third-party payors for procedures using our products, failure to obtain regulatory approvals for our products, a disaster or other disruption at our manufacturing facility or the facilities of our suppliers, our likely need for additional financing to fund any significant acquisitions and the risks associated with any potential acquisition we may make, including our pending acquisition of RITA Medical Systems, Inc.. We discuss certain of these matters more fully in other of our filings with the SEC, including our Annual Report on Form 10-K for our 2006 fiscal year, which was filed with the SEC on August 11, 2006, and our S-4 Registration Statement filed in connection with our proposed acquisition of RITA Medical Systems, Inc. This Quarterly Report should be read in conjunction with that Annual Report on Form 10-K, and all our other filings, including Current Reports on Form 8-K, made with the SEC through the date of this report. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements contained in this Quarterly Report. As a result of these matters, including changes in facts or other factors, the actual circumstances relating to the subject matter of any forward-looking statement in this Quarterly Report may differ materially from the anticipated results expressed or implied in that forward-looking statement. The forward-looking statements included in this Quarterly Report are made only as of the date of this report and we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

Overview

AngioDynamics is 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. 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.

We sell our broad line of quality devices in the United States through a direct sales force comprised, as of December 2, 2006, of 55 sales representatives, eight regional managers, an eastern and a western zone director, and a vice president of sales. Outside the United States, we sell our products indirectly through a network of distributors in 34 markets. Historically, less than 5% of our net sales have been in non-U.S. markets.

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. In this regard, our strategic plan calls for an annual investment of 8% of sales for research and development activities.

In September 2006, we broke ground on a 36,000 square foot expansion at our Queensbury, N.Y. headquarters. The expansion will include increased warehouse and distribution space to support projected growth in the Company's core business. The building project, which is expected to be completed in the first quarter of fiscal 2008, will help ensure proactive support of our fast-growing customer base.

We are seeking to grow through selective acquisitions of complementary businesses and technologies. In October and November 2006, we entered into agreements for the acquisitions of two entities, Oncobionic, Inc. and RITA Medical Systems, Inc, respectively.

Oncobionic, Inc.

In October 2006, we entered into a Stock Purchase Agreement (the "Purchase Agreement") with Oncobionic, Inc. ("Oncobionic") and the shareholders of Oncobionic to acquire all of the issued and outstanding shares of the capital stock of Oncobionic for $25 million (the "Fixed Purchase Price"), less Oncobionic's long-term debt as of the closing date of the acquisition, plus a contingent purchase price of 3% of net sales of any catheter-based products we sell that incorporate Oncobionic's irreversible electroporation ("IRE") technology for use in reducing the incidence of restenosis associated with angioplasty procedures. $5 million of the Fixed Purchase Price, constituting a non-refundable deposit, was paid to the shareholders of Oncobionic upon execution of the Purchase Agreement. Of the balance of the Fixed Purchase Price, 50% is payable at the closing of the acquisition, 25% is payable six months after the closing, and the remaining 25% is payable 18 months after the closing. The closing of the acquisition is subject to Oncobionic's successful performance and completion of human use tests confirming the acute efficacy of IRE in ablating prostate cancer. We expect the results of these tests to be available within the next 12 months.

IRE uses needles and image guidance similar to existing thermal ablation technologies, but instead of "cooking or freezing" the targeted tissue, IRE disrupts the cell membrane, thereby destroying the targeted cells without thermal damage and without affecting connective tissue and structures such as blood vessels and ducts. In IRE, needle electrodes are placed through the skin by image guidance in the center or at the edge of targeted tissue. A certain electrical field is then generated within the electrode array, causing permanent nanoscale defects (pores) in the cell membranes. The permanently impaired cells are left in the body to be removed by the body's natural immune system. IRE should also allow for the preservation of nerves and other vital structures such as urethra, ducts and blood vessels.

RITA Medical Systems, Inc.

In November 2006, we executed an Agreement and Plan of Merger ("the Merger Agreement") with RITA Medical Systems, Inc. ("RITA"), pursuant to which we are to acquire RITA.

At the effective time and as a result of the merger, each share of common stock of RITA, par value $0.001 per share, then issued and outstanding, will be converted into the right to receive (i) 0.1722 shares of common stock of AngioDynamics, par value $0.01 per share, and (ii) an amount of cash based on the average closing price of AngioDynamics common stock during the 10 trading day period ending three trading days prior to RITA's stockholder meeting to approve and adopt the Merger Agreement (the "Company Stock Price"). If the Company Stock Price is within the range of $18.18 to $27.29, then RITA's stockholders will receive, for each share of RITA common stock that they own, the per share stock consideration and an amount of cash equal to $4.70 less the value, based on the Company Stock Price, of the per share stock consideration. If the Company Stock Price is less than $18.18, then RITA's stockholders will receive, for each share of RITA common stock that they own, the per share stock consideration and an amount of cash equal to $1.57. The total purchase price, exclusive of transaction costs is anticipated to be approximately $220 million.

Consummation of the transactions contemplated by the Merger Agreement is conditioned upon, among other things, (1) approval of the Merger Agreement by the stockholders of RITA and approval of the issuance of AngioDynamics common stock in connection with the merger by our stockholders at stockholder meetings that are scheduled for January 29, 2007, (2) the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (3) the effectiveness of our registration statement relating to the shares of AngioDynamics common stock to be issued in the merger, which has been declared effective by the SEC.

The Merger Agreement contains customary representations and warranties by RITA and us. The Merger Agreement also contains customary covenants and agreements, including with respect to the operation of the business of RITA and its subsidiaries between signing and closing, restrictions on solicitation of proposals with respect to alternative transactions, governmental filings and approvals, public disclosures and similar matters.

The Merger Agreement contains certain termination rights for both RITA and us, and further provides that, upon termination of the Merger Agreement under certain circumstances, RITA may be obligated to pay us a termination fee of $8 million.

RITA is a diversified medical device oncology company engaged in the development, manufacture, and marketing of products that use radiofrequency energy to treat patients with cancerous or benign tumors. It offers radiofrequency ablation systems (RFA) for treating cancerous tumors, as well as percutaneous vascular ports and specialty access catheters (SAC). Its SAC products include implantable infusion ports for the delivery of systemic chemotherapy, hemodialysis catheters, needle infusion sets, peripherally inserted central venous catheters, other accessories used in vascular procedures, tunneled central venous catheters, safety needles, PICC lines, dialysis catheters, and specialty catheters for the stem cell transplant procedure. It also distributes a radiofrequency product, the HABIB 4X resection device, which is designed to limit blood loss in surgical resection procedures. The RFA products include disposable devices and generators that are used in treating liver cancer and bone cancer. RITA's customers include surgical oncologists, hepatobiliary surgeons, liver transplant surgeons, laparoscopists, and interventional radiologists, as well as patient referral sources, including colorectal surgeons, radiation oncologists, and medical oncologists.

Although we completed a public offering of our common stock in fiscal 2006, we expect to use a substantial portion of our available cash in the RITA acquisition and our remaining cash resources will be limited. Except to the extent we can further use our equity securities as acquisition capital, we will require additional equity or debt financing to fund any future significant acquisitions.

Our ability to further increase our profitability will depend in large part on continuing to improve gross profit margins. Factors such as changes in our product mix, new technologies and unforeseen price pressures may cause our margins to grow at a slower rate than we have anticipated or to decline.

Our fiscal six months ended December 2, 2006 and November 26, 2005 both represent twenty-six weeks. The twenty-six weeks ended December 2, 2006 are referred to as the “fiscal 2007 period” and the twenty-six weeks ended November 26, 2005 are referred to as the “fiscal 2006 period.” Our fiscal quarters ended December 2, 2006 and November 26, 2005 both represent thirteen weeks. The thirteen weeks ended December 2, 2006 are referred to as the “2007 quarter” and the thirteen weeks ended November 26, 2005 are referred to as the “2006 quarter”.

For the fiscal 2007 period, we reported net income of $4.4 million, or approximately $0.28 and $0.27 per common share on a basic and diluted basis, respectively, on revenues of $44.6 million. For the fiscal 2006 period, we reported net income of $2.9 million, or approximately $0.24 and $0.23 per common share on a basic and diluted basis, respectively, on revenues of $35.1 million. Gross profit percentage improved to 58.6% for the fiscal 2007 period from 58.1% for the fiscal 2006 period. Cash flow from operations was $5.0 million, an increase of $2.6 million from the fiscal 2006 period.

On June 4, 2006, we adopted FASB Statement No. 123(R), “Share-Based Payment” (“SFAS 123(R)”), which requires share-based compensation to be recognized in the consolidated income statement based on their fair values. We adopted SFAS 123(R) using the modified-prospective method and, accordingly, have not adjusted our historical financial statements to reflect the impact of stock-based compensation expense.

Results of Operations

Thirteen weeks ended December 2, 2006 and November 26, 2005

The following table sets forth certain operational data as a percentage of sales for the thirteen weeks ended December 2, 2006 and November 26, 2005.

	Thirteen weeks ended	
	December 2, 2006	November 26, 2005
Net Sales	100.0%	100.0%
Gross profit	58.5%	58.0%
Selling and marketing expenses	27.5%	27.8%
General and administrative expenses	12.0%	9.1%
Research and development expenses	6.7%	8.3%
Operating profit	12.3%	12.8%
Other income	4.3%	1.1%
Net income	10.1%	8.8%

Net Sales. Net sales for the 2007 quarter increased by 30.3%, or $5.7 million, to $24.4 million, compared with the 2006 quarter. The increase in sales was primarily due to the continued growth from new products released in, or subsequent to, the 2006 quarter as well as the continuing market share gains of our existing product lines. Faster growing products included our drainage products, for which sales increased 90.5%, or $457,000, due primarily to sales of the recently released Total Abscession® drainage catheter; venous products, for which sales increased 75.5%, or $2.0 million; vascular access products, for which sales increased 36.9%, or $1.1 million, due primarily to the continued growth of our Morpheus® CT PICC; PTA products, for which sales increased 60.5%, or $528,000; dialysis products, for which sales increased by 17.8%, or $860,000; and angiographic products, for which sales increased 14.6%, or $758,000. Substantially all of the increase in our sales was due to increased unit sales, with less than 1% of the increase attributable to price increases.

Gross Profit. For the 2007 quarter, our gross profit as a percentage of sales increased to 58.5% from 58.0% for the 2006 quarter. The increase in gross profit percentage was primarily the result of a favorable product mix from increased sales of higher margin products, such as our Total Abscession drainage catheter, EvenMore catheter, the VenaCure® procedure kit, and the Morpheus CT PICC, offset by increased sales of Sotradecol®, which carries a lower gross margin. Gross profit includes the effect of stock-based compensation expense recorded under SFAS 123(R) of $101,000, or approximately 40 basis points, for the 2007 quarter. Stock-based compensation expense charged against gross profit for the 2006 quarter totaled $2,000.

Selling and marketing expenses. Selling and marketing expenses were 27.5% of net sales for the 2007 quarter, compared with 27.8% for the 2006 quarter. For the 2007 quarter, these expenses increased 28.6%, or $1.5 million, compared with the 2006 quarter. Selling expenses increased 22.9%, or $854,000, due to personnel expenses related to the increased number of sales territories, commissions on higher sales, and stock-based compensation. Marketing expenses increased 43.1%, or $634,000, due to increased personnel expenses, charitable contributions, and product promotions. Selling and marketing expenses included stock-based compensation expense recorded under SFAS 123(R) of $218,000, or 0.9% of sales, for the 2007 quarter. Stock-based compensation expense included in selling and marketing expenses for the 2006 quarter was $8,000, a negligible percentage of sales.

General and administrative expenses. General and administrative expenses were 12.0% of net sales for the 2007 quarter, compared with 9.1% for the 2006 quarter. For the 2007 quarter, these expenses increased 71.4%, or $1.2 million, partially due to personnel expenses from an increase in the number of employees, stock-based compensation, increased legal fees, reserves for doubtful accounts receivable, and travel and administrative costs associated with our recent acquisition activities. General and administrative expenses included stock-based compensation expense recorded under SFAS 123(R) of $315,000, or 1.3% of sales, for the 2007 quarter. Stock-based compensation expense included in general and administrative expenses for the 2006 quarter was $6,000, a negligible percentage of sales.

Research and development expenses. Research and development (R&D) expenses were 6.7% of net sales for the 2007 quarter, compared to 8.3% for the 2006 quarter. R&D expenses increased by 5.9%, or $92,000, due to expenses associated with ongoing projects. R&D expenses include stock-based compensation expense recorded under SFAS 123(R) of $140,000, or 0.6% of sales, for the 2007 quarter. Stock-based compensation expense included in R&D expenses for the 2006 quarter was $24,000, or 0.1% of sales.

Other Income (Expenses). Other income increased $843,000 to $1.1 million for the 2007 quarter, due primarily to an increase in interest income. Both an increase in our investment portfolio, most notably from the proceeds of our public offering in May 2006, and higher yields contributed to this increase.

Income Taxes. Our effective tax rate for the 2007 quarter was 39.5% compared to 36.5% for the 2006 quarter. The increase is attributable to the effect of graduated tax rates on taxable income for the 2007 quarter, as well our inability, in the 2007 quarter, to record previously available R&D tax credits due to unsigned Federal legislation.

Net Income. For the 2007 quarter, we reported net income of $2.5 million, an increase of 48.3%, or $799,000, over net income of $1.7 million for the 2006 quarter. The increase in net income was attributable primarily to increased sales, higher gross profit and increased investment income, partially offset by higher operating expenses. Net income includes the effect of stock-based compensation expense recorded under SFAS 123(R) of $499,000, or 2.0% of sales, for the 2007 quarter. Stock-based compensation expense included in net income for the 2006 quarter was $25,000, or 0.1% of sales.

Twenty-six weeks ended December 2, 2006 and November 26, 2005

The following table sets forth certain operational data as a percentage of sales for the twenty-six weeks ended December 2, 2006 and November 26, 2005.

	Twenty-six weeks ended	
	December 2, 2006	November 26, 2005
Net Sales	100.0%	100.0%
Gross profit	58.6%	58.1%
Selling and marketing expenses	27.8%	27.7%
General and administrative expenses	12.7%	9.3%
Research and development expenses	7.3%	8.8%
Operating profit	10.8%	12.3%
Other income (expense)	5.0%	1.1%
Net income	9.8%	8.4%

Net Sales. Net sales for the fiscal 2007 period increased by 27.4%, or $9.6 million, to $44.6 million, compared to the fiscal 2006 period. The increase in sales was primarily due to the continued growth from new products released in, or subsequent to, the fiscal 2006 period as well as the continuing market share gains of our existing product lines. Faster growing products included our drainage products, for which sales increased 126.2%, or $1.1 million, due primarily to sales of the recently released Total Abscession® drainage catheter; venous products, for which sales increased 54.4%, or $2.6 million; vascular access products, for which sales increased 35.6%, or $2.0 million, due primarily to the continued growth of our Morpheus® CT PICC; PTA products, for which sales increased 33.8%, or $625,000; dialysis products, for which sales increased by 14.8%, or $1.4 million; thrombolytic products, for which sales increased 8.7%, or $179,000; and angiographic products, for which sales increased 16.9%, or $1.7 million. Substantially all of the increase in our sales was due to increased unit sales, with less than 1% of the increase attributable to price increases.

Gross Profit. For the fiscal 2007 period, gross profit as a percentage of sales increased to 58.6% from 58.1% for the fiscal 2006 period. The increase in gross profit percentage was primarily the result of a favorable product mix from increased sales of higher margin products, such as our Total Abscession drainage catheter, EvenMore catheter, the VenaCure® procedure kit, and the Morpheus CT PICC, offset by increased sales of Sotradecol®, which carries a lower gross margin. Gross profit includes the effect of stock-based compensation expense recorded under SFAS 123(R) of $190,000, or approximately 50 basis points, for the fiscal 2007 period. Stock-based compensation expense charged against gross profit for the fiscal 2006 period totaled $18,000.

