ANGIODYNAMICS INC
Form 10-K/A
July 25, 2017

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

FORM 10-K/A

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 0-50761

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

Delaware	11-3146460
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14 Plaza Drive Latham, New York	12110
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

files). Yes x No ¨

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

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

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

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

As of November 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $431,798,128 computed by reference to the last sale price of the common stock on that date as reported by The NASDAQ Global Select Market.

As of July 22, 2016, there were 36,422,398 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required for Part III of this annual report on Form 10-K is incorporated by reference to the registrant’s Proxy Statement for its 2016 Annual Meeting of Stockholders to be filed within 120 days of the registrant's fiscal year ended May 31, 2016.

EXPLANATORY NOTE

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

We are filing this Amendment No. 1 (this “Amendment” or “Form 10-K/A”) to our Annual Report on Form 10-K for the fiscal year ended May 31, 2016 following an inspection by the Public Company Accounting Oversight Board of PricewaterhouseCoopers LLP’s (“PwC”) audit of our May 31, 2016 financial statements and internal controls over financial reporting, as discussed below. Our Annual Report on Form 10-K for the year ended May 31, 2016 (the “Form 10-K” or the “Original Form 10-K”) was originally filed with the Securities and Exchange Commission (the “SEC”) on August 1, 2016. At the time of filing our Form 10-K, we determined that our disclosure controls and procedures (“DC&P”) and our internal controls over financial reporting (“ICFR”) were each effective as of May 31, 2016. Subsequent to that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our DC&P and ICFR were not effective as of May 31, 2016.

Management of the Company, after discussions with PwC and the Audit Committee, determined that Management’s Report on Internal Control over Financial Reporting included in the Form 10-K should no longer be relied upon due to a material weakness specifically related to the goodwill impairment test as further discussed in Item 9A, Controls and Procedures.

The material weakness did not result in any misstatement of our consolidated financial statements for the year ended May 31, 2016.

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

Items Amended by this Filing

The following items of the Original Form 10-K are being amended:

Item 9A: Controls and Procedures

Item 15: Exhibits, Financial Statement Schedules

In addition to this Amendment, we intend to file amended Quarterly Reports on Form 10-Q for the first three quarters of fiscal year 2017 to amend our disclosures under Item 4 Controls and Procedures.

This Amendment does not modify, amend or update in any way the financial statements set forth in the Original Form 10-K
and there have been no changes to the XBRL data filed in Exhibit 101 of the Original Form 10-K. Other than as described above and the inclusion with this Amendment of new certifications by management, a new consent of PwC, our former independent registered public accounting firm, and related amendments to the List of Exhibits contained in Item 15 of the Original Form 10-K, this Amendment speaks only as of the date of the Original Form 10-K and does not amend, supplement or update any information contained in the Original Form 10-K to give effect to any subsequent events. Accordingly, this Amendment should be read in conjunction with the Original Form 10-K and our reports filed with the SEC subsequent to the Original Form 10-K.

AngioDynamics, Inc. and Subsidiaries
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Part II

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision of our Company's Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of our disclosure controls and procedures as of May 31, 2016. At the time our Annual Report on Form 10-K for the year ended May 31, 2016 was filed on August 1, 2016, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of May 31, 2016. Subsequent to that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of May 31, 2016 because of the material weakness in our internal control over financial reporting described below.

Management's Report on Internal Control Over Financial Reporting (Restated)

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

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

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

Our management has assessed the effectiveness of our internal control over financial reporting as of May 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

We identified the following material weakness that existed as of May 31, 2016.

We did not design and maintain effective internal controls over the accounting for the annual goodwill impairment test. Specifically, we did not design and maintain effective controls to review in sufficient detail the cash flow projections and significant valuation model assumptions used in the goodwill impairment test as of December 31, 2015.

A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. This material weakness did not result in a misstatement to the consolidated financial statements. However, this material weakness could result in misstatements that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected.

In Management's Report on Internal Control Over Financial Reporting included in our original 10-K, our management concluded that we maintained effective internal control over financial reporting as of May 31, 2016. Management subsequently concluded that the material weakness described above existed as of May 31, 2016. As a result, we have concluded we did not maintain effective internal control over financial reporting as of May 31, 2016 based on the criteria described in the Internal Control-Integrated Framework (2013). Accordingly, management has restated its report on internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of May 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Remediation Plan

We developed a plan to enhance our internal controls over financial reporting for the goodwill impairment test, which we believe also will address the material weakness discussed above, including the specific remediation initiatives described below:

- Update the goodwill impairment control to ensure that it is designed appropriately.
- Ensure sufficient documentation is retained if the discounted cash flow method is required for performing the goodwill impairment test including detailed procedures over the cash flow projections and valuation model assumptions.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting for the fiscal quarter ended May 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

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

(2) Financial Statement Schedules

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

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

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of AngioDynamics, Inc. and its subsidiaries (the Company) at May 31, 2016 and May 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Management and we previously concluded that the Company maintained effective internal control over financial reporting as of May 31, 2016. However, management has subsequently determined that a material weakness in internal control over financial reporting related to the ineffective design and maintenance of controls over accounting for the goodwill impairment test existed as of that date. Accordingly, management's report has been restated and our present opinion on internal control over financial reporting, as presented herein, is different from that expressed in our previous report. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of May 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the ineffective design and maintenance of controls over accounting for the goodwill impairment test existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note A to the consolidated financial statements, the Company changed the manner in which it accounts for the classification of deferred income taxes in the consolidated balance sheets due to the adoption of ASU 2015-17, Balance Sheet Classification of Deferred Taxes.

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

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

/s/PricewaterhouseCoopers LLP

Boston, Massachusetts
August 1, 2016, except with respect to our opinion on internal control over financial reporting insofar as it relates to the effects of the matter described in the penultimate paragraph of Management's Report on Internal Control over Financial Reporting, as to which the date is July 25, 2017

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

	Years ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Net sales	$353,890	$356,534	$354,425
Cost of sales	179,574	180,738	174,251
Gross profit	174,316	175,796	180,174
Operating expenses			
Research and development	25,053	26,594	28,124
Sales and marketing	84,723	83,220	85,305
General and administrative	29,603	29,162	26,902
Amortization of intangibles	17,964	17,966	16,562
Change in fair value of contingent consideration	948	(8,096)	(1,908)
Acquisition, restructuring and other items, net	12,591	26,257	10,873
Medical device excise tax	2,416	4,142	3,829
Total operating expenses	173,298	179,245	169,687
Operating income (loss)	1,018	(3,449)	10,487
Other (expenses) income			
Interest income	11	4	—
Interest expense	(3,396)	(3,197)	(3,656)
Other expense	(886)	(1,489)	(1,645)
Total other expenses, net	(4,271)	(4,682)	(5,301)
Income (loss) before income tax expense (benefit)	(3,253)	(8,131)	5,186
Income tax expense (benefit)	40,337	(4,743)	2,839
Net income (loss)	$(43,590)	$(3,388)	$2,347
Earnings (loss) per share			
Basic	$(1.21)	$(0.09)	$0.07
Diluted	$(1.21)	$(0.09)	$0.07
Weighted average shares outstanding			
Basic	36,161	35,683	35,136
Diluted	36,161	35,683	35,440

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

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Years ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Net income (loss)	$(43,590)	$(3,388)	$2,347
Other comprehensive income (loss), before tax:			
Unrealized gain (loss) on marketable securities	(11)	(120)	(16)
Unrealized gain (loss) on interest rate swap	257	296	(32)
Foreign currency translation gain (loss)	(112)	(264)	442
Other comprehensive income (loss), before tax	134	(88)	394
Income tax benefit (expense) related to items of other comprehensive income (loss)	(92)	(64)	18
Other comprehensive income (loss), net of tax	42	(152)	412
Total comprehensive income (loss), net of tax	$(43,548)	$(3,540)	$2,759