Selling and marketing expenses. Selling and marketing expenses were 27.8% of net sales for the fiscal 2007 period, compared to 27.7% for the fiscal 2006 period. For the fiscal 2007 period, selling and marketing expenses increased 27.7%, or $2.7 million, compared to the fiscal 2006 period. Selling expenses increased 22.1%, or $1.6 million, due to personnel expenses related to the increased number of sales territories and commissions on higher sales. Marketing expenses increased 44.0%, or $1.1 million, due to increased personnel expenses, product promotions, charitable contributions, and convention expenses. Selling and marketing expenses included stock-based compensation expense recorded under SFAS 123(R) of $376,000, or 0.8% of sales, for the fiscal 2007 period. Stock-based compensation expense included in selling and marketing expenses for the fiscal 2006 period was $43,000, or 0.1% of sales.

General and administrative expenses. General and administrative expenses were 12.7% of net sales for the fiscal 2007 period, compared to 9.3% for the fiscal 2006 period. For the fiscal 2007 period these expenses increased 73.5%, or $2.4 million, partially due to personnel expenses from an increase in the number of employees, stock-based compensation, increased legal fees, reserves for doubtful accounts receivable, and increased accounting fees related to our internal controls audit required by Section 404 of the Sarbanes-Oxley Act. General and administrative expenses included stock-based compensation expense recorded under SFAS 123(R) of $586,000, or 1.3% of sales, for the fiscal 2007 period. Stock-based compensation expense included in general and administrative expenses for the fiscal 2006 period was $60,000, or 0.2% of sales.

Research and development expenses. Research and development (R&D) expenses were 7.3% of net sales for the fiscal 2007 period, compared to 8.8% for the fiscal 2006 period. R&D expenses increased by 6.5%, or $200,000, due to expenses associated with ongoing projects. R&D expenses include stock-based compensation expense recorded under SFAS 123(R) of $265,000, or 0.6% of sales, for the fiscal 2007 period. Stock-based compensation expense included in R&D expenses for the fiscal 2006 period was $74,000, or 0.2% of sales.

Other Income (Expenses). Other income increased $1.8 million to $2.2 million for the fiscal 2007 period, due primarily to an increase in interest income. Both an increase in our investment portfolio and higher yields contributed to this increase.

Income Taxes. Our effective tax rate for the fiscal 2007 period was 38.2% compared to 37.0% for the fiscal 2006 period. The increase is attributable to the effect of graduated tax rates on taxable income for the fiscal 2007 period, as well our inability, in the fiscal 2007 period, to record previously available R&D tax credits due to unsigned Federal legislation.

Net Income. For the fiscal 2007 period, we reported net income of $4.4 million, an increase of 47.7%, or $1.4 million, over the fiscal 2006 period. The increase in net income was attributable primarily to increased sales, higher gross profit, and increased investment income, partially offset by higher operating expenses. Net income includes the effect of stock-based compensation expense recorded under SFAS 123(R) of $921,000, or 2.1% of sales, for the fiscal 2007 period. Stock-based compensation expense included in net income for the fiscal 2006 period was $121,000, or 0.3% of sales.

Liquidity and Capital Resources

For the fiscal 2007 period, we financed our operations primarily through cash flow from operations and the proceeds of our public offerings in 2004 and 2006. At December 2, 2006, $87.9 million, or 59.0%, of our assets consisted of cash, cash equivalents and marketable securities. Marketable securities are comprised of U.S. government issued or guaranteed securities and corporate bonds. Our current ratio was 10.5 to 1, with net working capital of $111.1 million, at December 2, 2006, compared to a current ratio of 11.3 to 1, with net working capital of $111.3 million, at June 3, 2006. At December 2, 2006, total debt was $6.2 million, comprised of short and long-term bank debt of $2.7 million for financing our facility expansion in Queensbury, New York, and $3.5 million for a future payment due on our asset purchase agreement with Medron, Inc. Total debt was $2.9 million at June 3, 2006.

We generated cash flow from operations of $5.0 million on net income of $4.4 million for the fiscal 2007 period. Non-cash stock-based compensation expense of $1.4 million, increases to accounts payable, accrued liabilities and income taxes payable aggregating $1.4 million, and decreases in prepaid expenses of $981,000, were partially offset by increases in inventory of $2.7 million, to support the growth in net sales, and accounts receivable of $727,000.

For the fiscal 2007 period, our investing activities provided net cash of $3.0 million. We had net proceeds from investment sales and purchases of $11.2 million, which were partially offset by deposits and deferred acquisition costs associated with two potential acquisitions of $6.0 million, an installment payment under an asset purchase agreement for $1.5 million and equipment purchases totaling $600,000.

Financing activities provided net cash of $1.1 million for the fiscal 2007 period with proceeds and associated tax benefit from the exercise of stock options totaling $1.3 million and proceeds from the issuance of common stock under our employee stock purchase plan of $224,000, offset by the payment of costs relating to our public stock offering totaling $329,000, and principal payments on our long-term debt of $90,000.

Our contractual obligations and their effect on liquidity and cash flows have changed substantially from what we previously disclosed in our Annual Report on Form 10-K for our fiscal year ended June 3, 2006. During the fiscal 2007 period, we made an installment payment under an asset purchase agreement to acquire patent rights from Medron, Inc. Having made this payment, we are contractually

obligated under the agreement to pay Medron an additional $3.5 million upon the earlier to occur of the two-year anniversary of the effective date of the agreement (May 1, 2008) and our first commercial sale of the product under the agreement. The amount of this future payment has been included on our balance sheet under “Intangible Assets” with a corresponding credit to “Other long-term liabilities” at December 2, 2006.

In October and November 2006, we entered into agreements for two significant business acquisitions that could require the use of a significant portion of our cash and investment balances.

Under the terms of our Stock Purchase Agreement with Oncobionic, $10 million of the remaining Fixed Purchase Price is payable at the closing of the acquisition, $5,000,000 is payable six months after the closing, and the remaining $5,000,000 is payable 18 months after the closing. The closing of the acquisition is subject to Oncobionic’s successful performance and completion of human use tests confirming the acute efficacy of IRE in ablating prostate cancer. We expect the results of these tests to be available within the next 12 months.

The consideration for our acquisition of RITA includes our common stock and cash. RITA’s stockholders who do not exercise dissenters’ rights of approval will receive in the merger, for each share of RITA common stock they own (i) 0.1722 shares of common stock of AngioDynamics, par value $0.01 per share, and (ii) an amount of cash based on the average closing price of AngioDynamics common stock during the 10 trading day period ending three trading days prior to RITA’s stockholder meeting to approve and adopt the Merger Agreement (the “Company Stock Price”). If the Company Stock Price is within the range of $18.18 to $27.29, then RITA’s stockholders will receive, for each share of RITA common stock that they own, the per share stock consideration and an amount of cash equal to $4.70 less the value, based on the Company Stock Price, of the per share stock consideration. If the Company Stock Price is less than $18.18, then RITA’s stockholders will receive, for each share of RITA common stock that they own, the per share stock consideration and an amount of cash equal to $1.57. Consummation of this transaction is conditioned upon, among other things, the approval by the stockholders of RITA and AngioDynamics. We anticipate the transaction will be completed during our fiscal third quarter, which ends March 3, 2007. The total purchase price, exclusive of transaction costs, is anticipated to be approximately $220 million. The cash component of the purchase price could range from $0 to $77 million, based on the criteria described in item (ii) above.

We believe that our current cash and investment balances, which include the net proceeds from our public offerings, together with cash generated from operations, will provide sufficient liquidity to meet our anticipated needs for capital for at least the next 12 months. If, as discussed above, we seek to make significant additional acquisitions of other businesses or technologies for cash, we will, in all likelihood, require additional financing. We cannot assure you that such financing will be available on commercially reasonable terms, if at all.

In December 2006, we closed on the financing for the expansion of our warehouse and manufacturing facility in Queensbury, New York. The expansion is being financed principally with taxable adjustable rate notes (the “Notes”) issued by us aggregating $5,000,000. The Notes were issued under a trust agreement by and between us and a bank, as trustee (the “Trustee”). In connection with the issuance of the Notes, we entered into a letter of credit and reimbursement agreement (the “Reimbursement Agreement”) with the Bank that requires the maintenance of a letter of credit to support principal and certain interest payments on the Notes and requires payment of an annual fee on the outstanding balance. We also entered into a remarketing agreement, pursuant to which the remarketing agent is required to use its best efforts to arrange for sales of the Notes in the secondary market.

The Reimbursement Agreement contains certain financial covenants relating to fixed charge coverage and interest coverage, as defined. Amounts borrowed under the Reimbursement Agreement are collateralized by the aforementioned letter of credit and all of our assets.

In connection with this financing, we entered into an interest rate swap agreement (the "Swap Agreement") with the Bank, effective December 2006, with an initial notional amount of $5,000,000, to limit the effect of variability due to interest rates on its rollover of the Notes. 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 us to pay a fixed rate of 5.06% and receive payments based on 30-day LIBOR repriced every seven days through December 2016.

Our $7.5 million line of credit facility with KeyBank National Association expired on November 30, 2006, and was not renewed.

Critical Accounting Policies and Use of Estimates

Our significant accounting policies are summarized in Note A to our consolidated financial statements included in our Annual Report on Form 10-K for our 2006 fiscal year. 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 that 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. We recognize revenue, net of sales taxes assessed by any governmental authority, as products are shipped, based on F.O.B. shipping point terms when title passes to customers. We negotiate shipping and credit terms on a customer-by-customer basis and products are shipped at an agreed upon price. All product returns must be pre-approved by us and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and have at least 12 months remaining prior to its expiration date.

Accounts Receivable

Accounts receivable, principally trade, are generally due within 30 to 90 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer's 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 our historical experience and any specific customer collection issues that we identify. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that the same credit loss rates will be experienced in the future. We write off accounts receivable when they become uncollectible.

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 income. If actual results differ from our estimates due to changes in assumptions, the provision for income taxes could be materially affected. As of December 2, 2006, our valuation allowance and net deferred tax asset were approximately $102,000 and $1.6 million, respectively. We have a tax allocation and indemnification agreement with E-Z-EM with whom we have filed consolidated Federal tax returns for periods through October 30, 2004. Under this agreement, we paid Federal income tax based on the amount of taxable income we generated and were credited for Federal tax benefits we generated that were used by us or other members of the consolidated group. This agreement does not cover tax liabilities arising from state, local and other taxing authorities to whom we report separately.

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 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 December 2, 2006 and June 3, 2006, our reserve for excess and obsolete inventory was $1.7 million and $1.3 million, respectively.

Property, Plant and Equipment

We state property, plant and equipment at cost, less accumulated depreciation, and depreciate these assets using the straight-line method over their estimated useful lives. We determine this based on our estimates of the period over which the assets will generate revenue. We evaluate these assets for impairment annually or as changes in circumstances or the occurrence of events suggest the remaining value is not recoverable. Any change in condition that would cause us to change our estimate of the useful lives of a group or class of assets may significantly affect depreciation expense on a prospective basis.

Intangible Assets

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

Stock-based compensation

On June 4, 2006, (the "Effective Date") we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors including employee stock options and employee stock purchases related to our Stock Purchase Plan based on estimated fair values. We adopted SFAS 123(R) using the "modified-prospective method," which is a method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement No. 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. In accordance with this method of adoption, prior period results of operations and financial position have not been restated to reflect the impact of stock-based compensation. Prior to the adoption of SFAS 123(R), we accounted for options using the intrinsic value method under the guidance of APB No. 25, and provided pro forma disclosure as allowed by Statement No. 123.

For the fiscal 2007 period, we recognized stock-based compensation expense of $1,417,000 before-tax ($921,000 net of income taxes, or $0.06 per diluted share). This stock-based compensation expense included expense associated with non-vested stock awards of $74,000 ($46,000 net of income taxes, or less than $0.01 per diluted share).

Under the provisions of SFAS 123(R), we will recognize the following future expense for awards granted as of December 2, 2006:

	Unrecognized Compensation Cost	Weighted-Average Remaining Vesting Period (in years)
Stock options	$ 6,876,000	3.01
Non-vested stock awards	742,000	2.50
	$ 7,618,000	2.98

Unrecognized compensation cost for stock options is presented net of 10.2% assumed annual forfeitures.

We recognize compensation expense for our stock awards issued subsequent to the adoption of SFAS 123(R) on a straight-line basis over the substantive vesting period. Prior to the adoption of SFAS 123(R), we allocated the pro forma compensation expense for stock options over the vesting period using straight-line attribution method. We will continue to amortize compensation expense related to stock options granted prior to the adoption of SFAS 123(R) using a straight-line attribution method.

The amount of stock-based compensation recognized is based on the value of the portion of awards that are ultimately expected to vest. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered option. We currently expect, based on an analysis of our historical forfeitures, that approximately 89.8% of our options will actually vest, and we have therefore applied a 10.2% annual forfeiture rate in determining the stock-based compensation charge recorded. We

will re-evaluate this estimate periodically and adjust the forfeiture rate on a prospective basis as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those shares that actually vest.

New Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 ("FAS 109")," to clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS 109, "Accounting for Income Taxes." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We have not determined the impact on our financial statements of this Interpretation at this time.

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement focuses on creating consistency and comparability in fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of this new accounting pronouncement is not expected to have a material impact on our financial statements.

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires companies to quantify misstatements based on their impact on each of their financial statements and related disclosures. SAB 108 is effective for fiscal years ending after November 15, 2006, allowing a one-time transitional cumulative effect adjustment to retained earnings for errors that were not previously deemed material but are material under the guidance in SAB 108. We are currently evaluating the impact this adoption will have on our consolidated financial statements.

Item 3. **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in interest rates on investments and financing that could impact our results of operations and financial position. Although we have entered into two interest rate swap agreements 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 market risk management tools.

Our excess cash is primarily 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 December 2, 2006, we were exposed to interest rate change market risk with respect to our investments in callable U.S. government corporation and agency obligations in the amount of $3,550,000. The bonds bear interest at a floating rate established weekly. For the fiscal 2007 period, the after-tax interest rate on the bonds approximated 3.0%. Each 100 basis point (or 1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately $35,500 on an annual basis.

At December 2, 2006, we maintained variable interest rate financing of $2.7 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.

In December 2006, we issued tax adjusted rate notes aggregating $5.0 million in connection with our warehouse and manufacturing 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 have agreed to pay the bank a fixed annual interest rate of 5.06%.

On November 23, 2005, we entered into a $7,500,000 working capital line of credit with a bank. On November 30, 2006, the credit facility expired and was not renewed.

Item 4. **Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting in the fiscal quarter ended December 2, 2006 that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

AngioDynamics, Inc. and Subsidiary

Part II: Other Information

Item 1. **Legal Proceedings**

Certain legal proceedings in which we are involved are discussed in Part I, Item 3 of our annual report on Form 10-K for the fiscal year ended June 3, 2006.

We are a defendant in two actions in which the plaintiffs allege that the manufacture, use and sale of our VenaCure laser system infringe on patents owned by them. These actions, which we have previously reported in our filings with the SEC, are entitled Diomed, Inc. v AngioDynamics, Inc., civil action no. 04 10019 RGS in the U.S. District Court for the District of Massachusetts, and VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc., Diomed Inc., AngioDynamics, Inc., and Vascular Solutions, Inc., case no. C05-02972 MMC, filed in the U.S. District Court for the Northern District of California. In December 2006, the court in the Diomed action set a trial date of March 12, 2007. In November 2006, the court in the VNUS action scheduled the trial in that action for October 2007.