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

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	May 31, 2016	May 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$32,333	$18,391
Marketable securities, at fair value	1,653	1,689
Accounts receivable, net of allowances of $4,372 and $3,043, respectively	52,867	58,428
Inventories	55,370	67,388
Prepaid income taxes	788	770
Prepaid expenses and other	3,243	4,132
Total current assets	146,254	150,798
Property, Plant and Equipment, net	48,284	54,450
Other Assets	4,696	5,398
Intangible Assets, net	166,577	181,652
Goodwill	361,252	361,252
Deferred Income Taxes, long term	—	19,508
Total Assets	$727,063	$773,058
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$15,616	$23,048
Accrued liabilities	21,896	18,109
Income taxes payable	46	439
Current portion of long-term debt	16,250	8,750
Current portion of contingent consideration	12,919	9,969
Other current liabilities	—	200
Total current liabilities	66,727	60,515
Long-term Debt, net of current portion	105,160	128,910
Deferred Income Taxes, long term	21,684	1,119
Contingent Consideration, net of current portion	25,356	37,415
Other Long Term Liabilities	908	—
Total Liabilities	219,835	227,959
Commitments and Contingencies (Note O)		
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, 75,000,000 shares authorized; 36,420,403 and 36,043,725 shares issued and 36,278,098 and 35,901,420 shares outstanding at May 31, 2016 and May 31, 2015, respectively	363	360
Additional paid-in capital	525,775	520,101
Retained earnings	(16,015)	27,575
Treasury stock, 142,305 shares, at cost	(2,104)	(2,104)
Accumulated other comprehensive loss	(791)	(833)
Total Stockholders' Equity	507,228	545,099
Total Liabilities and Stockholders' Equity	$727,063	$773,058

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

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AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended May 31, 2016, May 31, 2015 and May 31, 2014
(in thousands, except share data)

	Common Stock				Accumulated other comprehensive income (loss)	Treasury Stock		
	Shares	Amount	Additional paid in capital	Retained earnings		Shares	Amount	Total
Balance at May 31, 2013	35,060,351	$ 351	$500,554	$28,616	$ (1,093)	(142,305)	$(2,104)	$526,324
Net loss				2,347				2,347
Exercise of stock options	105,676		1,085					1,085
Tax effect of exercise of stock options			(146)					(146)
Issuance of restricted shares, net	129,702	1	(1,358)					(1,357)
Purchase of common stock under Employee Stock Purchase Plan	146,275	1	2,717					2,718
Stock-based compensation			5,502					5,502
Other comprehensive income (loss), net of tax					412			412
Balance at May 31, 2014	35,442,004	$ 353	$508,354	$30,963	$ (681)	(142,305)	$(2,104)	$536,885
Net income				(3,388)				(3,388)
Exercise of stock options	341,446	3	4,335					4,338
Tax effect of exercise of stock options								—
Issuance of restricted shares, net	141,274	2	—					2
Purchase of common stock under Employee Stock Purchase Plan	119,001	2	1,414					1,416
Stock-based compensation			5,998					5,998
Other comprehensive income (loss), net of tax					(152)			(152)
Balance at May 31, 2015	36,043,725	$ 360	$520,101	$27,575	$ (833)	(142,305)	$(2,104)	$545,099
Net loss				(43,590)				(43,590)
Exercise of stock options	101,040	1	1,296					1,297
Tax effect of exercise of stock options								—
Issuance of restricted shares, net	137,681	1	(332)					(331)
Purchase of common stock under Employee Stock Purchase Plan	137,957	1	1,470					1,471
Stock-based compensation			3,240					3,240
Other comprehensive income (loss), net of tax					42			42

Balance at May 31, 2016	36,420,403	$ 363	$525,775	$(16,015)	$ (791)	(142,305)	$(2,104)	$507,228

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

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Cash flows from operating activities:			
Net income (loss)	$(43,590)	$(3,388)	$2,347
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	28,115	29,861	28,329
Amortization of acquired inventory basis step-up	—	—	150
Tax effect of exercise of stock options and issuance of performance shares	—	—	(146)
Deferred income tax provision	39,983	(5,123)	2,716
Stock based compensation	3,240	5,998	5,502
Changes in accounts receivable allowances	2,377	1,448	465
Change in fair value of contingent consideration	948	(8,096)	(1,908)
Loss on impairment/disposal of long-term assets	806	9,381	—
Loss on impairment of intangible assets	384	6,400	—
Other	90	181	130
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	3,131	2,095	(14,786)
Inventories	11,976	(5,648)	(6,114)
Prepaid expenses and other	712	(1,170)	1,208
Accounts payable and accrued liabilities	(2,956)	(6,254)	6,788
Net cash provided by operating activities	45,216	25,685	24,681
Cash flows from investing activities:			
Additions to property, plant and equipment	(2,326)	(11,383)	(11,172)
Acquisition of businesses, net of cash acquired	—	—	(4,169)
Acquisition of intangible assets	(3,268)	(1,353)	(1,435)
Acquisition of warrants	(2,000)	—	—
Purchases of marketable securities	—	—	(25)
Proceeds from sale or maturity of marketable securities	25	—	353
Net cash used in investing activities	(7,569)	(12,736)	(16,448)
Cash flows from financing activities:			
Repayment of long-term debt	(16,250)	(20,000)	(146,250)
Proceeds from issuance of and borrowings on long-term debt	—	15,000	146,410
Proceeds from exercise of stock options and ESPP	2,437	5,757	2,444
Payment of acquisition related contingent consideration	(9,850)	(11,222)	(15,943)
Deferred financing costs on long-term debt	—	—	(677)
Net cash used in financing activities	(23,663)	(10,465)	(14,016)
Effect of exchange rate changes on cash and cash equivalents	(42)	(198)	86
Increase (decrease) in cash and cash equivalents	13,942	2,286	(5,697)
Cash and cash equivalents at beginning of year	18,391	16,105	21,802
Cash and cash equivalents at end of year	$32,333	$18,391	$16,105

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

AngioDynamics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(in thousands)

	Years ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Supplemental disclosures of cash flow information:			
Supplemental disclosure of non-cash operating, investing and financing activities:			
Contractual obligations for acquisition of fixed assets	$75	$140	$4,970
Contractual obligations for acquisition of intangibles and business	—	—	2,249
Contractual obligations for tax basis adjustment	—	779	—
Cash paid during the period for:			
Interest	$3,063	$3,151	$3,591
Income taxes	332	699	182

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

AngioDynamics, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Presentation and Description of Business

The consolidated financial statements include the accounts of AngioDynamics, Inc. and its wholly owned subsidiaries, (collectively, the "Company"). We design, manufacture and sell a wide range of medical, surgical and diagnostic devices used by professional healthcare providers for vascular access, for the treatment of peripheral vascular disease and in oncology and surgical settings. Our devices are generally used in minimally invasive, image-guided procedures. Most of our products are intended to be used once and then discarded, or they may be temporarily implanted for short- or long-term use.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Assets and liabilities of non-U.S. dollar functional currency entities are translated to U.S. dollars at period-end exchange rates, and the resulting gains and losses arising from the translation of those net assets are recorded as a cumulative translation adjustment, a component of accumulated other comprehensive loss on the consolidated balance sheets.

All intercompany balances and transactions have been eliminated.

2. Cash and Cash Equivalents

We consider all unrestricted highly liquid investments purchased with an initial maturity of less than three months to be cash equivalents. We maintain cash and cash equivalent balances with financial institutions in the United States in excess of amounts insured by the Federal Deposit Insurance Corporation.

3. Marketable Securities

Marketable securities, which include auction rate investments, are classified as "available-for-sale securities" and are reported at fair value, with unrealized gains and losses excluded from operations and reported as a component of accumulated other comprehensive income (loss), net of the related tax effects, in stockholders' equity. Cost is determined using the specific identification method. We hold investments in auction rate securities in order to generate higher than typical money market rate investment returns. Auction rate securities typically are high credit quality, generally achieved with municipal bond insurance. Credit risks are eased by the historical track record of bond insurers, which back a majority of this market. Sell orders for any security traded through an auction process could exceed bids and, in such cases, the auction fails and we may be unable to liquidate our position in the securities in the near term. As of May 31, 2016 and 2015, we had $1.7 million and $1.7 million, respectively, in investments in two auction rate securities issued by New York state and local government authorities that failed auctions. The authorities are current in their interest payments on the securities.

4. Accounts Receivable

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

5. Inventories

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

6. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Refer below for useful lives by category:

	Estimated useful lives
Building and building improvements	39 years
Machinery and equipment	3 to 8 years
Computer software and equipment	3 to 10 years

We evaluate these assets for impairment periodically or as changes in circumstances or the occurrence of events suggest the remaining value is not recoverable. Expenditures for repairs and maintenance are charged to expense as incurred. Renewals and betterments are capitalized.

7. Goodwill and Intangible Assets

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

Acquired IP R&D has an indefinite life and is not amortized until completion of the development of the project, at which time the IP R&D becomes an amortizable asset. If the related project is not completed in a timely manner or the project is terminated or abandoned, we may have an impairment related to the IP R&D, calculated as the excess of the asset’s carrying value over its fair value.

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

Goodwill and other intangible assets that have indefinite useful lives are not amortized, but rather, are tested for impairment annually or more frequently if impairment indicators arise. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Goodwill and intangible assets have been recorded at either incurred or allocated cost. Allocated costs were based on respective fair market values at the date of acquisition.

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

8. Contingent Consideration

The fair value of the liability for contingent consideration recorded on the acquisition date for a business combination is based on probability weighted estimated cash flow streams, discounted back to present value using a discount rate determined in accordance with accepted valuation methods. The liability for contingent consideration is remeasured to fair value at each reporting period with changes recorded in earnings until the contingency is resolved.

9. Revenue Recognition

We recognize revenue when the following four criteria has been met: (i) persuasive evidence that an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has

occurred or services have been rendered. We recognize revenue, net of sales taxes assessed by any governmental authority, as products are shipped, based on shipping terms, and when title and risk of loss passes to customers. We negotiate shipping and credit terms

on a customer-by-customer basis and products are shipped at an agreed upon price. All product returns must be pre-approved by us and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and have at least twelve months remaining prior to its expiration date. Charges for discounts, returns, rebates and other allowances are recognized as a deduction from revenue on an accrual basis in the period in which the revenue is recorded. The accrual for product returns, discounts and other allowances is based on the company's history.

Shipping and handling costs, associated with the distribution of finished products to customers, are recorded in costs of goods sold and are recognized when the related finished product is shipped to the customer. Amounts charged to customers for shipping are recorded in net sales.

10. Research and Development

Research and development costs, including salaries, consulting fees, building costs, utilities and administrative expenses that are related to developing new products, enhancing existing products, validating new and enhanced products, managing clinical, regulatory and medical affairs are expensed as incurred.

11. 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 it is more-likely-than-not these will not be recovered, we estimate a valuation allowance and record a corresponding additional tax expense in our statement of operations.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world. Fiscal years 2012 through 2016 remain open to examination by the various tax authorities. New York State is currently auditing AngioDynamic's franchise tax filings for 2011 through 2013, and we do not anticipate any material adjustments will result. We analyzed filing positions in all of the Federal and state jurisdictions where we are required to file income taxes, as well as all open tax years in these jurisdictions and believe that our income tax filing positions and deductions will be sustained on audit and we do not anticipate any adjustments will result in a material adverse effect on our financial condition, results of operations or cash flows.

12. Derivative Financial Instruments

We are exposed to market risks, including changes in interest rates. We periodically enter into certain derivative financial instruments to hedge the underlying economic exposure. The derivative instruments used are floating-to-fixed rate interest rate swaps, which are subject to hedge accounting treatment.

Derivative instruments are presented in the consolidated financial statements at their fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in stockholders' equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value or cash flow hedge. Generally, the changes in the fair value of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair value of hedged items that relate to the hedged risks. Changes in the fair value of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in accumulated other comprehensive income (loss).

13. Supplier Concentrations

We are dependent upon the ability of our suppliers to provide products on a timely basis and on favorable pricing terms. The loss of our principal suppliers or a significant reduction in product availability from these suppliers could have a material adverse effect on us. We believe that our relationships with these suppliers are satisfactory.

14. Recent Events

On March 31, 2016, Joseph DeVivo, former President and Chief Executive Officer, decided to pursue other interests outside of the Company and on April 4, 2016, James C. Clemmer was appointed as the new President and Chief Executive Officer. As part of the separation agreement with Joseph DeVivo, his stock options, restricted stock units and performance shares will continue to vest for one year.

On November 3, 2015, Mark Frost resigned as Executive Vice President and Chief Financial Officer (CFO). Michael Trimarchi, Vice President and Global Controller, assumed the responsibilities as principal accounting officer of the Company and interim CFO until his resignation on May 13, 2016. On July 22, 2016, Michael Greiner was appointed Executive Vice President and Chief Financial Officer of the Company, effective August 16, 2016. On July 27, 2016, Peter J. Kish was designated as the principal financial officer and principal accounting officer of the Company by the Board of Directors of the Company. Mr. Kish will serve in this role until Mr. Greiner begins his service as Chief Financial Officer on August 16, 2016.

On December 18, 2015, President Obama signed into law H.R. 2029, the “Consolidated Appropriations Act, 2016”, which includes a two-year moratorium on the medical device excise tax, effective January 1, 2016. The 2.3 percent tax on sales of medical devices (except certain devices sold at retail) was enacted as part of the Affordable Care Act in 2010 and applied to device sales beginning on January 1, 2013. Absent further legislative action, the tax will be automatically reinstated for medical device sales starting on January 1, 2018. As presented on our Consolidated Condensed Statement of Operations we have incurred $12.0 million cumulatively since the enactment of the tax on January 1, 2013 through the May 31, 2016. In the absence of this tax, the company will seek opportunities to further invest in growth drivers to create long-term shareholder value.

On November 17, 2015, the Company received a letter from the FDA closing out the warning letter the Company received from FDA in January 2011 regarding certain promotional activities related to the NanoKnife System. On November 25, 2015, the Company received letters from the FDA closing out the warning letters the Company received from FDA in May 2011 related to the Company’s Queensbury facility and in November 2014 related to the Company’s Glens Falls facility. These close out letters resolved all outstanding warning letters against the Company.

During the quarter ended May 31, 2016, we made the decision to discontinue the Celerity tip location and navigation product line. The discontinuance of the product line was the result of performance and quality issues with the product and a strategic shift to focus on other product within the Vascular Access business. We recorded a write-off of approximately $5.8 million of inventory and $0.1 million of hardware assets during the fourth quarter.
During the quarter ended May 31, 2016 we entered into an agreement with Merz North America where we became the exclusive sub-distributor of ASCLERA in the vein market in the United States and received the Merz customer list for the designated market territory. As part of the agreement we receive a personal, non-exclusive, non-transferable, non-assignable, non-sub licensable, license to use the trademarks, service marks and trades names from Merz. As a result of this agreement we recorded $3.3 million of intangible assets for the exclusive distribution rights and the customer lists obtained. The Asclera product is the replacement for Sotradecol.
Regulatory Matters

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

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

On February 10, 2012, we received from FDA a Form 483, List of Investigational Observations, in connection with its inspection of our Queensbury facility from November 14, 2011 to February 10, 2012. The Form 483 contained 12 observations related to, among other things, our CAPA (Corrective and Preventive Action) system, MDR (Medical Device Reporting), complaint investigation, corrections and removals, acceptance criteria and training. Some of the observations contained in the Form 483 were repeat observations from the May 27, 2011 Warning Letter described above.

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

On September 24, 2012, we received from FDA a Form 483 in connection with its subsequent inspection of our Queensbury, NY facility from September 6 to September 14, and September 19 to September 24. This re-inspection followed our response to the original Form 483 issued by FDA on February 13, 2012. The Form 483 contained 5 observations related to 510(k) decisions, complaint investigations, acceptance criteria, corrective and preventive actions and training. All but one of the observations in the Form 483 related to events that occurred before the date that we had indicated to FDA in our previous responses that our corrective and remediation activities related to our Quality Call to Action would be completed. We provided responses to FDA within 15 business days of our receipt of the Form 483.

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

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

During the fourth quarter of our fiscal year ended May 31, 2014, we received Certificate to Foreign Governments ("CFGs") from the FDA covering all Vascular Access and Peripheral Vascular products manufactured in our Queensbury facility. During the first quarter of our fiscal year ended May 31, 2016, we received CFGs for our NanoKnife product.