On January 3, 2006, we filed a declaratory judgment action in the U.S. Federal District court for the District of Delaware entitled AngioDynamics, Inc. v. Diomed Holdings, Inc., civ. action no. 06 002 (GMS) seeking a declaration by the court that the claims of Diomed's recently issued U.S. patent no. 6,981,971, entitled "Medical Laser Device," are invalid, unenforceable and not infringed by the manufacture or sale of any of our products, systems or processes, and that Diomed be stopped from asserting any of these claims against us. On January 17, 2006, we filed an Amended Complaint for Declaratory Judgment seeking a judgment declaring that the claims of a second Diomed patent, U.S. patent no. 6,986,766 entitled "Method of Endovenous Laser Treatment," are invalid, unenforceable and not infringed by the manufacture or sale of any of our products, systems or processes, and that Diomed also be stopped from asserting any of these claims against us. On January 31, 2006, Diomed filed a motion to dismiss alleging that this declaratory judgment action should be dismissed as purportedly having no actual case or controversy between us and Diomed and stating that Diomed believed there was no imminent threat of litigation by Diomed against us. On September 7, 2006, the court dismissed our declaratory judgment action against Diomed.

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

Item 1A. **Risk Factors**

Except as described in the following risk factors, there have been no material changes from the risk factors disclosed in Part I. Item 1A, of our annual report on Form 10-K for our fiscal year ended June 3, 2006.

We may not realize all of the anticipated benefits of our proposed acquisition of RITA Medical Systems, Inc. ("RITA").

Our ability to realize the anticipated benefits of the merger will depend, in part, on our ability to integrate our businesses with the businesses of RITA. The combination of two independent companies is a complex, costly and time-consuming process. This process may disrupt the business of either or both of the companies, and may not result in the full benefits we expect. The difficulties of combining the operations of the companies include, among others:

- coordinating marketing functions;
- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administrative methods;
- retaining key employees;
- consolidating corporate and administrative infrastructures;
- the diversion of management's attention from ongoing business concerns;
- coordinating geographically separate organizations.

If our proposed acquisition of RITA is not completed, we will have incurred substantial costs that may adversely affect our financial results and operations and the market price of our common stock.

We have incurred and will continue to incur substantial costs in connection with our proposed acquisition of RITA. These costs are primarily associated with the fees of attorneys, accountants and our financial advisors. In addition, we have diverted significant management resources in an effort to complete the acquisition and are subject to restrictions contained in the acquisition agreement on the conduct of our business. If the acquisition is not completed, we will have incurred significant costs, including the diversion of management resources, for which we will have received little or no benefit. If the acquisition is not completed under certain circumstances specified in the acquisition agreement, RITA is required to pay us a termination fee of $8 million.

In addition, if the acquisition is not completed, we may experience negative reactions from the financial markets and our collaborative partners, customers and employees. Each of these factors may adversely affect the trading price of our common stock and our financial results and operations.

A stockholder lawsuit has been filed against RITA and its directors challenging our proposed acquisition of RITA, and an unfavorable judgment or ruling in this lawsuit could prevent or delay the consummation of the acquisition.

On December 15, 2006, a purported stockholder class action was filed in the Superior Court of the State of California for the County of Alameda against RITA and its directors asserting claims relating to the agreement for our acquisition of RITA. The complaint alleges that, among other things, RITA's directors engaged in self-dealing and breached their fiduciary duties in connection with the merger agreement. Plaintiff seeks, among other things, unspecified monetary damages, attorneys' fees and certain forms of equitable relief, including enjoining the consummation of the merger, rescinding the merger agreement and imposing a constructive trust with respect to any payments or awards to be issued to defendants. RITA has obligations under certain circumstances to hold harmless and indemnify each of the RITA directors against judgments, fines, settlements and expenses related to claims against such directors and otherwise to the fullest extent permitted under Delaware law and RITA's bylaws and certificate of incorporation. Such obligations may apply to this litigation. An unfavorable outcome in the litigation could prevent or delay our acquisition of RITA and result in substantial costs to RITA.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

Our initial public offering on Form S-1 (reg. No. 333-113329) was declared effective on May 26, 2004.

The following table sets forth our uses of the net proceeds of the offering from the effective date of the offering to the last day of the fiscal quarter covered by this report:

Initial Public Offering
Use of proceeds
as of December 2, 2006
($ in thousands)

Description	Balance
Receipt of net proceeds of Initial Public Offering and underwriters' over allotment option	$22,941
Repayment of note payable to E-Z-EM, Inc.	(3,000)
Payment of expenses related to our initial public offering	(1,505)
Payments under a licensing and distribution agreement	(2,393)
Acquisition of patent rights	(2,027)
Deposit for option to purchase Oncobionic, Inc.	(5,157)
Installment payments under a research and distribution agreement	(1,000)
Net proceeds as of December 2, 2006	$ 7,859

Item 3. **Defaults Upon Senior Securities**

None.

Item 4. **Submission Of Matters to a Vote of Security Holders**

At our Annual Meeting of Stockholders held on October 24, 2006, the following persons were elected as directors of the Company:

Class III Directors: (until the 2009 Annual Meeting)

Eamonn P. Hobbs
Peter J. Graham
David P. Meyers

In this election, 13,994,065, 13,984,477 and 13,953,177 votes were cast for Mr. Hobbs, Mr. Graham and Mr. Meyers, respectively, and 97,284, 106,872 and 138,172 shares were withheld from voting for Mr. Hobbs, Mr. Graham and Mr. Meyers, respectively.

The following directors continue in office for the duration of their terms:

Class I Directors: (until the 2007 Annual Meeting)

Jeffrey G. Gold
Paul S. Echenberg
Dennis S. Meteny

Class II Directors: (until the 2008 Annual Meeting)

Gregory D. Casciaro
Howard W. Donnelly
Robert E. Flaherty

Second, the proposal to amend our 2004 Stock and Incentive Award Plan to increase by 1,000,000 shares the number of shares of our common stock that may be issued under the plan was approved by a vote of 6,813,995 in favor, 2,788,312 against, 45,445 abstentions and 4,443,597 broker non-votes.

Lastly, the action of the audit committee of the Board of Directors in appointing PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2007 was approved by a vote of 13,926,802 in favor, 159,595 against and 4,952 abstentions.

Item 5. **Other Information**

None.

Item 6. **Exhibits**

No.	Description
2.1	Stock Purchase Agreement made and entered into as of October 12, 2006, by and among AngioDynamics, Inc., Oncobionic, Inc. and the shareholders of Oncobionic, Inc. (schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be provided to the SEC upon request).
2.2	Agreement and Plan of Merger, dated as of November 27, 2006, by and among AngioDynamics, Inc., Royal I, LLC and RITA Medical Systems, Inc. (incorporated by reference to exhibit 2.1 to the Current Report on Form 8-K filed by the registrant with the SEC on November 27, 2006).
2.3	Amendment No. 1 to Agreement and Plan of Merger, dated as of December 7, 2006, by and among AngioDynamics, Inc., Royal I, LLC and RITA Medical Systems, Inc. (incorporated by reference to Annex E of the joint proxy statement filed as part of a registration statement on Form S-4 filed by the registrant with the SEC on December 8, 2006 (File no. 333-139195).
3.1	Certificate of Designation, Preference and Rights of Series A Preferred Stock of AngioDynamics, Inc. (incorporated by reference to exhibit 3.3 to the Current Report on Form 8-K filed by the registrant with the SEC on November 27, 2006).
10.1	AngioDynamics, Inc. 2004 Stock and Incentive Award Plan, as amended (incorporated by reference to exhibit 10.1 to the Current Report on Form 8-K filed by the registrant with the SEC on October 27, 2006).
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14 under the Securities Exchange Act of 1934
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14 under the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

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

ANGIODYNAMICS, Inc.
(Registrant)

Date January 11, 2007

/s/ Eamonn P. Hobbs
Eamonn P. Hobbs, President,
Chief Executive Officer

Date January 11, 2007

/s/ Joseph G. Gerardi
Joseph G. Gerardi, Vice President -
Chief Financial Officer
(Principal Financial and
Chief Accounting Officer)

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EXHIBIT INDEX

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Exhibit 2.1

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of October 12, 2006, by and among ANGIODYNAMICS, INC., a Delaware corporation (the "Purchaser"), ONCOBIONIC, INC., a California corporation (the "Company"), and the shareholders of the Company who are signatories hereto (each, a "Seller" and collectively, the "Sellers"). Capitalized terms used in this Agreement without definition shall have the meanings set forth or referenced in Article IX.

W I T N E S S E T H:

WHEREAS, the Purchaser, the Company and certain of the Sellers are parties to that certain Distribution and Purchase Option Agreement, dated as of June 28, 2004 (the "Distribution Agreement"), pursuant to which, among other things, (i) the Company has granted the Purchaser a worldwide exclusive right to market and distribute a family of products called the "tissue portal" for use in the field of image guided tumor ablation, subject to certain limitations set forth in the Distribution Agreement, and (ii) such Sellers had granted the Purchaser an option to purchase all of the Shares owned by them upon the terms and subject to the conditions set forth in the Distribution Agreement;

WHEREAS, the Sellers are collectively the beneficial and record owners of all of the issued and outstanding capital stock of the Company, comprised of 987,000 shares of common stock, no par value per share (collectively, the "Shares");

WHEREAS, the Purchaser desires to purchase from the Sellers, and the Sellers desire to sell to the Purchaser, all of the Shares, upon the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

1.1 Agreement to Purchase and Sell. Upon the terms and subject to the conditions set forth herein, each of the Sellers agrees to sell to the Purchaser, and the Purchaser agrees to purchase from each Seller, at the Closing all of the Shares owned by such Seller, free and clear of all Liens.

1.2 Purchase Price. Subject to the terms and conditions of this Agreement, the aggregate purchase price (the "Purchase Price") for the Shares shall be the sum of (a) TWENTY-FIVE MILLION DOLLARS ($25,000,000) less the Long-Term Debt as of the Closing Date (the

"Fixed Purchase Price") and (b) the Contingent Purchase Price determined in accordance with Section 1.6. The Fixed Purchase Price shall be payable when, as and if provided in Section 1.5 hereof and the Contingent Purchase Price shall be payable when, as and if provided in Section 1.6 hereof. As used in this Agreement, the term "Long-Term Debt" shall mean, with respect to any date, the long-term debt, net of current portion, of the Company as of such date, as determined in accordance with GAAP applied on a consistent basis. Subject to the foregoing sentence, the actual amount of the Long-Term Debt as of the Closing Date shall be determined mutually by the Purchaser and the Shareholder Representative.

1.3 Deposit. Contemporaneously with the execution of this Agreement, Purchaser shall pay to Sellers the sum of $5,000,000 as a non-refundable deposit toward the purchase price (the "Deposit"). The Deposit shall be applied to the Purchase Price upon the Closing. Should the Closing not occur for any reason, the Deposit shall be forfeited by Purchaser and may be retained by Sellers. For Federal income tax purposes, it is intended that the forfeiture of the Deposit shall qualify as a gain attributable to the cancellation, lapse, expiration, or other termination of a right with respect to a capital asset within the meaning of Section 1234A of the Code.

1.4 General Payment Provisions. Payment of the Purchase Price is subject to the following provisions:

(a) Per Share Consideration. The amount of the Purchase Price is expressed as an aggregate amount for the purchase of all of the Shares. Accordingly, the Purchase Price on a per Share basis (the "Per Share Consideration") shall equal a quotient, rounded to the nearest whole cent, of the applicable amount divided by the total number of Shares issued and outstanding immediately prior to the Closing. With respect to each Payment Installment, each Seller shall be entitled to receive an amount equal to (x) the total number of Shares owned by such Seller immediately prior to the Closing, multiplied by (y) the Per Share Consideration.

(b) Shareholder Representative Expenses. Pursuant to Section 8.3, the expenses incurred by the Shareholder Representative may be deducted from, and paid to the Shareholder Representative out of, any Payment Installment.

(c) Method of Payment. Each Payment Installment shall be paid by wire transfer to the client trust fund account of Spectrum Law Group – Indeglia, P.C. in accordance with written wire transfer instructions furnished by Sellers to Purchaser. Wire transfer of a Payment Installment to such account shall be deemed to satisfy Purchaser's payment obligations hereunder to each Seller.

1.5 Payment of Fixed Purchase Price. The Fixed Purchase Price shall be paid in the following Payment Installments:

(a) Deposit. At the Closing, the amount of the Deposit shall be credited toward the Fixed Purchase Price.

(b) Closing Installment. At the Closing, the Purchaser shall pay the Sellers, in the aggregate, an amount (the "Closing Installment") equal to fifty percent (50%) of the balance of the Fixed Purchase Price remaining after application of the Deposit.

(c) Six Month Anniversary Installment. Six (6) months after the Closing Date (and if such date is not a Business Day, then the next succeeding Business Day), the Purchaser shall pay the Sellers, in the aggregate, an amount equal to twenty-five percent (25%) of the balance of the Fixed Purchase Price remaining after application of the Deposit.

(d) Eighteen Month Anniversary Installment. Eighteen (18) months after the Closing Date (and if such date is not a Business Day, then the next succeeding Business Day), the Purchaser shall pay the Sellers, in the aggregate, an amount equal to twenty-five percent (25%) of the balance of the Fixed Purchase Price remaining after application of the Deposit.

1.6 Contingent Purchase Price.

(a) The Company believes its irreversible electroporation technology may have application for use in Cardiovascular Products. In the event the Company, the Purchaser, or an Affiliate of the Purchaser obtains one or more Cardiovascular Patents and proceeds to develop, market, and sell (or license third parties to sell) Cardiovascular Products, Purchaser will pay to the Sellers, in the aggregate, as part of the Purchase Price, an additional amount (the "Contingent Purchase Price") equal to 3% of the Net Sales of Cardiovascular Products covered by the claims of a Cardiovascular Patent.

(b) Nothing in this Agreement shall impose upon Purchaser or the Company any obligation to (i) develop Cardiovascular Products following the Closing in the event Purchaser determines that development of Cardiovascular Products is not economically or technologically feasible or (ii) sell Cardiovascular Products, once developed, if Purchaser determines that Cardiovascular Products no longer are economically or technologically viable. In such event, Purchaser and the Company shall be free to discontinue further development or marketing efforts, and no Contingent Purchase Price shall be owed.

(c) Subject to the foregoing, payment of any Contingent Purchase Price that becomes due shall commence upon the first commercial sale of a Cardiovascular Product that is covered by the claims of a Cardiovascular Patent and shall continue until the last to expire of the Cardiovascular Patents. Contingent Purchase Price shall be paid within 60 days of the end of each March, June, September, and December and shall be accompanied by a report showing for such period (i) the number of Cardiovascular Products sold, (ii) the Net Sales received by the Company from such sales, and (iii) the total Contingent Purchase Price payable. Payment of each installment of Contingent Purchase Price shall be made to the Shareholder Representative who shall be responsible for remitting to each Seller the Seller's pro rata share of such installment. Payment of Contingent Purchase Price by Purchaser to the Shareholder Representative shall discharge Purchaser's obligations hereunder as to each Seller.

(d) The Purchaser and the Company shall keep, or cause to be kept, accurate records of the Net Sales made by the Company. The Shareholder Representative and his duly authorized agents may, at all reasonable times, examine the pertinent records of the Purchaser and the Company in order to verify the Net Sales made by the Company.

(e) The Purchaser agrees that it will not, and will not permit the Company to, sell or license (a) the rights to a Cardiovascular Patent, or (b) the right to sell Cardiovascular Products covered by a Cardiovascular Patent, unless (i) in the case of a sale, the acquiring party assumes the obligation to pay the Contingent Purchase Price in accordance with the terms of this Section 1.6, and agrees to provide the Shareholder Representative an opportunity to inspect its books and records in order to verify the Net Sales of Cardiovascular Products, and (ii) in the case of a license, the licensee agrees to provide the Purchaser or the Company an opportunity to inspect its records in order to verify the Net Sales of Cardiovascular Products, the results of which shall be furnished to the Shareholder Representative.