On November 5, 2014, we received a Warning Letter from the FDA relating to observations noted during FDA’s inspection of our Navilyst Medical facilities located in Marlborough, Massachusetts and Glens Falls, New York in 2014. The matters raised in the Warning Letter and observations focused on design control processes related to packaging validations and accelerated and real time aging testing in connection with our fluid management and PICC families of products, inconsistency of a manufacturing product test process used among similar valved PICC products, a particular verification test of valved PICC products and non-conforming product control procedures.

On November 17, 2015, we received a letter from the FDA closing out the warning letter we received from FDA in January 2011 regarding certain promotional activities related to the NanoKnife System. On November 25, 2015, we received letters from the FDA closing out the warning letters we received from FDA in May 2011 related to the Company’s Queensbury facility and in November 2014 related to the Company’s Glens Falls facility. These close out letters resolved all outstanding warning letters against the Company.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single, comprehensive accounting model for revenues arising from contracts with customers that supersedes most of the existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue is recognized at an amount that an entity expects to be entitled to upon transferring control of goods or services to a customer, as opposed to when risks and rewards

transfer to a customer under existing revenue recognition guidance. ASU 2014-09 is effective for the Company beginning in its fiscal year 2018, and may be applied retrospectively to all prior periods presented or through a cumulative adjustment to the opening retained earnings balance in the year of adoption. The Company is currently in the process of evaluating the impact of ASU 2014-09 on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of the Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, that clarified that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense related to an award for which transfer to the employee is contingent on the entity’s satisfaction of a performance target until it becomes probable that the performance target is met. This ASU is effective for the Company in its first quarter beginning after January 1, 2016 and did not have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASC Update No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. Update No. 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Update No. 2015-03 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those reporting periods. Early adoption is permitted for financial statements that have not been previously issued. This update is not expected to impact the results of our operations.

In July 2015, the FASB issued ASC Update No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. Update No. 2015-11 more closely aligns the measurement of inventory in U.S. GAAP with the measurement of inventory in International Financial Reporting Standards by requiring companies using the first-in, first-out and average costs methods to measure inventory using the lower of cost and net realizable value, where net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Update No. 2015-11 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those fiscal years. Update No. 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of Update No. 2015-11 is not expected to have a material impact on our financial position or results of operations.

In November 2015, the FASB issued ASC Update No. 2015-17, “Balance Sheet Classification of Deferred Taxes” as part of its simplification initiatives. This update requires deferred tax liabilities and assets to be classified as non-current on the consolidated condensed balance sheet for fiscal years beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted. An entity can elect to adopt prospectively or retrospectively to all periods presented. This update was applied retrospectively as of November 30, 2015. The current deferred tax asset balance of $4.4 million was classified as a non-current deferred tax asset for the period ended May 31, 2015 in the consolidated condensed balance sheet.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10). Update No. 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Update No. 2016-01 is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those fiscal years and early application is permitted. The adoption of Update No. 2016-01 is not expected to have a material impact on our financial position or results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. For leases with a term or twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and early application is permitted. The Company is currently in the process of evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Based Compensation (Topic 718: Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies and improves various aspects of ASC 718 for share-based payments, including income tax items and the classification of these items on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 31, 2016 and early application is permitted. The Company is currently in the process of evaluating the impact of ASU 2016-09 on its consolidated financial statements.

NOTE B—OTHER ASSETS

On March 2, 2015, the Company filed an 8-K stating that it executed a non-binding letter of intent to enter into a strategic relationship with privately-held EmboMedics Inc., which develops injectable and resorbable embolic microspheres. On April 9, 2015, the Company entered into a License, Distribution, Manufacturing and Purchase Option Agreement with EmboMedics Inc, subject to certain approvals by EmboMedics shareholders. Under the terms of the agreement, AngioDynamics received an exclusive worldwide license to market and sell, upon regulatory clearances, EmboMedics' microsphere technology. AngioDynamics has the ability to determine the manufacturing of the products.

On December 7, 2015, AngioDynamics made an initial $2.0 million purchase of non-transferable warrants in a subsidiary of EmboMedics which become exercisable upon a change of control of EmboMedics. The Company does not have significant influence, or control of the subsidiary. This initial investment is recorded at cost and the Company will review for impairment at each balance sheet date. The warrants are not exercisable at the original issue date or the balance sheet date as they only become exercisable upon a change of control, termination of the agreement or delivery of an offer notice. Based on the achievement of certain development activities, the Company will make an additional $5.0 million purchase of non-transferable warrants and an additional $4.0 million in milestone payments based on regulatory approvals. In the future, AngioDynamics could execute an exclusive option to acquire this subsidiary of EmboMedics.

NOTE C—FAIR VALUE OF FINANCIAL INSTRUMENTS

Our financial instruments include cash and cash equivalents, accounts receivable, marketable securities, accounts payable, interest rate swap agreement and contingent earn outs. The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value due to the immediate or short-term maturities. The marketable securities and interest rate swap agreement has been recorded at its fair value based on a valuation received from an independent third party. The contingent earn out has been recorded at fair value using the income approach.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This policy establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The policy describes three levels of inputs that may be used to measure fair value which are provided in the table below.

Level 1	Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds that are traded in an active exchange market.
Level 2	Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. When quoted market prices are unobservable, we obtain pricing information from an independent pricing vendor. The pricing vendor uses various pricing models for each asset class that are consistent with what other market participants would use. The inputs and assumptions to the model of the pricing vendor are derived from market observable sources including: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and other market-related data. The pricing vendor considers all available market observable inputs in determining the evaluation for a security. Thus, certain securities may not be priced using quoted prices, but rather determined from market observable information. Included in Level 2 assets is our interest rate swap agreement which is valued using a mid-market valuation model.
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes the auction rate securities where independent pricing information was not able to be obtained and the contingent consideration related to the acquisitions of Vortex, Microsulis and Clinical Devices. Our investments in auction-rate securities were classified as Level 3 as quoted prices were unavailable since these auction rate securities issued by New York state and local government authorities failed auction. Due to limited market information, we utilized a discounted cash flow (“DCF”) model to derive an estimate of fair value for contingent considerations for all periods presented. The assumptions used in preparing the DCF model included estimates with respect to the discount rate, amount and timing of future interest and principal payments and forward projections. Assumptions associated with the auction rate securities include the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk.

The following tables provide information by level for assets and liabilities that are measured at fair value (in thousands):

	Fair Value Measurements using inputs considered as:			
	Level 1	Level 2	Level 3	Fair Value at May 31, 2016
Financial Assets				
Marketable securities				
New York State government agency obligations	$—	—	$1,653	$1,653
Total	—	—	1,653	1,653
Total Financial Assets	$—	—	$1,653	$1,653
Financial Liabilities				
Contingent liability for acquisition earn out	—	—	38,275	38,275
Total Financial Liabilities	$—	—	$38,275	$38,275

	Fair Value Measurements using inputs considered as:			
	Level 1	Level 2	Level 3	Fair Value at May 31, 2015
Financial Assets				
Marketable securities				
New York State government agency obligations	$—	$—	$1,689	$1,689
Total	—	—	1,689	1,689
Total Financial Assets	$—	$—	$1,689	$1,689
Financial Liabilities				
Interest rate swap agreements	$—	$257	$—	$257
Contingent liability for acquisition earn out	—	—	47,384	47,384
Total Financial Liabilities	$—	$257	$47,384	$47,641

There were no transfers in and out of Level 1, 2 and 3 measurements for the years ended May 31, 2016 and 2015.

The components of Level 3 fair value instruments as of May 31, 2016 are shown below (in thousands):

	Financial Assets Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Financial Liabilities Fair Value Measurements Using Significant Unobservable Inputs
Balance at May 31, 2015	$ 1,689	$ 47,384
Change in fair value of contingent consideration (1)	—	948
Currency (gain) loss from remeasurement	—	43

Fair market value adjustments	(36)	—
Contingent consideration payments	—	(10,100)
Balance at May 31, 2016	$ 1,653	$ 38,275

The components of Level 3 fair value instruments as of May 31, 2015 are shown below (in thousands):

	Financial Assets Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Financial Liabilities Fair Value Measurements Using Significant Unobservable Inputs
Balance at May 31, 2014	$ 1,809	$ 67,331
Change in fair value of contingent consideration (1)	—	(8,196)
Currency (gain) loss from remeasurement	—	(529)
Included in other comprehensive income (loss)	(120)	—
Contingent consideration payments	—	(11,222)
Balance at May 31, 2015	$ 1,689	$ 47,384

(1) Change in the fair value of contingent consideration is included in earnings and comprised of changes in estimated earn out payments based on projections of company performance and amortization of the present value discount.

Contingent Liability for Acquisition Earn Outs

Certain of our business combinations involve the potential for the payment of future contingent consideration upon the achievement of certain product development milestones and/or various other favorable operating conditions. Payment of the additional consideration is generally contingent on the acquired company reaching certain performance milestones, including attaining specified revenue levels or achieving product development targets. Contingent consideration is recorded at the estimated fair value of the contingent milestone payments on the acquisition date. The fair value of the contingent milestone consideration is remeasured at the estimated fair value at each reporting period with the change in fair value recognized as income or expense within change in fair value of contingent consideration in the consolidated statement of operations. We measure the initial liability and remeasure the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements.

Contingent consideration liabilities will be remeasured to fair value each reporting period using projected net sales, discount rates, probabilities of payment and projected payment dates. Projected contingent payment amounts are discounted back to the current period using a discounted cash flow model. Projected net sales are based on our internal projections and extensive analysis of the target market and the sales potential. Increases in projected net sales and probabilities of payment may result in higher fair value measurements in the future. Increases in discount rates and the projected time to payment may result in lower fair value measurements in the future. Increases or decreases in any valuation inputs in isolation may result in a significantly lower or higher fair value measurement in the future.

The recurring Level 3 fair value measurements of the contingent consideration liabilities include the following significant unobservable inputs as of May 31, 2016 (in thousands of dollars):

	Fair value at May 31, 2016	Valuation Technique	Unobservable Input	Range
Revenue based payments	$ 35,325	Discounted cash flow	Discount rate	4%
			Probability of payment	75% - 100%
			Projected fiscal year of payment	2017 - 2022
Milestone based payments	2,950	Discounted cash flow	Discount rate	16%
			Probability of payment	75% - 100%
			Projected fiscal year of payment	2017
	$ 38,275			

At May 31, 2016, the estimated potential amount of undiscounted future contingent consideration that we expect to pay as a result of all completed acquisitions is approximately $40.8 million. The milestones associated with the contingent consideration must be reached in future periods ranging from fiscal years 2017 to 2022 in order for the consideration to be paid.

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NOTE D—MARKETABLE SECURITIES AND INVESTMENTS

As of May 31, 2016, marketable securities consisted of the following:

	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sales securities				
New York State government agency obligations	$1,800	$—	$ (147)	$1,653
	$1,800	$—	$ (147)	$1,653

As of May 31, 2015, marketable securities consisted of the following:

	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sales securities				
New York State government agency obligations	$1,825	$—	$ (136)	$1,689
	$1,825	$—	$ (136)	$1,689

The amortized cost and fair value of marketable securities as of May 31, 2016, by contractual maturity, are shown below. Expected maturities may 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)	
As of May 31, 2016:		
Due in one year or less	$—	$—
Due after one through five years	—	—
Due after five through twenty years	1,800	1,653
	$1,800	$1,653

NOTE E—INVENTORIES

As of May 31, 2016 and 2015, inventories consisted of the following:

	May 31, 2016	May 31, 2015
	(in thousands)	
Raw materials	$21,669	$28,040
Work in process	10,700	11,910
Finished goods	23,001	27,438
Total	$55,370	$67,388

Total inventory is reduced to net realizable value by $12.6 million compared to $7.8 million in the prior year. Of the $12.6 million in the current year, $5.8 million relates to the write-off of Celerity.

NOTE F—PREPAID EXPENSES AND OTHER

As of May 31, 2016 and 2015, prepaid expenses and other consisted of the following:

	May 31, 2016	May 31, 2015
	(in thousands)	
Deposits	$190	$2,011
Other prepaid taxes	160	165
License fees	108	121
Software licenses	282	667
Trade shows	278	279
Rent	127	77
Other	2,098	812
Total	$3,243	$4,132

NOTE G—PROPERTY, PLANT AND EQUIPMENT, AT COST

As of May 31, 2016 and 2015, property, plant and equipment are summarized as follows:

	May 31, 2016	May 31, 2015
	(in thousands)	
Building and building improvements	$39,585	$33,853
Machinery and equipment	24,078	23,626
Computer software and equipment	24,691	24,431
Construction in progress	1,743	7,033
	90,097	88,943
Less accumulated depreciation and amortization	(43,536)	(36,197)
	46,561	52,746
Land and land improvements	1,723	1,704
	$48,284	$54,450

Depreciation expense for fiscal 2016, 2015 and 2014 was $8.2 million, $9.8 million and $8.4 million, respectively. In conjunction with the Operational Excellence Program that was announced in December 2013, we updated the estimated useful lives on certain manufacturing equipment. As a result of the change in the useful life, we recorded additional depreciation of $1.0 million, $1.5 million and $0.8 million for the years ended May 31, 2016, 2015 and 2014, respectively.

NOTE H—GOODWILL AND INTANGIBLE ASSETS

Intangible assets other than goodwill and indefinite lived intangible assets are amortized over their estimated useful lives, which range between two and eighteen years, on either a straight-line basis or proportionately to the benefit being realized. We periodically review the estimated useful lives of our intangible assets and review such assets for impairment, based on estimated future cash flows, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. 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.

We consider our business to be a single operating segment entity, and a single reporting unit engaged in the development, manufacture and sale on a global basis of medical devices for vascular access, peripheral vascular disease, oncology and surgery.

Goodwill and other intangible assets that have indefinite useful lives are not amortized, but rather, are tested for impairment annually or more frequently if impairment indicators arise. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Goodwill and intangible assets have been recorded at either incurred or allocated costs based on respective fair market values at the date of acquisition.

For goodwill, the impairment test requires a comparison of the estimated fair value of the reporting unit to which the goodwill is assigned to the sum of the carrying value of the assets and liabilities of that unit. If the sum of the carrying value of the assets and liabilities of a reporting unit exceeds the fair value of the reporting unit, the carrying value of the reporting unit’s goodwill is reduced to its implied fair value through an adjustment to the goodwill balance, resulting in an impairment charge.

To determine fair value of our single reporting unit we utilized a market-based approach and an income approach. We determined the discounted cash flow as the best indicator to determine fair value and therefore assigned a weight of 75% with the remaining 25% assigned to the market approach.

Under the market-based approach, we utilized information of our Company as well as publicly available information of certain peer companies within our industry to determine earnings multiples (EBITDA).

Under the income approach, we determined fair value based on estimated future cash flows of the reporting unit, discounted by our estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. We used a discount rate of 12.5% to calculate the fair value of our reporting unit.

Use of the income approach in determining the fair value of a reporting unit requires the use of significant estimates and assumptions, including revenue growth rates, operating margins, discount rates and future market conditions, among others. These assumptions are highly sensitive and changes in these estimates could result in impairment. We applied gross margin assumptions, showing improvement over historical trends, improvements over historical trends of revenue of certain product lines and used a capitalization rate of 8.5% to calculate the terminal value of our reporting unit.

We completed our annual goodwill impairment test of our single reporting unit as of December 31, 2015. Our assessment of goodwill impairment indicated that the fair value of our reporting unit exceeded its carrying value and therefore goodwill was not impaired. The fair value of our reporting unit exceeded its carrying value by 9.2%.

At times our stock market capitalization has been lower than our shareholders’ equity or book value. However, our reporting unit has continued to generate significant cash flows from operations, and we expect to continue to do so in fiscal 2016 and beyond. Furthermore, we believe that a reasonable potential buyer would offer a control premium for our business that would adequately cover the difference between our stock market capitalization and our book value. The implied control premium in our annual goodwill impairment test as of December 31, 2015 is comparable to premiums identified in recent acquisitions of companies of similar size and in similar industries.