(f) From and after the Closing, the Purchaser shall cause the Company to diligently and in good faith prosecute the Cardiovascular Patent applications filed by the Company with the U.S. Patent Office as of the date of this Agreement, provided, however, that Purchaser shall not be obligated to continue to pursue claims included in a pending application once they have been twice rejected or finally rejected (whichever occurs earlier) by the U.S. Patent Office.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties concerning the Company. The Majority Shareholders and the Company, jointly and severally, hereby represent and warrant to the Purchaser as follows:

(a) Authority. The Company has the corporate power and authority to enter into and deliver this Agreement and each of the other agreements, certificates, instruments and documents contemplated hereby (collectively, the "Ancillary Documents") to which it is a party, to carry out its obligations hereunder and under any Ancillary Document and to consummate the transactions contemplated hereby and by the Ancillary Documents. All actions, authorizations and consents required by Law for the execution, delivery and performance by the Company of this Agreement and each Ancillary Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been properly taken or obtained, including without limitation, the approval of this Agreement and the transactions contemplated by it by the Board of Directors of the Company.

(b) Execution and Delivery. This Agreement has been, and each Ancillary Document to which the Company is a party will be at the Closing, duly authorized, executed and delivered by the Company and constitutes (or when executed will constitute) a legal, valid and

binding obligation of the Company, enforceable against the Company in accordance with their respective terms and conditions, except as enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency or other similar laws affecting or relating to creditors' rights generally or by general principles of equity.

(c) No Conflicts. Except as set forth on Schedule 2.1(c), the execution, delivery and performance by the Company of this Agreement and each Ancillary Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not violate, conflict with or result in a breach of any term, condition or provision of, or require the consent of any Person under, or result in the creation of or right to create any Lien upon any of the assets of the Company under, (i) any Laws to which the Company or any of its assets are subject, (ii) any permit, judgment, order, writ, injunction, decree, or award of any Governmental Authority to which the Company or any of its assets are subject, (iii) the Organization Documents of the Company, or (iv) any license, indenture, promissory note, bond, credit or loan agreement, lease, agreement, commitment or other instrument or document to which the Company is a party or by which the Company or any of its assets are bound.

(d) Governmental Consents. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority, is required to be obtained by the Company in connection with or as a result of the execution and delivery of this Agreement or any of the Ancillary Documents, or the performance of its obligations hereunder and thereunder.

(e) Organization, Standing and Qualification. The Company is a corporation duly incorporated, validly existing, and in good standing under the Laws of the State of California. The Company has the corporate power and authority to own, lease, and operate its properties and to carry on its business as now being conducted, and is duly qualified to do business and in good standing in each jurisdiction where the nature of the activities conducted by it or the character of the properties owned, leased or operated by it require such qualification. Each such jurisdiction is identified on Schedule 2.1(e). The Company's corporate minute books reflect all material resolutions approved and other material actions taken by its shareholders or Board of Directors and any committees thereof since the date of its incorporation. The Company has previously delivered to the Purchaser true, correct, and complete copies of the Articles of Incorporation and Bylaws of the Company, each as currently in effect (collectively, the "Organization Documents").

(f) Capitalization. The authorized capital stock of the Company consists of 200,000,000 shares of common stock, of which 987,000 shares are issued and outstanding, and 50,000,000 shares of preferred stock, none of which are issued and outstanding. As of the date hereof, each Seller owns of record such number of shares of Common Stock as is set forth opposite such Seller's name on Schedule 2.1(f). The Shares constitute all of the issued and outstanding capital stock of the Company. All of the issued and outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock are held in treasury. Except as disclosed in Schedule 2.1(f), there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, convertible or exchangeable securities, profits interests, conversion rights, preemptive rights,

rights of first refusal or other rights, agreements, arrangements or commitments of any nature whatsoever under which the Company is or may become obligated to issue, redeem, assign or transfer any shares of capital stock or purchase or make payment in respect of any shares of capital stock of the Company now or previously outstanding, and there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to or any shares of its capital stock.

(g) No Subsidiaries or Other Equity Interests. The Company does not, nor has it ever at any time since its organization, had a direct or indirect Subsidiary or owned, directly or indirectly, any equity, investment or other equity interest, or any right (contingent or otherwise) to acquire the same, in any other Person.

(h) Financial Statements. The Company has previously delivered to the Purchaser true, complete, and correct copies of unaudited financial statements of the Company for the fiscal year ended May 31, 2006 and for the three month period ended August 31, 2006 (collectively, the "Financial Statements"). The Financial Statements were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except for the absence of footnotes) and fairly present the financial position of the Company as of the respective dates thereof and the results of its operations and cash flows for the respective periods then ended.

(i) Absence of Undisclosed Liabilities. Except (i) to the extent adequately reflected on or reserved against in the Financial Statements or (ii) as set forth on Schedule 2.1(i), as of May 31, 2006 (the "Balance Sheet Date"), the Company had no direct or indirect Liabilities for any period prior to such date or arising out of transactions entered into or any set of facts existing prior thereto. Except as set forth on Schedule 2.1(i), since the Balance Sheet Date, the Company has not incurred any Liabilities except for Liabilities incurred in the ordinary course of business consistent with recent past practice.

(j) Ordinary Course. Since the Balance Sheet Date, except as otherwise disclosed on Schedule 2.1(j), the Company has operated its business in the ordinary course consistent with past practice and there has not occurred:

(i) any change in the condition (financial or otherwise), properties, assets, liabilities, business, prospects, operations or results of operations that has had or could reasonably be expected to have a Material Adverse Effect on the Company;

(ii) any amendments or changes in any of its Organization Documents;

(iii) any issuance or sale of any shares of or interests in, or rights of any kind to acquire any shares of or interests in, or receipt of any payment based on the value of, its capital stock or any securities convertible or exchangeable into shares of its capital stock (including, without limitation, any stock options, phantom stock or stock appreciation rights) or any adjustment, split, combination or reclassification of its capital stock, or any declaration or payment of any dividend or any distribution on, or any redemption, purchase, retirement or other acquisition, directly or indirectly, of any shares of its capital stock or any securities or obligations convertible into or exchangeable for any shares of its capital stock;

(iv) any investment of a capital nature on its own account in excess of $50,000 individually or $250,000 in the aggregate;

(v) any entering into, amendment of, modification in, relinquishment, termination or non-renewal by the Company of any material contract, lease, transaction, commitment or other right or obligation, except for purchase and sale commitments entered into in the ordinary course of business consistent with recent past practice;

(vi) any waiver, forfeiture or failure to assert any rights of a material value or made, whether directly or indirectly, any payment of any material Liability before the same came due in accordance with its terms;

(vii) any material damage, destruction, or loss of the Company's assets or properties, whether covered by insurance or not;

(viii) any payment of (or any making of oral or written commitments or representations to pay) any bonus, increased salary or special remuneration to any director, officer, employee or consultant or any entry into or alterations of the terms of any employment, consulting or severance agreement with any such person (other than payments made in accordance with existing agreements or commitments disclosed on Schedule 2.1(o)(i) or made in the ordinary course of business consistent with recent past practice); any payment of any severance or termination pay (other than payments made in accordance with existing plans or agreements disclosed on Schedule 2.1(o)(i)); any grant of stock option or issuance of any restricted stock or warrant to acquire capital stock; any entry into or modification of any Employee Benefit Plan (except as required by law);

(ix) any modification of any term of benefits payable under any Employee Benefit Plan;

(x) (A) any creation, incurrence or assumption of any Liability for borrowed money in excess of $50,000, (B) issuance or sale of any securities convertible into or exchangeable for debt securities of the Company; or (C) issuance or sale of options or other rights to acquire from the Company, directly or indirectly, debt securities of the Company or any securities convertible into or exchangeable for any such debt securities;

(xi) any material change in the amounts or scope of coverage of insurance policies;

(xii) any merger or consolidation with any other Person, acquisition of any capital stock or other securities of any other Person, or acquisition of all or a significant portion of the assets of any other Person, or acquisition of any assets or properties from any Seller or its affiliate or family member;

(xiii) any assumption or guarantee of any Liability or responsibility (whether primarily, secondarily, contingently or otherwise) for the obligations of any other Person;

(xiv) any loan, advance (including, without limitation, any loan or advance to any stockholder, officer, director or employee of such Company) or capital contribution to, or investment in, any Person in excess of $50,000, except travel advances to employees in the ordinary course of business consistent with recent past practice;

(xv) any sale, transfer or lease to others of, any grant, creation or assumption of Liens against, or otherwise disposed of, any of its material assets, whether tangible or intangible;

(xvi) to the Knowledge of the Company, any lapse, failure to take any actions to protect, or any adverse change in respect of any of its Proprietary Rights; or

(xvii) any agreement or commitment, in writing or otherwise, to take any of the actions described in the foregoing subclauses (i) through (xvi).

(k) Title to Assets. Except as disclosed on Schedule 2.1(k), the Company has good and marketable title to all of the material tangible and intangible assets owned by it, free and clear of any Liens, and none of such assets are owned by any Person other than the Company. The Company owns, leases, licenses or otherwise has the contractual right to use all of the material assets used in or necessary for the conduct of its business as currently conducted.

(l) Receivables and Payables. Schedule 2.1(l) sets forth an aging schedule of the Company's accounts receivable and accounts payable as of a date which is within three (3) business days of the date hereof. To the Knowledge of the Company, its accounts receivable are collectible in full, net of any allowance for uncollectible accounts receivable reserved on its books, without resort to litigation.

(m) Real Property.

(i) The Company does not now own, and has never owned, any real property.

(ii) Schedule 2.1(m) sets forth a true and complete list of all real property leased or otherwise used or occupied by the Company, identifying the lessor or other owner thereof (the "Real Property") and the terms of the lease or occupancy.

(iii) To the Knowledge of the Company, (A) there is not existing or proposed as a matter of public record or, to the Knowledge of the Company, presently contemplated, any condemnation or similar action, or zoning action or proceeding, with respect to any portion of the Real Property, (B) none of the existing buildings and improvements which in part comprise the Real Property fails to comply fully with all size, height, set back, use and other zoning restrictions and regulations applicable thereto, including, without limitation, the

parking space requirements of all applicable zoning ordinances and regulations, (C) the Company or its landlord has obtained all licenses, permits, approvals, certificates, and other authorizations required by applicable Laws for the use and occupancy of the Real Property as it is currently being utilized, and (D) none of the Real Property is subject to any encumbrance, easement, right-of-way, building or use restriction, exception, variance, reservation, limitation or other Liens which might in any material respect interfere with or impair the continued use thereof as currently utilized or proposed to be utilized by the Company.

(n) Proprietary Rights.

(i) Except as set forth on Schedule 2.1(n)(i), the Company owns or possesses licenses or other rights to use all trademarks, trade and business names, internet domain names, service marks, service names, copyrights, customer lists, trade secrets, and patents (collectively, "Proprietary Rights") that are necessary to the conduct of the Company's business as currently conducted and, to the Knowledge of the Company, to market and sell the Products defined in the Distribution Agreement.

(ii) Schedule 2.1(n)(ii) sets forth a true and complete list of all trademarks, trade names, service marks, service names, internet domain names, copyrights and patents included in the Proprietary Rights of the Company (identifying which are owned and which are licensed), including all United States, state and foreign registrations or applications for registration thereof and all agreements relating thereto. The Company has good and valid title to the Proprietary Rights described on Schedule 2.1(n)(ii) which are owned by the Company and a valid right to use the Proprietary Rights described on Schedule 2.1(n)(ii) which are licensed to the Company. All filing, registration, maintenance or similar fees payable in connection with each registration (or application therefore) of Proprietary Rights owned by the Company set forth on Schedule 2.1(n)(ii) have been paid. Each such registration of Proprietary Rights owned by the Company is in full force and effect and, to the Knowledge of the Company, each registration of Proprietary Rights licensed to the Company is in full force and effect.

(iii) Except as disclosed in Schedule 2.1(n)(iii), the Company is not required to pay any royalty, license fee, or similar compensation in connection with the conduct of its business as currently conducted.

(iv) To the Knowledge of the Company, the Company has not interfered with, infringed upon, misappropriated or otherwise come into conflict with, and the products under development by the Company do not interfere with or infringe upon, the Proprietary Rights of any other Person, nor has the Company committed any acts of unfair competition. No claims have been asserted by any Person alleging such interference, infringement, misappropriation, conflict or act of unfair competition.

(v) To the Knowledge of the Company, no Person is infringing upon its Proprietary Rights.

(vi) Except as set forth on Schedule 2.1(n)(vi), there are no Proprietary Rights developed by any shareholder, director, officer, consultant or employee of the Company that are used in the Company's business and that have not been transferred to, or are not owned free and clear of any Liens by, the Company.

(vii) The Company has not licensed or sublicensed any of the Proprietary Rights to another Person.

(viii) To the Knowledge of the Company, each patent included within the Proprietary Rights, whether owned by or licensed to, the Company is valid and enforceable.

(o) Material Agreements. Schedule 2.1(o)(i) sets forth a true and complete list, and the Company has provided to the Purchaser complete copies (including all amendments and extensions thereof and all waivers thereunder) or, if oral, an accurate and complete description of, each of the following, whether written or oral, to which the Company is a party or is otherwise bound (each, a "Material Agreement"):

(i) all loan agreements, indentures, mortgages, notes, installment obligations, capital leases, or other agreements or instruments relating to the borrowing of money (or guarantees thereof) in excess of $50,000 in the aggregate;

(ii) all continuing contracts or commitments for the future purchase, sale or manufacture of products, materials, supplies, equipment or services requiring payment to or from the Company in an amount in excess of $50,000 per annum which are not terminable on 30 days' or less notice without cost or other liability at or any time after the Closing Date, or in which the Company has granted or received manufacturing rights, most favored nation pricing provisions or exclusive rights relating to any product or service;

(iii) all contracts with any Governmental Authority;

(iv) all leases, subleases, licenses or any other agreements or arrangements under which the Company has the right or license to use any personal property (whether tangible or intangible) or Proprietary Right owned or licensed by another Person;

(v) all licenses, agreements or arrangements under which any other Person has the right or license to use any real property or personal property (whether tangible or intangible) or Proprietary Right, owned, leased or licensed by the Company;

(vi) all contracts or understandings which by their terms restrict the ability of the Company to conduct its business or to otherwise compete, including as to manner or place;

(vii) all joint venture or similar agreements or understandings;

(viii) all leases and other agreements pertaining to the Real Property;

(ix) all collective bargaining, employment, severance, consulting, nondisclosure or confidentiality agreements, and agreements requiring a charge of control or parachute payments, or any other type of contract or understanding with any officer, employee or consultant, other than pursuant to Employee Benefit Plans, which is not immediately terminable by the Company without cost or other liability to the Company;

(x) all agreements with sales agents or representatives, wholesalers, distributors and dealers;

(xi) all agreements concerning any Hazardous Materials; and

(xii) all other contracts, without regard to monetary amount, which were not entered into in the ordinary course of business consistent with past practice or which are material to the conduct of the Company's business and not listed above.

Except as disclosed on Schedule 2.1(o)(ii), the Company is not, and to the Knowledge of the Company, any other party thereto is not, in default under any Material Agreement and no event has occurred or is reasonably expected to occur which (after notice or lapse of time or both) would become a breach or default under, or would otherwise permit modification, cancellation, acceleration or termination of, any Material Agreement or would result in the creation of or right to obtain any Lien upon, or any Person obtaining any right to acquire, any assets, rights or interests of the Company. Except as disclosed on Schedule 2.1(o)(iii), (i) each Material Agreement is in full force and effect and is a valid and binding obligation of the Company, and, to the Knowledge of the Company, the other parties thereto; (ii) there are no unresolved disputes with respect to any Material Agreement; and (iii) the Company has not received notification that any party to a Material Agreement intends either to modify, cancel or terminate such Material Agreement.

(p) Litigation. Except as disclosed on Schedule 2.1(p), there is no claim, legal action, suit, arbitration, investigation or other proceeding pending, or to the Knowledge of the Company, threatened against or relating to the Company or its assets. Neither the Company nor any of its assets are subject to any outstanding judgment, order, writ, injunction or decree of any Governmental Authority. To the Knowledge of the Company, there is currently no investigation or review by any Governmental Authority with respect to the Company pending or threatened, nor has any Governmental Authority notified the Company of its intention to conduct the same.

(q) Compliance with Laws. Except as disclosed on Schedule 2.1(q), the Company has all licenses, permits, registrations and other authorizations from all applicable Governmental Authorities necessary or desirable for the conduct of its business as currently conducted. Schedule 2.1(q) hereto sets forth (i) a true and complete list of all such licenses, permits and other authorizations obtained by the Company, each of which is in full force and effect and no violations thereunder have been recorded and (ii) all licenses, permits, registrations and authorizations which, to the Knowledge of the Company, must be obtained in order to market and sell the products currently under development by the Company. The Company is in compliance, and has complied, with all Laws applicable to it and has not received any notice of any violation thereof.

(r) Environmental Matters. Except as disclosed in Schedule 2.1(r):

(i) During the period that the Company has owned, leased or operated any properties or facilities, neither it nor, to the Knowledge of the Company, any other Person has disposed, released, or participated in or authorized the release or threatened release of Hazardous Materials on, from or under such properties or facilities. To the Knowledge of the Company, there is not now nor has there ever been any presence, disposal, release or threatened release of Hazardous Materials on, from or under any of such properties or facilities, which may have occurred prior to the Company having taken possession of any of such properties or facilities. For the purposes of this Agreement, the terms "disposal," "release," and "threatened release" shall have the definitions assigned thereto by the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 U. S.C. § 9601 et seq., as amended ("CERCLA").

(ii) To the Knowledge of the Company, the operations of the Company and properties that the Company owns, leases or operates, are in compliance with Environmental Law. During the time that the Company has owned, leased or operated its properties and facilities, neither the Company nor, to the Knowledge of the Company, any other Person has used, generated, manufactured or stored on, under or about such properties or facilities or transported or arranged for disposal to or from such properties or facilities, any Hazardous Materials which may be considered a violation of applicable Environmental Law.

(iii) During the time that the Company has owned, leased or operated its properties and facilities, there has been no litigation or proceeding brought or, to the Knowledge the Company, threatened against the Company by, or any settlement reached by the Company with, any Persons alleging the presence, disposal, release or threatened release of any Hazardous Materials, on from or under any of such properties or facilities.

(iv) To the Knowledge of the Company, there are no facts, circumstances or conditions relating to the properties and facilities owned, leased or operated by the Company which could give rise to a claim against the Company under any Environmental Law or to any material Environmental Costs and Liabilities.

(s) Related Party Transactions. Except as disclosed on Schedule 2.1(s), since June 17, 2004, no Related Party has been directly or indirectly a party to any contract or other arrangement (whether written or oral) with the Company providing for services (other than as an employee of the Company), products, goods or supplies, rental of real or personal property, or other wise requiring payments from or to the Company. For purposes hereof, the term "Related Party" shall mean any Seller or a director or officer of the Company or any member of his or her family or any corporation, partnership, limited liability company, other business entity or trust in which he or she or any member of his or her family has greater than a ten percent (10%) interest, or of which he or she or any member of his or her family is an officer, director, general partner, member or trustee.

(t) Insurance. Schedule 2.1(t) sets forth a list of the Company's insurance policies (including property, casualty, liability (general, professional and directors and officers)

and workers' compensation), listing for each policy the identity of the insurance carrier, the policy period, the limits and retentions and any special exclusions. Such policies are currently in full force and effect, all premiums have been paid in full with respect thereto and the Company has not received any notice of termination or modification from the insurance carriers. Schedule 2.1(t) also sets forth a true and complete description of any self-insurance arrangement by or affecting the Company, including any reserves established thereunder, if any.

(u) Taxes.

(i) The Company has timely filed with the appropriate taxing authorities all returns and reports in respect of Taxes ("Returns") required to be filed by it (taking into account any extension of time to file granted to or on the account of the Company). True and correct copies of such Returns have been provided to the Purchaser. The information on such Returns is complete and accurate in all material respects. The Company has paid on a timely basis all Taxes (whether or not shown on any Return) due and payable. There are no Liens for Taxes (other than for current Taxes not yet due and payable) upon the assets of the Company.

(ii) The Company has not received notice that any deficiencies for Taxes have been claimed, proposed or assessed by any taxing authority or other Governmental Authority with respect to the Company for any Pre-Closing Period and, to the best knowledge of the Company, there are no pending audits, investigations or claims for or relating to any liability in respect of Taxes of the Company, nor has the Company been notified of any request for such an audit. The Company has not requested any extension of time within which to file any currently unfiled returns in respect of any Taxes and no extension of a statute of limitations relating to any Taxes is in effect with respect to the Company.

(iii) (1) The Company has made or will make provision for all Taxes payable by it with respect to any Pre-Closing Period which are not payable prior to the Closing Date; (2) the provisions for Taxes with respect to the Company for the Pre-Closing Period are adequate to cover all Taxes with respect to such period; (3) the Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party; (4) all material elections with respect to Taxes made by the Company as of the date hereof are set forth in Schedule 2.1(u)(iii)(4); (5) the Company is not a "consenting corporation" under Section 341(f) of the Code, or any corresponding provision of state, local or foreign law; (6) there are no private letter rulings in respect of any Tax pending between the Company and any taxing authority; (7) the Company has never been a member of an affiliated group within the meaning of Section 1504 of the Code, or filed or been included in a combined, consolidated or unitary return of any Person other than the Company; (8) the Company is not liable for Taxes of any other Person, or is currently under any contractual obligation to indemnify any Person with respect to Taxes, or is a party to any tax sharing agreement or any other agreement providing for payments by the Company with respect to Taxes; (9) the Company is not, and has not been, a real property holding corporation (as defined in Section 897(c)(2) of the Code) during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code; (10) the Company is not a person other than a United States person within the meaning of the Code; (11) the Company is not a party to any

joint venture, partnership, or other arrangement or contract which could be treated as a partnership for federal income tax purposes; (12) the Company has not entered into any sale leaseback or any leveraged lease transaction that fails to satisfy the requirements of Revenue Procedure 75-21 (or similar provisions of foreign law); (13) the Company has not agreed and is not required, as a result of a change in method of accounting or otherwise, to include any adjustment under Section 481 of the Code (or any corresponding provision of state, local or foreign law) in taxable income; (14) the Company is not a party to any agreement, contract, arrangement or plan that would result (taking into account the transactions contemplated by this Agreement), separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code; (15) the Company has never been a Subchapter S corporation (as defined in Section 1361(a)(1) of the Code); (16) Schedule 2.1(u)(iii)(16) contains a list of all jurisdictions to which any Tax is properly payable by the Company; (17) the Company is not a personal holding company within the meaning of Section 542 of the Code; (18) the Company has not made an election and is not required to treat any of its assets as owned by another Person for federal income tax purposes or as tax-exempt bond financed property or tax-exempt use property within the meaning of Section 168 of the Code (or any corresponding provision of state, local or foreign law).

(v) Employee Benefit Plans. The Company does not maintain or contribute to, and has never maintained, contributed to, or been obligated to contribute to, and has no obligations or Liabilities in respect of, any Employee Benefit Plan, including any Pension Plan or any Welfare Plan.

(w) Employee Matters.

(i) The Company has provided to the Purchaser a list of all current employees of the Company and their hourly rates of compensation or base salaries (as applicable), the date of last increase in such compensation or salaries, and all other compensation paid to such employees. To the Knowledge of the Company, no employee of the Company has any plans to terminate employment with the Company. The Company has complied with all Laws relating to the hiring of employees and the employment of labor, including provisions thereof relating to wages, hours, equal opportunity, collective bargaining and the withholding and payment of social security and other Taxes.

(ii) Except as set forth on Schedule 2.1(w): (A) the Company is not delinquent in payments to any of its employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed by them to date or amounts required to be reimbursed to such employees and, upon termination of the employment of any such employees, neither the Purchaser nor the Company will by reason of any event, fact or circumstance occurring or existing prior to the Closing be liable to any of such employees for severance pay or any other payments; (B) there is no unfair labor practice complaint against the Company pending before the National Labor Relations Board or any other Governmental Authority; (C) there is no labor strike, material dispute, slowdown or stoppage actually pending or, to the Knowledge of the Company, threatened against the Company; (D) the Company has not experienced any significant deterioration in its relationship with its employees; and (E) no labor union currently represents the employees of the Company and, to the Knowledge of the Company, no labor union has taken any action with respect to organizing the employees of the Company.

(iii) Except for payment of the Purchase Price to the Sellers, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (A) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any director or employee of the Company, under any Employee Benefit Plan or otherwise; (B) increase any compensation or benefits payable under any Employee Benefit Plan or otherwise; or (C) result in the acceleration of the time of payment or vesting of any such compensation benefits. No Employee Benefit Plan or other arrangement provides benefits or payments contingent upon, triggered by or increased as a result of a change in the ownership or effective control of the Company.

(x) Bank Accounts and Powers of Attorney. Schedule 2.1(x) sets forth a true and complete list of (i) each bank, broker or other financial institution in or with which the Company has a depository account, investment or brokerage account, checking account, trust account, escrow account or safe deposit box; (ii) all account numbers for such accounts; and (iii) the names of all Persons who are authorized signatories on such accounts or who otherwise have access thereto. Except as set forth on Schedule 2.1(x), the Company has not granted any general or special powers of attorney to act on its behalf.

(y) Brokerage Fees. The Company has not engaged or authorized any broker, investment banker or other Person to act on its behalf, directly or indirectly, as a broker or finder who might be entitled to a fee, commission, or other remuneration in connection with the transactions contemplated by this Agreement.

(z) Inventory. The inventory of the Company is in merchantable condition, and suitable and usable or salable in the ordinary course of business for the purposes for which it was intended.

(aa) Restrictions on Business Activities. Except as set forth on Schedule 2.1(aa), there is no agreement, judgment, injunction, order or decree binding upon the Company or any Seller or, to the Knowledge of the Company, any employee of the Company, that has the effect of prohibiting or materially impairing any business practice of the Company or the conduct of business by the Company as currently conducted or from developing, marketing, and selling the products currently under development by the Company.

(bb) Books and Records. All accounts, books, ledgers, and official and other records prepared and kept by the Company are true, complete and accurate in all material respects and have been kept in accordance with sound business practices.

(cc) Trade Relations. Schedule 2.1(cc) sets forth the top ten (10) customers and top ten (10) suppliers of the Company for the fiscal year ended May 31, 2006. The Company has not received any written or oral notice from any material customers of the Company, or any material suppliers to the Company, that such customer or supplier intends to terminate, cancel or limit or adversely modify or change its business relationship with the

Company. To the Knowledge of the Company, no such termination, cancellation or limitations or any adverse modification or change will arise as a result of the execution, delivery or performance of this Agreement or any Ancillary Documents to which the Company is a party.

(dd) Disclosure. No representation or warranty made by the Company in this Agreement, nor any information contained in any Ancillary Document to be delivered by the Company or any Majority Shareholder pursuant hereto, or any information relating to the Company provided or made available to the Purchaser in connection with the transactions contemplated hereby, contains any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading in any material respect in light of the circumstances under which they were made.

2.2 Representations and Warranties of the Sellers. The Sellers, severally but not jointly, hereby represent and warrant to the Purchaser as follows:

(a) Authority. Each Seller has all necessary corporate or limited liability company power or legal capacity and authority to enter into and deliver this Agreement and each of the Ancillary Documents (if any) to which such Seller is a party, to carry out such Seller's obligations hereunder and under such Ancillary Document and to consummate the transactions contemplated hereby and by such Ancillary Documents. All actions, authorizations and consents required by Law for the execution, delivery and performance by each Seller of this Agreement and each Ancillary Document to which such Seller is a party, and the consummation of the transactions contemplated hereby and thereby, have been properly taken or obtained.

(b) Execution and Delivery. This Agreement has been, and each Ancillary Document to which it is a party will be at the Closing, duly authorized, executed and delivered by such Seller and constitutes or will constitute at the Closing a legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with their respective terms and conditions, except as enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency or other similar laws affecting or relating to creditors' rights generally or by general principles of equity.

(c) No Conflicts. The execution, delivery and performance by each Seller of this Agreement and each Ancillary Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not violate, conflict with or result in a breach of any term, condition or provision of, or require the consent of any Person under, or result in the creation of or right to create any Lien upon any of the assets of such Seller under, (i) any Laws to which such Seller or any of its or his assets are subject, (ii) any permit, judgment, order, writ, injunction, decree or award of any Governmental Authority to which such Seller or any of its or his assets are subject, (iii) with respect to a Seller that is an entity, the certificate of formation or incorporation or the operating agreement or bylaws of such Seller (or their equivalent), or (iv) any license, indenture, promissory note, bond, credit or loan agreement, lease, agreement, commitment or other instrument or document to which such Seller is a party or by which such Seller or any of its or his assets are bound.

(d) Governmental Consents. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority, is required to be obtained by each Seller in connection with or as a result of the execution and delivery of this Agreement or any of the Ancillary Documents, or the performance of such Seller's obligations hereunder or thereunder.

(e) Organization, Standing and Qualification. Each Seller that is an entity is a corporation or limited liability company duly incorporated, validly existing and in good standing under the Laws of the jurisdiction of its organization. Each such Seller has all corporate or limited liability company power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(f) Ownership. Each Seller owns, beneficially and of record, free and clear of any Liens, such number of shares of Common Stock as is set forth opposite his or its name on Schedule 2.1(f). At the Closing, upon delivery of and payment for such Shares as provided in this Agreement, all of the Shares owned by each Seller shall be transferred to the Purchaser, and the Purchaser shall have good and valid title to such Shares, free and clear of any Liens. Except as set forth in Schedule 2.2(f)), there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, convertible or exchangeable securities, profits interests, conversion rights, preemptive rights, rights of first refusal or other rights, agreements, arrangements or commitments of any nature whatsoever under which a Seller is or may become obligated to sell, assign or transfer any shares of capital stock of the Company owned by such Seller.

(g) Brokerage Fees. None of the Sellers has engaged or authorized any broker, investment banker or other Person to act on its behalf, directly or indirectly, as a broker or finder who might be entitled to a fee, commission or other remuneration in connection with the transactions contemplated by this Agreement.

2.3 Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Sellers as follows:

(a) Authority. The Purchaser has all necessary power and authority to enter into and deliver this Agreement and each of the Ancillary Documents to which it is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and by the Ancillary Documents. All actions, authorizations, and consents required by Law for the execution, delivery and performance by Purchaser of this Agreement and each Ancillary Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, have been or prior to the Closing will have been properly taken or obtained.

(b) Execution and Delivery. This Agreement has been, and each Ancillary Document to which the Purchaser is a party will be at the Closing, duly authorized, executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms and conditions, except as enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency or other similar laws affecting or relating to creditors' rights generally or by general principles of equity.