Even though we determined that there was no goodwill impairment as of December 31, 2015, the future occurrence of a potential indicator of impairment, such as a significant adverse change in legal, regulatory, business or economic conditions or a more-likely-than-not expectation that the reporting unit or a significant portion of the reporting unit will be sold or disposed of, would require an interim assessment for the reporting unit prior to the next required annual assessment as of December 31, 2016. We continued to assess impairment through May 31, 2016 and noted no events that would be considered a triggering event.

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It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material. Events that could, in the future, result in impairment include, but are not limited to, declining sales for a significant product or in a significant geographic region.

As of May 31, 2016 and 2015, intangible assets consisted of the following:

	May 31, 2016			
	Gross carrying value	Accumulated amortization	Net carrying value	Weighted average useful life
	(in thousands)			(years)
Product technologies	$148,387	$ (51,313)	$ 97,074	10.2
Customer relationships	88,389	(47,133)	41,256	11.9
Trademarks	28,470	(6,242)	22,228	10.7
In process R&D	3,600	—	3,600	Indefinite
Licenses	7,931	(6,716)	1,215	7.6
Distributor relationships	2,150	(946)	1,204	5.2
	$278,927	$ (112,350)	$ 166,577	

	May 31, 2015			
	Gross carrying value	Accumulated amortization	Net carrying value	Weighted avg useful life
	(in thousands)			(years)
Product technologies	$148,776	$ (41,447)	$ 107,329	10.2
Customer relationships	86,371	(42,813)	43,558	12.0
Trademarks	28,545	(3,383)	25,162	10.7
In process R&D	3,600	—	3,600	Indefinite
Licenses	7,913	(5,910)	2,003	8.3
Distributor relationships	900	(900)	—	3.0
	$276,105	$ (94,453)	$ 181,652	

Amortization expense was $18.0 million, $18.0 million and $16.6 million for fiscal 2016, 2015 and 2014, respectively.

Annual amortization of these intangible assets is expected to approximate the following amounts for each of the next five fiscal years (in thousands):

2017	$19,049
2018	$19,903
2019	$22,062
2020	$23,329
2021	$24,370

Adjustments to goodwill for the fiscal year ended May 31, 2016 and May 31, 2015 are as follows (in thousands):

	Total
Balance, May 31, 2014	$360,473
Tax basis adjustment	779
Balance, May 31, 2015	$361,252
	—
Balance, May 31, 2016	$361,252

During fiscal 2015, goodwill and deferred tax liabilities were adjusted by $0.8 million due to the receipt of a New York State tax grant that was not correctly accounted for as part of purchase accounting in fiscal 2012. The Company has determined that this adjustment was not material to any current or prior annual or interim periods.

NOTE I-INCOME TAXES

The components of income (loss) before income tax provision for the years ended May 31 are as follows:

	2016	2015	2014
	(in thousands)		
(Loss) income before tax provision:			
US	$(4,444)	$(8,965)	$4,645
Non-US	1,191	834	541
	$(3,253)	$(8,131)	$5,186

Income tax (benefit) provision analyzed by category and by statement of operations classification for the years ended May 31 is summarized as follows:

	2016	2015	2014
	(in thousands)		
Current			
Federal	$34	$(242)	$(133)
State and local	103	205	99
Non U.S.	217	417	157
	354	380	123
Deferred	39,983	(5,123)	2,716
Income tax (benefit) provision	$40,337	$(4,743)	$2,839

The significant components of deferred income tax (benefit) expense from operations for the years ended May 31 consist of the following:

	2016	2015	2014
	(in thousands)		
Net effect of temporary differences	$133	$(1,916)	$1,543
Adjustments for beginning-of-the-year valuation allowance balance for changes in circumstances	40,418	—	—
Impact of NYS tax reform legislation	—	—	1,173
Net operating loss carryforward	(568)	(3,207)	—
	$39,983	$(5,123)	$2,716

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

	May 31, 2016	May 31, 2015
	(in thousands)	
Deferred tax assets		
Net operating loss carryforward	$52,593	$ 52,025
Stock-based compensation	4,135	4,468
Federal and state R&D tax credit carryforward	2,145	1,646
Inventories	4,535	2,808
Expenses incurred not currently deductible	3,018	2,107
Accrued liabilities	339	114
Gross deferred tax asset	66,765	63,168
Deferred tax liabilities		
Excess tax over book depreciation and amortization	46,240	42,988
	46,240	42,988
Valuation Allowance	(42,209)	(1,791)
Net deferred tax asset (liability)	$(21,684)	$ 18,389

Our Federal net operating loss carryforwards as of May 31, 2016 after considering IRC Section 382 limitations are $151.7 million. The expiration of the Federal net operating loss carryforwards are as follows: $29.8 million between 2017 and 2023 and $121.9 million between 2027 and 2036.

Our state net operating loss carryforwards as of May 31, 2016 after considering remaining IRC Section 382 limitations are $30.8 million which expire in various years from 2016 to 2036.

As a result of certain realization requirements of ASC 718, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets as of May 31, 2016 and 2015 that arose directly from tax deductions related to equity compensation greater than compensation recognized for financial reporting. Equity will be increased by $0.4 million if and when such excess tax benefits are ultimately realized.

At May 31, 2016, we had a net deferred income tax liability of $21.7 million, after recording a valuation allowance of $42.2 million. The valuation allowance increased by $40.4 million in 2016.

While the net deferred tax asset at May 31, 2016 before the valuation allowance was $19.9 million, the Company was required to record a valuation allowance of $40.4 million due to deferred tax liabilities related to intangibles of $20.5 million that have an indefinite reversal period and can not be used to support the deferred tax asset.

A valuation allowance is provided if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company’s analysis of the need for a valuation allowance considered that the Company has incurred a cumulative loss in the U.S. over the three year period ending May 31, 2016. A majority of the cumulative loss has been caused by the charges associated with the product recall and discontinuance and the impairment of fixed and intangible assets recorded in the quarter end February 28, 2015, From the time when the Company initially incurred a three year cumulative loss in the quarter ended February 28, 2015, and in each subsequent quarter through the quarter ended February 28, 2016, the Company could still demonstrate a recent history of core earnings , and had anticipated a return to profitability for the full fiscal year 2016. However, in the quarter ended May 31, 2016 the Company did not return to profitability for the full fiscal year and could no longer demonstrate a recent history of core earnings. Consequently after careful consideration and weighing of all the available positive and negative evidence, the weight given to the three year cumulative loss and lack of a recent history of core earnings was difficult to overcome and a full valuation allowance related to the U.S. deferred tax assets

was established. Management will continue to reevaluate the positive and negative evidence at each reporting period and if future results as projected in the U.S. and our tax planning strategies are favorable, the

valuation allowance may be removed, which could have a favorable material impact on our results of operations in the period in which it is recorded.

Our consolidated income tax provision has differed from the amount that would be provided by applying the U.S. Federal statutory income tax rate to our income before income taxes for the following reasons:

	2016	2015	2014
	(in thousands)		
Income tax (benefit) provision at statutory tax rate of 35%	$(1,139)	$(2,845)	$1,814
Effect of graduated tax rates	33	81	(51)
State income taxes, net of Federal tax benefit	(215)	(21)	111
Impact of Non US operations	(162)	133	(27)
Research and development tax credit	(499)	(604)	(236)
Meals and entertainment	329	—	—
Nondeductible interest on contingent payments	262	265	540
Nontaxable gain on revaluation of contingent consideration liability	(170)	(3,102)	(1,734)
Tax law changes	—	(454)	1,173
Adjustment to beginning of year valuation allowance	40,685	—	—
Effect of elimination of stock compensation APIC pool	739	1,253	440
Nondeductible stock-based compensation	—	—	176
Other nondeductible expenses	207	498	384
Over (under) accrual of prior year Federal and state taxes	356	38	249
Other	(89)	15	—
Income tax (benefit) expense	$40,337	$(4,743)	$2,839

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits, all of which, if recognized, would impact the effective tax rate.