(c) No Conflicts. The execution, delivery, and performance by the Purchaser of this Agreement and each Ancillary Document to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not violate, conflict with or result in a breach of any term, condition, or provision of, or require the consent of any Person under, or result in the creation of or right to create any Lien upon any of the assets of the Purchaser under, (i) any Laws to which the Purchaser or any of its assets are subject, (ii) any judgment, order, writ, injunction, decree or award of any Governmental Authority to which the Purchaser or any of its assets are subject, (iii) the Certificate or Articles of Incorporation or Bylaws of the Purchaser, or (iv) any license, indenture, promissory note, bond, credit, or loan agreement, lease, agreement, commitment or other instrument or document to which the Purchaser is a party or by which any of its assets are bound, except where, in the case of clause (iv), such violation, conflict, breach, etc. would not, individually or in the aggregate, have a Material Adverse Effect on the Purchaser.

(d) Governmental Consents. No consent, approval, order, or authorization of, or registration, declaration or filing with, any Governmental Authority, is required to be obtained by the Purchaser in connection with or as a result of the execution and delivery of this Agreement or any of the Ancillary Documents, or the performance of its obligations thereunder.

(e) Organization, Standing and Qualification. The Purchaser is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Purchaser has all requisite power and authority to own, lease, and operate its properties and to carry on its business as now being conducted.

(f) Brokerage Fees. The Purchaser has not engaged or authorized any broker, investment banker or other Person to act on its behalf, directly or indirectly, as a broker or finder who might be entitled to a fee, commission or other remuneration in connection with the transactions contemplated by this Agreement.

(g) Disclosure. No representation or warranty made by the Purchaser in this Agreement or in any Ancillary Document to be delivered by the Purchaser pursuant hereto contains any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading in any material respect in light of the circumstances under which they were made.

ARTICLE III

CERTAIN COVENANTS

3.1 Conduct of Business Pending the Closing. The Company hereby covenants and agrees that, prior to the Closing, except as contemplated by this Agreement or as set forth in

Schedule 3.1, it shall do the following (and each of the Majority Shareholders hereby covenants and agrees to cause the Company to comply with the provisions of this Section 3.1):

(a) conduct its business in the usual, regular and ordinary course consistent with recent past practice and use its commercially reasonable efforts to take, or refrain from taking, as the case may be, any action which would cause the representations and warranties made in Section 2.1, including, without limitation, Section 2.1(j), to become untrue or inaccurate, provided that between the date hereof and the Closing the Company may enter into one or more Cardiac Arrhythmia Licenses and the Commission Agreement referred to in Section 3.8 subject to complying with the provisions thereof; and

(b) use its commercially reasonable efforts to maintain and preserve its business organization and relationships with its customers, vendors, suppliers and others having business dealings with it and retain the services of its officers and employees.

3.2 No Solicitation. The Company shall not, and none of the Sellers shall, directly or indirectly (through their respective Affiliates, employees, agents or representatives), initiate contact with, solicit, encourage, respond to or participate in any way in discussions or negotiations with, or provide any information or assistance to, or take any other action intended or designed to facilitate the efforts of (including without limitation, the execution of any letter of intent, term sheet or definitive agreement), any Person other than the Purchaser concerning any acquisition of equity interest in the Company or any significant portion of the assets of the Company (including by merger or other similar transaction). The Company or the Sellers shall promptly notify the Purchaser if they are contacted or approached in respect of any such transaction, as well as the material terms of the proposed transaction and the identity of the contacting party.

3.3 Reasonable Efforts; Assurances. Upon the terms and subject to the conditions of this Agreement, each of the parties hereto shall act in good faith and use all reasonable efforts to take or cause to be taken all action, and to do or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement, including using commercially reasonable efforts to (a) obtain all consents or approvals required or desirable in connection with the transactions contemplated hereby, (b) effect promptly all necessary or appropriate registrations or filings with any Governmental Authorities, and (c) fulfill or cause the fulfillment of the conditions to Closing set forth in Article IV. In case at any time after the Closing Date any further action is reasonably necessary or desirable to carry out the purposes of this Agreement, each of the parties hereto shall take such further action without additional consideration.

3.4 Access and Information.

(a) Prior to the Closing, the Company shall afford to the Purchaser and its accountants, counsel and other representatives full access upon reasonable prior notice and during normal business hours to all of the Company's properties, books, accounts, records, contracts, and personnel and, during such period, the Company shall, and shall cause its

accountants, counsel and other representatives to, furnish promptly to the Purchaser and its representatives all information concerning the Company's business, properties and personnel as the Purchaser or its representatives may reasonably request; provided, however, that such investigation shall be conducted in a manner so as to minimize any unreasonable disruptions to the operations of the business and, consistent with the confidential nature of the transaction, the Purchaser shall not contact any customers or employees of the Company, without the prior consent of the Company.

(b) Upon execution of this Agreement, the Company shall deliver to Purchaser a budget, in reasonable detail, showing anticipated revenues, expenses, and capital expenditures for the twelve-month period subsequent to the date of this Agreement (the "Budget"). On or prior to the expiration of the initial twelve-month period covered by the Budget, the Company shall deliver a similar Budget for the next succeeding twelve-month period if the Closing shall not have occurred by then. The Company shall not modify the Budget without the prior written consent of Purchaser, which consent shall not be unreasonably withheld. Within 15 days after the end of each month between the date hereof and the Closing, the Company shall deliver to Purchaser an operating statement showing actual expenses and results of operation for the month (and for the cumulative period from the date of this Agreement) and comparing the actual expenses and operating results with the Budget. Prior to the Closing, the Company shall not incur any item of expense in excess of 10% more than the amounted budgeted therefor in the Budget without the prior written approval of the Purchaser, which consent shall not be unreasonably withheld.

(c) From time to time for a period of three (3) years after the Closing, the Purchaser shall afford, and shall cause the Company to afford, upon reasonable prior notice and during normal business hours of the Company, to the Seller Representative and his accountants, counsel and other representatives access to the books, records and personnel of the Company with respect to matters relating to the operations of the Company prior to the Closing Date to the extent that they have a legitimate business purpose for the same (e.g., for Tax purposes or for purposes of defending claims) and provided that such access does not unreasonably interfere with the operations of the Company.

3.5 Notification of Certain Matters. The Company and Purchaser shall promptly notify each other in writing:

(a) if, subsequent to the date of this Agreement and prior to the Closing Date, either of them becomes aware of the occurrence of any event or the existence of any fact that would render any of the representations and warranties made by it (and, in case of the Company, made by any Seller) in Sections 2.1, 2.2 or 2.3, as the case may be, if made on or as of the date of such event or the Closing Date, inaccurate or untrue (other than with respect to representations and warranties made as of a specified date);

(b) of any breach by either of them of any of its (and, in case of the Company, any of the Sellers') covenant or agreement contained in this Agreement;

(c) of any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement;

(d) of any notice or other communication from any Governmental Authority in connection with or relating to the transactions contemplated hereby; or

(e) if the Company or any Seller become aware of any material deterioration in the relationship with any customer, supplier, or employee of the Company.

3.6 Public Announcements. No party will issue or make or cause the publication of, any press release or other public announcement with respect to this Agreement or the transactions contemplated hereby without the prior written consent of the other parties hereto; provided, however, that nothing herein will prohibit any party from issuing, making or causing the publication of any such press release or public announcement to the extent that such party is advised by its legal counsel that such action is required by Law, in which case the party making such determination will use reasonable efforts to allow the other parties reasonable time to review and comment on such release or announcement in advance. For the purposes of this Section, the Company shall be entitled to give such prior written consent on behalf of the Sellers.

3.7 Transfer Taxes. The Sellers shall pay all transfer taxes, if any, payable in connection with the consummations of the transactions contemplated by this Agreement.

3.8 License for Cardiac Arrhythmia Applications.

(a) The Company is interested in entering into a license, as licensor, of its irreversible electroporation technology for Cardiac Arrhythmia Applications (hereafter referred to as a "Cardiac Arrhythmia License"). The Company desires to enter into the Commission Agreement in the form annexed as **Exhibit A** (the "Commission Agreement") to appoint OncoAgent, LLC as its agent (the "Licensing Agent"), for a period of four years from the date hereof, to identify potential licensees for Cardiac Arrhythmia Licenses.

(b) Purchaser is willing to allow the Company to enter into the Commission Agreement and, under the terms and conditions of the Commission Agreement, to enter into one Cardiac Arrhythmia License provided that (i) any such Cardiac Arrhythmia License is permitted by the terms of the UC License, (ii) the Cardiac Arrhythmia License meets the requirements set forth on Exhibit A to the Commission Agreement, and (iii) between the date hereof and the Closing, the Company agrees to give the Purchaser written notice at least 30 days prior to entering into a Cardiac Arrhythmia License, which notice shall set forth, at a minimum, (x) the identity of the proposed licensee, (y) the details of all relationships or understandings, existing or proposed, between the licensee, the Company, and the Licensing Agent, and (z) the material terms of the proposed Cardiac Arrhythmia License. Purchaser shall have 30 days from receipt of such written notice to notify the Company in writing whether or not Purchaser wishes to acquire a Cardiac Arrhythmia License on the terms set forth in the Company's notice. If the Purchaser elects to acquire a Cardiac Arrhythmia License, Purchaser and the Company shall proceed to enter into a Cardiac Arrhythmia License upon the terms and conditions contained in the

Company's initial notice, and the Company shall not enter into any license with such proposed licensee. If the Purchaser elects not to acquire a Cardiac Arrhythmia License on the terms offered, the Company shall be free to enter into a Cardiac Arrhythmia License with the proposed licensee on the terms and conditions set forth in the Company's initial notice.

(c) Purchaser consents to the Company's execution of the Commission Agreement with the Licensing Agent in the form attached as Exhibit A. Upon the Closing, Purchaser agrees to cause the Company to honor its obligations to pay commissions to the Licensing Agent in accordance with the provisions of the Commission Agreement.

3.9 Human Use Tests.

(a) Following the execution of this Agreement and the receipt of necessary regulatory approvals, the Majority Shareholders agree to cause the Company to diligently perform human use tests ("Human Use Tests") of the nature and scope described in the test protocol attached hereto as **Exhibit B** ("Test Protocol"). The Majority Shareholders and the Company will keep the Purchaser fully apprised of the status of the Human Use Tests and the results thereof, and will furnish the Purchaser with copies of any reports and written data resulting from the Human Use Tests. The Human Use Tests shall be performed in the United States unless regulatory approval cannot be obtained within a reasonable period of time, in which event the Human Use Tests may be performed in Europe following receipt of necessary regulatory approval there

(b) The Company anticipates that it may incur certain costs associated with the use of a hospital (or other location of treatment) where the Human Use Tests (including any agreed-upon extension thereof) are to be performed. The Purchaser shall reimburse the Company for these expenses incurred in connection with Human Use Tests within 30 days after receipt of the Company's expense report relating to such expense.

(c) If the Human Use Tests do not achieve the results contemplated by the Test Protocol, the Purchaser may elect to (i) terminate this Agreement pursuant to Section 6.1(e) hereof, (ii) waive the Closing condition set forth in Section 4.2(a), or (iii) propose revisions to the Test Protocol and a continuation of the Human Use Tests. Any revision to the Test Protocol and extension of the Human Use Tests proposed by Purchaser shall require the mutual consent of Purchaser and the Company (which consent shall not be unreasonably withheld). In the event the Company consents to the revised Test Protocol, the Company shall continue the Human Use Tests in accordance with the terms of the revised Test Protocol, provided that (i) the Company shall be under no obligation to consent to more than one revision to the Test Protocol or more than one extension of the Human Use Tests, and (ii) Purchaser continues to pay the costs of any extended Human Use Tests in accordance with Section 3.9(b).

ARTICLE IV

CONDITIONS TO CLOSING

4.1 Conditions to Obligation of the Sellers. The obligation of the Sellers to consummate the transactions contemplated hereby shall be subject to the satisfaction on or prior to the Closing of the following conditions (any of which may be waived on behalf of the Sellers in writing by the Company):

(a) the Purchaser shall have performed and complied with all obligations and agreements required to be performed and complied with by it hereunder on or prior to the Closing (including, without limitation, those specified in Section 5.3);

(b) the representations and warranties of the Purchaser contained in this Agreement shall be true and correct as of the Closing Date as if made as of such date (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period);

(c) there shall be no order, decree or ruling by any Governmental Authority nor any action, suit, claim or proceeding by or before any Governmental Authority shall be pending, which seeks to restrain, prevent or materially delay or restructure the transactions contemplated hereby or by any Ancillary Document, or which otherwise questions the validity or legality of any such transactions;

(d) there shall be no statute, rules, regulation or order enacted, entered or enforced or deemed applicable to the transactions contemplated hereby which would prohibit or, render illegal the transactions contemplated by this Agreement or the Ancillary Documents;

(e) each of the documents to be delivered by the Purchaser pursuant to Section 5.3 shall have been so delivered by the Purchaser at the Closing.

4.2 Conditions to Obligation of the Purchaser. The obligation of the Purchaser to consummate the transactions contemplated hereby shall be subject to the satisfaction on or prior to the Closing of the following conditions (any of which may be waived in writing by the Purchaser):

(a) the Majority Shareholders and the Company shall have performed the Human Use Tests described in the Test Protocol and the Human Use Tests shall have achieved the results set forth in the Test Protocol;

(b) the Sellers and the Company shall have performed or complied with all obligations and agreements required to be performed or complied with by any of them hereunder on or prior to the Closing (including, without limitation, those specified in Section 5.2);

(c) the representations and warranties of the Majority Shareholders and the Company contained in Section 2.1 of this Agreement and the representations and warranties of the Sellers contained in Section 2.2 of this Agreement shall be true and correct as of the Closing Date as if made as of such date (other than those representations and warranties that address matters only as of a particular date or only with respect to a specific period of time, which need only be true and correct as of such date or with respect to such period);

(d) there shall be no order, decree or ruling by any Governmental Authority nor any action, suit, claim or proceeding by or before any Governmental Authority shall be pending, which seeks to restrain, prevent or materially delay or restructure the transactions contemplated hereby or any Ancillary Document, or which otherwise questions the validity or legality of any such transactions;

(e) there shall be no statute, rules, regulation or order enacted, entered or enforced or deemed applicable to the transactions contemplated hereby which would prohibit or render illegal the transactions contemplated by this Agreement or the Ancillary Documents;

(f) the Company and the Sellers shall have obtained on terms and conditions satisfactory to the Purchaser all consents and approvals of third parties (including Governmental Authorities) that are required (i) for the consummation of the transactions contemplated hereby or any Ancillary Document, or (ii) in order to prevent a breach of, a default under or a termination, material change in the terms or conditions or material modification of, any Material Agreement as a result of the consummation of the transactions contemplated hereby;

(g) each director and officer of the Company designated in writing by the Purchaser shall have resigned effective as of the Closing (or alternatively, the Sellers and the Board of Directors of the Company shall have duly removed each director and officer so designated pursuant to California law); and

(h) each of the documents to be delivered by Sellers or the Company pursuant to Section 5.2 shall have been so delivered by Sellers or the Company at the Closing.

ARTICLE V

CLOSING

5.1 Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at the offices of Bond, Schoeneck & King, PLLC, 111 Washington Ave., Albany, New York 12210-2211, as soon as practicable but in no event later than 10:00 a.m., Eastern time, on the third (3rd) Business Day after the date on which each of the conditions set forth in Sections 4.1 and 4.2 have been satisfied or waived by the party or parties entitled to the benefit of such conditions, or at such other place, at such other time or on such other date as the parties may mutually agree. The date on which the closing actually occurs is referred to herein as the "Closing Date".

5.2 Deliveries by the Sellers and the Company. Subject to the terms and conditions hereof, the Sellers and the Company shall deliver the following to the Purchaser at or before the Closing:

(a) certificates, duly endorsed for transfer (or accompanied by a duly executed blank stock power), representing all of the Shares;

(b) the corporate minute book, seal, and stock ledger of the Company;

(c) evidence that the Company and/or the Sellers have obtained on terms and conditions reasonably satisfactory to the Purchaser all consents and approvals of third parties (including Governmental Authorities) that are required (i) for the consummation of the transactions contemplated hereby or (ii) in order to prevent a material breach of, a default under or a termination, material change in the terms or conditions or material modification of, any Material Agreement as a result of the consummation of the transaction contemplated hereby;

(d) original counterparts to a non-competition agreement, by and between the Purchaser and each of Paul Mikus, Gary Onik, M.D. and Boris Rubinsky, Ph.D., substantially in a form attached hereto as **Exhibit C** (the "Non-Competition Agreements"), duly executed by such Sellers;

(e) original counterparts to a consulting agreement, by and between the Purchaser and each of Gary Onik, M.D. and Boris Rubinsky, Ph.D., substantially in a form attached hereto as **Exhibit D** (the "Consulting Agreements"), duly executed by such Sellers;

(f) certificates of the Company and the Majority Shareholders, in form and substance reasonably satisfactory to the Purchaser, dated the Closing Date, certifying compliance with the conditions set forth in Sections 4.2(a), 4.2(b) and 4.2(c); and

(g) an opinion of Spectrum Law Group, LLP, counsel to the Company, in substantially the form attached hereto as **Exhibit E**;

5.3 Actions or Deliveries by the Purchaser. Subject to the terms and conditions hereof, the Purchaser shall deliver the following to the Sellers at or before the Closing:

(a) the Closing Installment of the Purchase Price in accordance with Section 1.3;

(b) a certificate of the Purchaser, in form and substance reasonably satisfactory to the Shareholder Representative, , dated the Closing Date and signed by the President and the Chief Financial Officer of the Purchaser evidencing compliance with the conditions set forth in Sections 4.1(a) and 4.1(b);

(c) original counterparts to the Non-Competition Agreements, duly executed by the Purchaser;

(d) original counterparts to the Consulting Agreements, duly executed by the Purchaser;

(e) an opinion of Bond, Schoeneck & King, PLLC, counsel to the Purchaser, in substantially the form of **Exhibit F** attached hereto.

5.4 Other Documents. The parties agree to execute and deliver on or before the Closing all other documents that are reasonably necessary or desirable in order to consummate the transactions contemplated hereby and to carry out the intent of this Agreement.

5.5 Expenses. Except as otherwise specifically provided herein, the Sellers, the Company, and the Purchaser shall each pay their own expenses, including, but not limited to, attorneys', accountants', financial advisors' and brokers' or finders' fees, incurred in connection with the transactions contemplated hereby ("Expenses"), provided, however, that Expenses of the Company that do not exceed $30,000 in the aggregate shall be paid by the Sellers, and Expenses of the Company that exceed $30,000 in the aggregate shall be paid by the Company.

ARTICLE VI

TERMINATION

6.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual consent of the Purchaser, the Company, and the Shareholder Representative;

(b) by either the Purchaser, the Company, or the Shareholder Representative, if a permanent injunction or other order by any Federal or state court which would make illegal or otherwise restrain or prohibit the consummation of the transactions contemplated hereby shall have been issued and shall have become final and non-appealable;

(c) by the Purchaser in the event the representations and warranties of the Majority Shareholders or the Sellers set forth in the Agreement prove to be incorrect in any material respect;

(d) by the Purchaser in the event the Company fails to perform the Human Use Tests contemplated by Section 3.9;

(e) by the Purchaser in the event the Human Use Tests do not achieve the results set forth in the Test Protocol (after giving effect to any revisions to the Test Protocol and extension of the Human Use Tests, if any, agreed to pursuant to Section 3.9(c)); or

(f) by the Company or the Shareholder Representative in the event the Human Use Tests do not achieve the results set forth in the Test Protocol (after giving effect to any revisions to the Test Protocol and extension of the Human Use Tests, if any, agreed to pursuant to Section 3.9(c)) unless the Purchaser shall have waived the Closing condition set forth in Section 4.2(a).

6.2 Effect of Termination. In the event of the termination of this Agreement in accordance with this Article VI, this Agreement shall thereafter become void and there shall be no liability on the part of any party hereto or their respective directors, officers, stockholders or agents, except that any such termination shall be without prejudice to the rights of any party hereto arising out of any breach by any other party of this Agreement. Termination of this Agreement shall not affect or impair the rights and obligations of the parties under the Distribution Agreement, which shall survive any termination of this Agreement.

ARTICLE VII

INDEMNIFICATION

7.1 Survival; Indemnity. The representations, warranties, covenants, and agreements of the parties contained in this Agreement, and the indemnification rights set forth in this Article VII, shall survive the Closing. Notwithstanding the foregoing, the representations and warranties of the parties shall only so survive until eighteen (18) months after the Closing Date; provided, however, that the representations and warranties contained in Section 2.1(a), (b), (e)(with respect to due incorporation), (f), (n) and (u) shall survive until three (3) years after the Closing Date (the period from the Closing Date to such applicable date is hereinafter referred to as the "Survival Period"). Nothing contained in the foregoing sentence shall prevent recovery under this Article after the expiration of the Survival Period so long as the party making a claim or seeking recovery complies with the provisions of clause (x) and (y) of the following sentence. No party shall have any claim or right of recovery for any breach of a representation, warranty, covenant or agreement unless (x) written notice is given in good faith by that party to the other party of the representation, warranty, covenant or agreement pursuant to which the claim is made or right of recovery is sought setting forth in reasonable detail the basis for the purported breach of the representation, warranty, covenant or agreement, the amount or nature of the claim being made, if then ascertainable, and the general basis therefor and (y) such notice is given prior to the expiration of the Survival Period.

7.2 Indemnification by the Majority Shareholders and by all Sellers.

(a) The Majority Shareholders, jointly and severally, agree to indemnify the Purchaser and its officers, directors, shareholders, employees, Affiliates, attorneys, accountants and agents (the "Purchaser Parties"), and hold them harmless from and against any and all damages, losses, liabilities, costs and expenses (including, without limitation, reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) (collectively, "Purchaser Damages") incurred or suffered by the Purchaser Parties as a result of any breach or inaccuracy of any representation, warranty, covenant or agreement of the Sellers or the Company contained in this Agreement, or any certificate delivered by the Sellers or the Company pursuant to this Agreement, other than a breach or inaccuracy of any representation or warranty contained in Section 2.2.

(b) Each Seller, severally but not jointly with other Sellers, agrees to indemnify the Purchaser Parties and hold them harmless from and against any and all Purchaser Damages incurred or suffered by the Purchaser Parties as a result of the breach or inaccuracy of any representation or warranty contained in Section 2.2. made by such Seller.

(c) Notwithstanding the foregoing, from and after the Closing, the Majority Shareholders shall have no liability under Section 7.2(a) arising out of or as a result of a breach of any representation or warranty unless and until the aggregate amount of all claims by the Purchaser Parties arising out of one or more breaches of representations or warranties by the Majority Shareholders or the Company exceeds One Hundred Fifty Thousand Dollars ($150,000) (the "Indemnity Threshold") in the aggregate. The maximum amount which the Purchaser Parties can recover for all claims for Purchaser Damages under this Section 7.2 shall not exceed, in the aggregate, Sixteen Million Dollars ($16,000,000).

7.3 Indemnification by Purchaser. The Purchaser agrees to indemnify the Sellers from and after the Closing and to hold the Sellers and their respective officers, directors, stockholders, employees, Affiliates, attorneys, accountants and agents (the "Seller Parties") harmless from and against any and all damages, losses, liabilities, costs and expenses (including, without limitation, reasonable expenses of investigation and reasonable attorneys ' fees and expenses in connection with any action, suit or proceeding) (collectively, "Seller Damages") incurred or suffered by the Seller Parties arising out of any breach of any representation, warranty, covenant, or agreement of the Purchaser, or that arises out a product liability claim resulting from the use of any product sold by the Company after the Closing Date, unless such claim arises out of a breach of a representation and warranty made by the Majority Shareholders in this Agreement. Notwithstanding the foregoing, from and after the Closing, Purchaser shall have no liability under this Section 7.3 arising out of or as a result of a breach of any representation or warranty contained in Section 2.2 unless and until the aggregate amount of all claims by the Seller Parties arising out of one or more breaches of such representations or warranties by Purchaser exceeds the Indemnity Threshold in the aggregate.

7.4 Indemnification Procedures

(a) Notification of Claims. Upon any party (the "Indemnified Party") becoming aware of a fact, condition or event that constitutes a basis for a claim for Purchaser Damages or Seller Damages, as the case may be, in respect thereof against the other party (the "Indemnifying Party") under Section 7.2 or 7.3, if such a claim is to be made, the Indemnified Party will with reasonable promptness and specificity notify the Indemnifying Party or Parties in writing of such fact, condition or event. The failure to notify the Indemnifying Party or Parties under this Section 7.4 shall not relieve any Indemnifying Party of any liability that it may have to the Indemnified Party except to the extent that such failure to notify shall have resulted in a waiver of any lawful and valid affirmative defense to any third-party claim or otherwise materially prejudices the Indemnifying Party or Parties in connection with the administration or defense of such third-party claim.

(b) Third-Party Claims.

(i) Upon receipt by the Indemnifying Party or Parties of any notice of claim for indemnification hereunder arising from a third-party claim, the Indemnifying Party or Parties shall assume the administration and defense of such third-party claim with counsel that is reasonably satisfactory to the Indemnified Party and shall proceed with the administration and defense of such third-party claim diligently and in good faith; provided, however, that any Indemnifying Party shall be entitled to assume the administration and defense of such third-party claim only if it agrees in writing with the Indemnified Party that it is obligated to indemnify the Indemnified Party pursuant to this Article with respect to such third-party claim; and provided, further that no Indemnifying Party shall be entitled to assume the administration and defense of any third-party claim that (A) seeks an injunction or other equitable relief that might materially and adversely affect any Indemnified Party, or (B) involves any criminal action or any claim that could reasonably be expected to result in a criminal action against any Indemnified Party. Each parties' counsel in connection with this transaction shall be deemed to be reasonably satisfactory to the other party for purposes of this Section 7.4(b)(i). The Indemnified Party shall be fully consulted by the Indemnifying Party or Parties and shall have the right to participate, at its own expense, in the investigation, administration and defense of such third-party claim. Any party hereto receiving notice of any proposed settlement of any such third-party claim shall promptly provide a copy of such notice to the other parties hereto. The Indemnifying Party or Parties shall not have the right to settle or compromise any third-party claim for which indemnification is being sought hereunder without the consent of the Indemnified Party unless as a result of such settlement or compromise the Indemnified Party is fully discharged and released from any and all liability with respect to such third-party claim. The Indemnified Party shall make available to the Indemnifying Party or Parties and its counsel all books, records, documents and other information relating to any third-party claim for which indemnification is sought hereunder, and the parties to this Agreement shall render to each other reasonable assistance in the defense of any such third-party claim.

(ii) Notwithstanding any other provision of this Agreement, if the Indemnified Party is not entitled to defend a third-party claim under Section 7.4(b)(i), the Indemnified Party shall have the absolute right, at its election (to be exercised in its sole discretion by written notice to the Indemnifying Party or Parties) to assume from the Indemnifying Party or Parties the administration and defense of any such third-party claim against the Indemnified Party with counsel that is reasonably satisfactory to the Indemnifying Party. In such event, the Indemnified Party shall proceed with the administration and defense of such third-party claim(s) diligently and in good faith, and the Indemnifying Party shall be fully consulted by the Indemnified Party or Parties and shall have the right to participate, at its own expense, in the investigation, administration and defense of such third-party claim. The Indemnifying Party or Parties shall be responsible for the costs and expenses of the administration and defense of such claim(s) incurred prior to the Indemnified Party or Parties' assumption of the administration and defense of such claim(s) and shall not be responsible for costs and expenses incurred after such assumption, and the Indemnifying Party shall have the right to participate in, but not control, the defense of such claim(s) at the sole cost and expense of the Indemnifying Party.

7.5 Right of Offset. The Purchaser is hereby expressly authorized to offset against amounts payable pursuant to any Payment Installment, any and all amounts payable by the Sellers to any Purchaser Party pursuant to this Article; provided, however, that the Purchaser may not effect any such offset unless and until the earliest of the following shall have occurred: (A) the Shareholder Representative shall have acknowledged in writing the Sellers' obligation to indemnify hereunder and shall not dispute the amount of the indemnification claim, (B) the Shareholder Representative shall have failed to give written notice to the claimant, within 15 days of the receipt by the Shareholder Representative of a written notice of claim pursuant to Section 7.4 to dispute the Sellers' obligation to indemnify hereunder or the amount of such claim, or (C) in the event that the Shareholder Representative shall have timely given the notice described in clause (B) of this sentence, the Purchaser places the amount of such offset in escrow to be held and disbursed by an escrow agent reasonably satisfactory to the Shareholder Representative in accordance with an Escrow Agreement in substantially the form of **Exhibit G** attached hereto.

ARTICLE VIII

SHAREHOLDER REPRESENTATIVE

8.1 Appointment and Powers of Shareholder Representative. By virtue of their execution and delivery of this Agreement, the Sellers shall be deemed to have irrevocably constituted and appointed, effective as of the date of this Agreement, a committee consisting of Paul Mikus, Gary Onik, and Boris Rubinsky, with such committee acting by the majority vote of such members of the committee (in such capacity, collectively, the "Shareholder Representative"), as their true and lawful agent and attorney-in-fact to enter into any agreement in connection with the transactions contemplated by this Agreement, to exercise all or any of the powers, authority, and discretion conferred on it hereunder, to waive any terms and conditions of this Agreement, to give and receive notices and communications, to authorize delivery to the Purchaser of any portion of the Purchase Price in satisfaction of indemnification claims by any Purchaser Party, to object to such deliveries, to agree to, negotiate, enter into settlements and compromises of, and commence legal action and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such claims, to receive and disburse payments of Contingent Purchase Price, and to take all actions necessary or appropriate in the judgment of the Shareholder Representative for the accomplishment of the foregoing, provided that the Shareholder Representative may not commence any action, proceeding, or arbitration on behalf of Seller Shellwater & Co. without its prior written consent in each instance.

8.2 Notice of Third Party Claims; Binding Effect, Etc. Any notice of any third party claim for which any Purchaser Party is an Indemnified Party shall be deemed to have been delivered by the Purchaser to the Sellers pursuant to Section 7.4(b) if validly delivered to the Shareholder Representative. The Sellers shall be bound by all actions taken by and all omissions of the Shareholder Representative in its capacity thereof. The Shareholder Representative shall at all times act in its capacity as Shareholder Representative in a manner that the Shareholder Representative believes in good faith to be in the best interest of the Sellers as a group.

8.3 Limitation on Liability. None of the Company, the Shareholder Representative, or their respective shareholders, officers, directors, affiliates, members, agents or representatives shall be liable to any Seller or any of its or his shareholders, officers, directors, affiliates, heirs, estate, successors, assigns and agents for any error of judgment, or any action taken, suffered or omitted to be taken, under this Agreement, except in the case of its gross negligence, bad faith, or willful misconduct. The Shareholder Representative may consult with legal counsel, independent public accountants, and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts. The Shareholder Representative shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement. As to any matters not expressly provided for in this Agreement, the Shareholder Representative shall not be required to exercise any discretion or take any action. Each Seller severally shall indemnify and hold harmless and shall reimburse the Shareholder Representative from and against such Seller's ratable share of any and all liabilities, losses, damages, claims, costs, or expenses suffered or incurred by the Shareholder Representative arising out of or resulting from any action taken or omitted to be taken by the Shareholder Representative under this Agreement, other than such liabilities, losses, damages, claims, costs or expenses arising out of or resulting from the Shareholder Representative's gross negligence, bad faith, or willful misconduct (the "Shareholder Representative Expenses"). The Shareholder Representative shall be entitled to reimbursement of expenses from any Payment Installment. The Shareholder Representative shall make available to each Seller reasonable documentation of the Shareholder Representative Expenses. Notwithstanding anything to the contrary, in all matters relating to Article VII, the Shareholder Representative shall be the only party entitled to assert the rights of the Sellers, and the Shareholder Representative shall perform all of the obligations of the Sellers hereunder. The Purchaser, the Company, and Purchaser Parties shall be entitled to rely on all statements, representations and decisions of the Shareholder Representative as those of the Sellers, without any independent investigation or verification.