	2016	2015	2014
	(in thousands)		
Unrecognized tax benefits balance at June 1	$—	$—	$—
Increase in gross amounts of tax positions related to prior years	899	—	—
Decrease in gross amounts of tax positions related to prior years	—	—	—
Increase in gross amounts of tax positions related to current year	—	—	—
Decrease due to settlements with tax authorities	—	—	—
Decrease due to lapse in statute of limitations	—	—	—
Unrecognized tax benefits balance at May 31	$899	$—	$—

The table above includes unrecognized tax benefits associated with the calculation of limitations placed on the utilization of tax attributes related to an acquired company. If recognized, $0.1 million of the balance of unrecognized tax benefits as of May 31, 2016 would affect the effective tax rate and the balance of $0.8 million would result in adjustments to other tax accounts.

We recognize interest and penalties related to unrecognized tax benefits within its global operations as a component of income tax expense. There are no accrued interest and penalties recognized in the consolidated balance sheet as of May 31, 2016 and May 31, 2015.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world.

Fiscal years 2012 through 2016 remain open to examination by the various tax authorities. New York State is currently auditing AngioDynamic's franchise tax filings for 2011 through 2013. We do not anticipate any adjustments will result in a material adverse effect on our financial condition, results of operations or cash flows.

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

The accumulated undistributed earnings of the Company’s foreign operations were approximately $4.6 million, and are intended to remain indefinitely invested in foreign operations. Accordingly, no taxes have been provided on these earnings at May 31, 2016. If these earnings were distributed, the Company would be subject to both foreign withholding taxes and U.S. income taxes that may not be fully offset by foreign tax credits. A reasonable estimate of the deferred tax liability on these earnings is not practicable at this time.

NOTE J—ACCRUED LIABILITIES

As of May 31, 2016 and 2015, accrued liabilities consist of the following:

	May 31, 2016	May 31, 2015
	(in thousands)	
Payroll and related expenses	$9,414	$10,297
Royalties	2,489	2,237
Accrued severance	1,524	158
Sales and franchise taxes	565	489
Interest rate swap liability	—	257
Outside services	2,063	1,522
Deferred Rent	35	808
Other	5,806	2,341
Total	$21,896	$18,109

NOTE K—LONG-TERM DEBT

On September 19, 2013, we entered into a Credit Agreement (the "Credit Agreement") with the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Keybank National Association as co-syndication agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and joint lead arrangers.

The Credit Agreement provides for a $100 million senior secured term loan facility (the "Term Loan") and a $100 million senior secured revolving credit facility, which includes up to a $20 million sublimit for letters of credit and a $5 million sublimit for swingline loans (the "Revolving Facility", and together with the Term Loan, the "Facilities"). The proceeds of the Revolving Facility may be used for general corporate purposes of the Company and its subsidiaries. The Facilities have a five years maturity. The Term Loan has a quarterly repayment schedule equal to 5%, 5%, 10%, 15% and 65% of its principal amount in years one through five. Interest on both the Term Loan and Revolving Facility will be based on a base rate or Eurodollar rate plus an applicable margin which increases as our total leverage ratio increases, with the base rate and Eurodollar rate having ranges of 0.5% to 1.25% and 1.5% to 2.25% respectively. After default, the interest rate may be increased by 2.0%. The Revolving Facility will also carry a commitment fee of 0.2% to 0.35% per annum on the unused portion.

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

We have entered in an interest rate swap agreement, (the "Swap Agreement"), with an initial notional amount of $100 million, to limit the effect of rising of interest rates. The Swap Agreement, which qualified for hedge accounting, was a contract to exchange floating interest rate payments for fixed interest rate payments of 3.26% on the outstanding balance of the loan over the life of the agreement without the exchange of the underlying notional amounts. The Swap Agreement provides for a fixed rate of 0.74% above the applicable rate provided for in the Credit Agreement. The Swap matured in May 2016.

On September 19, 2013, we borrowed $100 million under the Term Facility and approximately $41.4 million under the Revolving Facility to repay the prior credit agreement. As of May 31, 2016, $85.0 million and $36.4 million were outstanding under the Term Facility and Revolving Facility, respectively. As of May 31, 2016 and 2015 the carrying value of long-term debt approximates its fair market value. The Credit Agreement includes customary representations, warranties and covenants, and acceleration, indemnity and events of default provisions, including, among other things, two financial covenants. The first financial covenant requires us to maintain, as of the end of each of our fiscal quarters, a ratio of (i) consolidated EBITDA minus consolidated capital expenditures to (ii) consolidated interest expense paid or payable in cash plus scheduled principal payments in respect of indebtedness under the Credit Agreement of not less than 1.35 to 1.00. The second financial covenant requires us to maintain, as of the end of each of our fiscal quarters, a ratio of consolidated total indebtedness to consolidated EBITDA of not greater than 3.75 to 1.00. We were in compliance with both financial covenants as of May 31, 2016.

As of May 31, 2016, future minimum principal payments on long-term debt were as follows (in thousands):

2017	$16,250
2018	26,250
2019	78,910
	$121,410

NOTE L—RETIREMENT PLANS

We have a 401(k) plan under which eligible employees can defer a portion of their compensation, part of which is matched by us. Matching contributions were $3.7 million, $3.7 million and $2.8 million in 2016, 2015 and 2014, respectively. There are also various immaterial foreign retirement plans.

NOTE M—STOCKHOLDERS’ EQUITY

1. Capitalization

On October 29, 2014, our Board of Directors approved our Amended and Restated Certificate of Incorporation (the “Amended Certificate”). Under the Amended Certificate, the authorized capital stock is 80,000,000 shares, consisting of 75,000,000 shares of common stock, par value $.01 per share and 5,000,000 shares of preferred stock, par value $.01 per share.

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

Our board of directors has the authority to (i) issue the undesignated preferred stock in one or more series, (ii) determine the powers, preferences and rights and the qualifications, limitations or restrictions granted to or imposed upon any wholly un-

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issued series of undesignated preferred stock and (iii) fix the number of shares constituting any series and the designation of the series, without any further vote or action by our stockholders.

2. Stock Options

1997 Stock Option Plan

In 1997, we adopted a Stock Option Plan (the "1997 Plan"). The 1997 Plan provided for the grant to key employees of both nonqualified stock options and incentive stock options and to members of the Board of Directors and consultants of nonqualified stock options. A total of 1,497,674 shares of our common stock were available to be issued under the 1997 Plan pursuant to the exercise of options. All stock options were to have an exercise price of not less than the fair market value of the shares on the date of grant. Options are exercisable over a period of time to be designated by the administrators of the 1997 Plan (but not more than 10 years from the date of grant) and are subject to such other terms and conditions as the administrators may determine. The vesting schedule is subject to the discretion of our Board of Directors. Options are exercisable immediately upon vesting. In addition, all options, whether vested or not, become exercisable in full immediately upon a change of control, as defined under the 1997 Plan. The 1997 Plan terminated in March 2007 and as such, no further options will be granted under this plan.

2004 Stock and Incentive Award Plan

The 2004 Stock and Incentive Award Plan (the "2004 Plan") provides for the grant of incentive options to our employees and for the grant of non-statutory stock options, restricted stock, stock appreciation rights, performance units, performance shares and other incentive awards to our employees, directors and other service providers. A total of 6,750,000 shares of our common stock have been reserved for issuance under the 2004 Plan, of which up to 800,000 shares may be issued upon the exercise of incentive stock options. The compensation committee of the Board of Directors administers the 2004 Plan. The committee determines vesting terms and the exercise price of options granted under the 2004 Plan, but for all incentive stock options the exercise price must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed ten years.

On October 5, 2011, we amended the 2004 Stock and Incentive Award Plan to increase the maximum number of shares of our common stock with respect to which stock options may be granted during any calendar year to one employee from 200,000 shares to 500,000 shares.

The following table summarizes information about stock options activity for the fiscal year ended May 31, 2016.

	2016			
	Shares	Weighted-average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value (in thousands)
Outstanding at beginning of year	2,299,313	$ 14.86		
Granted	564,380	$ 14.22		
Exercised	(145,260)	$ 13.73		
Forfeited	(304,563)	$ 13.85		
Expired	(132,252)	$ 22.75		
Outstanding at end of year	2,281,618	$ 14.45	3.79	$ 164
Options exercisable at year-end	1,313,698	$ 14.25	2.34	$ 130
Options expected to vest in future periods	854,189	$ 14.72	5.76	$ 30

As of May 31, 2016, there remained approximately 2.2 million shares available for granting of options under the 2004 Plan. Options are exercisable into common stock.