ARTICLE IX

DEFINITIONS

9.1 Certain Definitions. For purposes of this Agreement, the following terms and phrases shall have the following meanings:

"Affiliate" shall have the meaning ascribed to it in Rule 405 promulgated under the Securities Act.

"Business Day" shall mean any Monday, Tuesday, Wednesday, Thursday, or Friday that is not a day on which banking institutions in the State of New York are authorized by law, regulation or executive order to close.

"Cardiac Arrhythmia Applications" shall mean irreversible electroporation products or methods designed to generate ablation zones in cardiac tissues with the intent of interrupting the electrical conduction pathways that sustain cardiac arrhythmias such as atrial fibrillation.

"Cardiovascular Patent" shall mean a United States utility patent, or foreign equivalent, whose claims cover Cardiovascular Products.

"Cardiovascular Products" shall mean catheter-based irreversible electroporation products designed to reduce the incidence of restenosis associated with angioplasty procedures.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Employee Benefit Plan" shall mean any "employee benefit plan" as defined in Section 3(3) of ERISA and any other plan, policy, program, practice, agreement, understanding or arrangement (whether written or unwritten) providing compensation or other benefits to any current or former director, officer, employee or consultant (or to any dependent or beneficiary thereof), of the Company or any ERISA Affiliate, which are now, or were within the past six years, maintained by the Company or any ERISA Affiliate, or under which the Company or any ERISA Affiliate has or could have any obligation or liability, whether actual or contingent (and including, without limitation, any liability arising out of an indemnification, guarantee, hold harmless or similar agreement), including, without limitation, all incentive, bonus, deferred compensation, vacation, holiday, cafeteria, medical, disability, stock purchase, stock option, stock appreciation, phantom stock, restricted stock or other stock-based compensation plans, policies, programs, practices or arrangements.

"Environmental Law" shall mean any federal, state, local or foreign law (including any common law), statute, code, ordinance, rule, regulation or other requirement relating to the environment, natural resources or public or employee health and safety, and includes, but not limited to, CERCLA, the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., as amended, the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq., as amended, the Clean Water Act, 33 U.S.C. § 2601 et seq., as amended, the Clean Air Act, 42 U.S.C. § 7401 et seq., as amended, the Toxic Substances Control Act, 15 U.S.C. § 6901 et seq., as amended, the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136 et seq., as amended, the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq., as amended, the New York Navigation Law, as amended, and the Occupational Safety and Health Act, 29 U.S.C. § 6901 et seq., as amended.

"Environmental Costs and Liabilities" shall mean any and all losses, liabilities, obligations, damages, fines, penalties, judgments, actions, claims, costs and expenses (including, without limitation, fees, disbursements and expenses of legal counsel, experts, engineers and consultants and the costs of investigation and feasibility studies and remedial activities) arising from or under any Environmental Law or order or contract with any Governmental Authority or any other Person.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any entity that, together with the Company, is or was treated as a single employer under Section 414(b), (c) or (m) of the Code.

"GAAP" shall mean generally accepted accounting principles as in effect in the United States.

"Governmental Authority" shall mean any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign.

"Hazardous Materials" shall mean any petroleum or petroleum products, radioactive materials, asbestos-containing materials, radon gas, PCBs and any other hazardous or toxic substance, material or waste which is or becomes prior to the Closing regulated under, or defined as a "hazardous substance," "pollutant," "contaminant," "hazardous waste," "toxic chemical," "hazardous materials," "toxic substance" or "hazardous chemical" under any Environmental Law.

"Knowledge of the Company" shall mean the actual knowledge of Paul Mikus, Gary Onik, M.D., or Boris Rubinsky, Ph.D., upon due inquiry.

"Laws" shall mean all applicable statutes, rules, regulations, ordinances, orders, writs, injunctions, judgments, decrees, awards, or restrictions of any governmental entity.

"Liabilities" shall mean any liability or obligation, including without limitation, any direct or indirect indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured.

"Liens" shall mean any security interest, mortgage, lien, charge, claims, option and encumbrance.

"Majority Shareholders" shall mean Mikus Consulting Group, Inc., Gary Onik, M.D., P.A., and LYDS, LLC.

"Material Adverse Effect" used in connection with a party shall mean any event, change or effect that is or is reasonably likely to become materially adverse to the condition (financial or otherwise), properties, assets, liabilities, businesses, operations, results of operations or prospects of such party and its subsidiaries, if any, on a consolidated basis.

"Net Sales" shall mean the gross receipts received by the Company, the Purchaser, or any Affiliate of the Purchaser from the sale of Cardiovascular Products covered by the claims of a Cardiovascular Patent, less cash, trade or quantity discounts, duties and taxes, insurance and transportation charges, and returns and allowances.

"Payment Installment" shall mean each installment of Fixed Purchase Price or Contingent Purchase Price required to be paid hereunder.

"Pension Plan" shall mean any qualified or non-qualified Employee Pension Benefit Plan (including, any Multiemployer Plan), as such term is defined in Section 3(2) of ERISA.

"Person" shall mean any individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental entity of any kind.

"Pre-Closing Period" shall mean all taxable periods ending on or before the Closing Date and the portion ending on or before the Closing Date of any taxable period that includes (but does not end on) the Closing Date.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Subsidiary" shall mean, as to any Person, any corporation, partnership, limited liability company or other entity which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors, the general managers or other persons performing similar functions, are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Company.

"Taxes" shall mean taxes, fees, levies, duties, tariffs, imposts, and governmental impositions or charges of any kind in the nature of (or similar to) taxes, payable to any federal, state, local or foreign taxing authority, including (without limitation) (i) income, franchise, profits, gross receipts, *ad valorem*, net worth, value added, sales, use, service, real or personal property, special assessments, capital stock, license, payroll, withholding, employment, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premiums, windfall profits, transfer and gains taxes, and (ii) interest, penalties, additional taxes and additions to tax imposed with respect thereto.

"UC License" shall mean the exclusive License dated June 23, 2004 between the Company and the Regents of the University of California for Tissue Ablation with Irreversible Electroporation, as amended or modified.

"Welfare Plan" shall mean any Employee Welfare Benefit Plan, as such term is defined in Section 3(1) of ERISA.

9.2 Other Defined Terms. Each of the following terms have the meaning assigned to it in the Section indicated:

Term	Section
Agreement	First Paragraph
Ancillary Documents	2.1(a)
Balance Sheet Date	2.1(i)
Budget	3.4(b)
Cardiac Arrhythmia Licenses	3.8(a)
CERCLA	2.1(r)
Closing	5.1
Closing Date	5.1
Closing Installment	1.5
Commission Agreement	3.8(a)
Company	First Paragraph

Consulting Agreements	5.2(e)
Contingent Purchase Price	1.6
Deposit	1.3
Distribution Agreement	Recitals
Expenses	5.5
Financial Statements	2.1(h)
Fixed Purchase Price	1.2
Human Use Tests	3.9
Indemnified Party	7.4(a)
Indemnifying Party	7.4(a)
Indemnity Threshold	7.2(c)
Licensing Agent	3.8(a)
Long-Term Debt	1.2
Material Agreements	2.1(o)
Non-Competition Agreements	5.2(d)
Organization Documents	2.1(e)
Per Share Consideration	1.4(a)
Proprietary Rights	2.1(n)
Purchase Price	1.2
Purchaser	First Paragraph
Purchaser Damages	7.2(a)
Purchaser Parties	7.2(a)
Real Property	2.1(m)
Related Party	2.1(s)
Sellers	First Paragraph
Seller Damages	7.3
Seller Parties	7.3
Shares	Recitals
Shareholder Representative	8.1
Shareholder Representative Expenses	8.3
Survival Period	7.1
Tax Returns	2.1(u)
Test Protocol	3.9

ARTICLE X

MISCELLANEOUS

10.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally (including delivery by courier service), transmitted by telecopy or mailed by registered or certified mail, postage prepaid, return receipt requested, or sent by a nationally recognized overnight courier service, as follows:

(a) If to the Purchaser, to:

AngioDynamics, Inc.
603 Queensbury Avenue
Queensbury, New York 12804
Attention: Eamonn Hobbs
Telecopy: (518) 798-3138

with copies sent contemporaneously to:

Bond, Schoeneck & King, PLLC
111 Washington Avenue
Albany, New York 12210
Attention: Gregory J. Champion, Esq.
Telecopy: (518) 533-3299

(b) If to the Company, the Sellers, or the Shareholder Representative, to:

Before the Closing:

Oncobionic, Inc.
30211 Avenida de las Banderas, Suite 200
Rancho Santa Margarita, CA 92688
Attention: Paul Mikus
Telecopy: (949) 888-6659

After the Closing:

Mikus Consulting Group, Inc.
31 Pegasus Drive
Coto de Caza, California 92679
Attention: Paul Mikus
Telecopy: (949) 766-1043

with a copy sent contemporaneously to:

Gary Onik, M.D., P.A.
5119 Keeneland Circle
Orlando, FL 32819

LDYS, L.L.C.
1900 Vallejo Street, Apt. 301
San Francisco, CA 94123

Spectrum Law Group, LLP
1900 Main Street, Suite 125
Irvine, California 92614
Attention: Marc A. Indeglia, Esq.
Telecopy: (949) 851-5940

or to such other address as the Person to whom notice is to be given may have previously furnished to the other parties in writing in accordance herewith. Notice shall be deemed given on the date received (or, if receipt thereof is refused, on the date of such refusal).

10.2 Amendments and Waivers. This Agreement may not be amended, modified, or supplemented except by written agreement of the parties hereto. No waiver by any party of any non-compliance, default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent non-compliance, default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.3 Interpretation. The headings preceding the text of Articles and Sections included in this Agreement and the headings to Exhibits and Schedules attached to this Agreement are for convenience only and shall not be deemed part of this Agreement or be given any effect in interpreting this Agreement. The use of the masculine, feminine or neuter gender herein shall not limit any provision of this Agreement. The use of the terms “including” or “include” shall in all cases herein mean “including, without limitation” or “include, without limitation,” respectively. References to any “Article,” “Section,” “Exhibit,” or “Schedule” shall refer to an Article or Section of, or an Exhibit or Schedule to, this Agreement. In any case where the concept of materiality is applied more than once to qualify any provision of this Agreement (whether by cross-referencing or incorporation or otherwise), such provision shall be interpreted as if only one, but the broadest one, of such materiality qualification applied to it. Any due diligence review, audit or other investigation or inquiry undertaken or performed by or on behalf of a party shall not limit, qualify, modify, or amend the representations, warranties or covenants of, or indemnities made by any other party pursuant to this Agreement, irrespective of the knowledge and information received (or which should have been received) therefrom by the investigating party and consummation of the transactions contemplated herein by a party shall not be deemed a waiver of a breach of or inaccuracy in any representation, warranty or covenant or of any other party’s rights and remedies with regard thereto.

10.4 Assignment; Binding Upon Successors and Assigns. None of the parties hereto may assign or delegate any of its rights or obligations hereunder without the prior written consent of the other parties hereto. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs, legatees, distributees and assigns.

10.5 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors, permitted assigns and legal representatives, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature.

10.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to constitute an original and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties. Counterparts delivered in fax or "pdf" form shall be as effective as manually signed counterparts; provided, however, that any party supplying a fax or pdf counterpart shall promptly forward an originally executed counterpart.

10.7 Governing Law; Venue; Jurisdiction. The laws of the State of New York (irrespective of its choice of law principles) will govern the validity of this Agreement, the construction of its terms and the interpretation and enforcement of the rights and duties of the parties hereto, provided that Seller Shellwater & Co. will be entitled to all defenses available to it under California law. This Agreement shall be enforceable in any court of competent jurisdiction. In furtherance of and not in limitation of the foregoing, the parties hereto (i) agree and consent to the personal jurisdiction and venue of the courts sitting in either Albany County, New York or Orange County, California in any action or proceeding arising out of or connected in any way with this Agreement, (ii) irrevocably waive, to the fullest extent permitted by law, any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and (iii) agree that service of process in any such action or proceeding will be sufficient if sent by certified mail, return receipt requested, to applicable address set forth above, and that such service shall constitute "personal service," and further agree to the invocation of said jurisdiction by service of process in any other manner authorized by law.

10.8 Severability. If any term or provision of this Agreement shall, to any extent, be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to Persons or circumstances other than those as to which it has been held invalid or unenforceable, shall not be affected thereby and this Agreement shall be deemed severable and shall be enforced otherwise to the full extent permitted by law.

10.9 Entire Agreement. This Agreement (including the Schedules and Exhibits referred to herein and which form a part hereof) and the Ancillary Documents constitute the entire agreement among the parties hereto and supersedes all prior agreements and understandings, oral and written, among the parties hereto with respect to the subject matter hereof except for a confidentiality agreement by and among the parties hereto, if any.

10.10 Schedules and Exhibits. The Schedules and Exhibits attached hereto are incorporated herein and made a part hereof for all purposes.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Stock Purchase Agreement has been duly executed and delivered by the parties hereto on the date first above written.

PURCHASER:

ANGIODYNAMICS, INC.

By: _____
Name: Eamonn Hobbs
Title: Chief Executive Officer

COMPANY:

ONCOBIONIC, INC.

By: _____
Name: Gary Onik, M.D.
Title: President

SELLERS:

MIKUS CONSULTING GROUP, INC.

By: _____
Name: Paul W. Mikus
Title: President

GARY ONIK, M.D., P.A.

By: _____
Name: Gary Onik M.D.
Title: President

LYDS, LLC

By: _____
Name: Dan Rubinsky
Title: Manager

MARC A. INDEGLIA AND KAREN M. INDEGLIA, TRUSTEES OF THE INDEGLIA FAMILY TRUST DATED 21 JULY 2004

By: _____
Name: Marc A. Indeglia
Title: Trustee

SHELLWATER & CO. (as nominee for the Regents of the University of California)

By: _____
Name: Veronica Lanier
Title: Acting Director

_____
Pat Reischman

_____
Jay Eum

_____
Jacob Lavee, M.D.

_____
Luis Mir, Ph.D.

Exhibit 31.1

CERTIFICATION

I, Eamonn P. Hobbs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Angiodynamics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2007

/s/ Eamonn P. Hobbs

Eamonn P. Hobbs, President,
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION

I, Joseph G. Gerardi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Angiodynamics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2007

/s/ Joseph G. Gerardi

Joseph G. Gerardi, Vice President -
Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO TITLE 18,
UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eamonn P. Hobbs, President, Chief Executive Officer and Director of ANGIODYNAMICS, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. the quarterly report on Form 10-Q of the Company for the fiscal quarter ended December 2, 2006 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 11, 2007

/s/ Eamonn P. Hobbs

Eamonn P. Hobbs, President,
Chief Executive Officer, Director

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO TITLE 18,
UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph G. Gerardi, Vice President, Chief Financial Officer of ANGIODYNAMICS, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

1. the quarterly report on Form 10-Q of the Company for the fiscal quarter ended December 2, 2006 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 11, 2007

/s/ Joseph G. Gerardi

Joseph G. Gerardi, Vice President -
Chief Financial Officer and Treasurer