The following table summarizes information about stock options outstanding at May 31, 2016.

Range of exercise prices	Number outstanding	Weighted-average remaining life in years	Weighted-average exercise price	Number Exercisable	Weighted-average exercise price
$10.25 - $14.24	1,398,385	3.46	$ 12.93	957,571	$ 13.14
$14.25 - $18.24	684,427	4.75	16.04	228,571	15.84
$18.25 - $22.24	183,695	3.01	19.30	112,445	19.23
$22.25 - $26.24	14,250	0.48	23.62	14,251	23.62
$26.25 - $30.24	861	0.60	26.94	860	26.94
	2,281,618	3.79	$ 14.45	1,313,698	$ 14.25

Stock options are granted at exercise prices equal to the quoted market price of our common stock at the date of the grant. Options vest 25% per year over four years for employees and 100% after one year for consultants. Grants to directors vest 33.33% per year over three years. Stock options granted prior to May 1, 2007 expire on the tenth anniversary of the grant date. Stock options granted on or after May 1, 2007, expire on the seventh anniversary of the grant date.

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value of options granted during the years ended May 31, 2016, 2015 and 2014 was $4.16, $4.74, and $4.10, respectively. The following assumptions were used in arriving at the fair value of options granted during 2016, 2015 and 2014, respectively: risk-free interest rates of 1.48%, 1.54% and 1.44%; expected volatility of 31%, 31%, and 34%; and expected lives of 4.81 years, 4.76 years, and 4.74 years. We do not declare dividends therefore a dividend yield of zero was used for the years ended 2016, 2015 and 2014. Risk-free interest rates reflect the yield on zero-coupon U.S. Treasury bonds whose maturity period equals the expected term of the option. Expected volatilities are based on the historical volatility of our stock. The expected option lives are based on our historical experience of employee exercise behavior.

The total intrinsic value of options exercised during the years ended 2016, 2015 and 2014 amounted to $0.1 million, $1.6 million, and $1.0 million, respectively. As of May 31, 2016, there was $3.3 million of total unrecognized compensation cost related to non-vested options. The cost is expected to be recognized over a weighted average period of 3 years.

Cash received from option exercises during 2016, 2015 and 2014 was $1.3 million, $4.3 million and $1.3 million, respectively. The tax benefit realized from stock options exercised during the years ended 2016, 2015 and 2014 were $0.1 million, $0.5 million and $0.1 million, respectively.

3. Performance Share and Restricted Stock Unit Awards

We grant restricted stock units to certain employees under the 2004 Plan which give the recipients the right to receive shares of our stock upon vesting. The restricted stock unit awards vest in equal annual installments over the term of the grants. Unvested restricted stock unit awards will be forfeited if the recipient ceases to be employed by us, competes with our business or otherwise engages in activities detrimental to our business before such date.

The following table summarizes information about restricted stock unit activity for the year ended May 31, 2016.

	Non-Vested Stock Award Units	Weighted Average Grant-Date Fair Value
Non-vested at beginning of year	563,101	$ 13.73
Granted	259,917	$ 15.21
Vested	(160,845)	$ 15.39
Canceled	(112,396)	$ 13.81
Non-vested at end of year	549,777	$ 14.62
Awards expected to vest in future periods	482,594	$ 14.62

The fair value of each restricted stock unit is the market price of our stock on the date of grant. The weighted average grant date fair value of restricted stock units granted during the years ended May 31, 2016, 2015 and 2014 was

$15.21, $14.75

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and $13.23, respectively. The total intrinsic value of restricted stock units vesting during the years ended 2016, 2015 and 2014 was $2.5 million, $2.4 million, and $1.8 million, respectively. As of May 31, 2016, there was $5.4 million of total unrecognized compensation cost related to non-vested restricted stock awards. The cost is expected to be recognized over a weighted average period of 2 years.

We grant performance share awards to certain employees under the 2004 Plan which gives the recipients the right to receive shares of our stock if certain criteria is met. The performance criteria is established by the compensation committee for vesting of the performance share awards and may include factors such as the achievement of relative total shareholder return ("TSR"), certain sales, operating income and earnings per share (“EPS”) goals. Performance share awards are subject to additional conditions, including the recipient’s continued employment with us.

Performance share units are valued using a Monte Carlo simulation model on the date of grant. As of May 31, 2016, 2015 and 2014, the weighted average grant date fair market value for new grants was $18.07, $19.83 and $25.56, respectively. Compensation cost is recognized over the performance period which is typically three years. As of May 31, 2016, 0.4 million performance share units with a weighted average remaining contractual term of 3 years and $4.6 million of unrecognized compensation cost were outstanding. As of May 31, 2015, 0.2 million performance share units with a weighted average remaining contractual term of 3 years and $2.2 million of unrecognized compensation cost were outstanding.

4. Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the “Stock Purchase Plan”) provides a means by which our employees (the “participants”) are given an opportunity to purchase our common stock through payroll deductions. A total of 2,000,000 shares of our common stock have been reserved for issuance under the Stock Purchase Plan. Shares are offered through two purchase periods, each with duration of approximately 6 months, commencing on the first business day of the first and third fiscal quarters. 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 our 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. During the year ended May 31, 2015, an additional 800,000 shares of our common stock have been reserved for issuance under the Stock Purchase Plan.

We use the Black-Scholes option-pricing model to calculate the purchase date fair value of the shares issued under the Stock Purchase Plan and recognize expense related to shares purchased ratably over the offering period. During the years ended 2016, 2015 and 2014, 137,957, 119,001 and 146,275 shares, respectively, were issued at an average price of $10.67, $11.89 and $9.30, respectively, under the Stock Purchase Plan. As of May 31, 2016, 1.0 million shares remained available for future purchases under the Stock Purchase Plan.

5. Other items

Share-based compensation expense recognized in the consolidated statement of operations during the years ended 2016, 2015 and 2014 amounted to $3.2 million, $6.0 million and $5.5 million, respectively. The income tax benefit recognized in earnings on the compensation expense recognized for all share-based compensation arrangements amounted to $1.0 million, $2.0 million and $1.8 million, respectively. Income tax expense of $0.8 million, $1.3 million and $0.5 million was recorded in continuing operations for the excess of cumulative book deductions over actual tax deductions for the years ended 2016, 2015 and 2014, respectively. The income tax benefit on all share based compensation expense in 2016 as well as the income tax expense on the excess book deductions over actual tax deductions in 2016 are negated by the full valuation allowance established at May 31, 2016. Additional income tax expense of $0.1 million for 2014 was recorded in shareholder’s equity for the excess book deductions to the extent

prior tax deductions exceeded prior book deductions.

As part of his employment agreement, the Company awarded James C. Clemmer, the Company’s President and CEO, 250,000 performance shares, 200,000 options and 50,000 restricted stock units. The award was unanimously approved by the Company's independent compensation committee. The performance shares have a three years term with payouts to be made in

shares of the Company's common stock at the end of the term ranging between 0 and 200 percent of the grant amount depending on the Company's total shareholder return relative to a peer group of companies. The options will vest in four equal installments beginning on the first anniversary of the grant date, have a strike price equal to the closing price of the company's common stock as of April 4, 2016 and expire, if not exercised, on April 4, 2023. The restricted stock units will vest in four equal installments beginning on the first anniversary of the grant date.

NOTE N—EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding without consideration of potential common stock. In addition, diluted earnings per share include the dilutive effect of potential common stock consisting of stock options, restricted stock units and performance stock units, provided that the inclusion of such securities is not anti-dilutive. In periods with a net loss, stock options and restricted stock units are not included in the computation of basic loss per share as the impact would be anti-dilutive.

The following table reconciles basic to diluted weighted average shares outstanding for the years ended May 31, 2016, 2015 and 2014:

	2016	2015	2014
Basic	36,161,383	35,683,139	35,135,689
Effect of dilutive securities	—	—	304,161
Diluted	36,161,383	35,683,139	35,439,850
Securities excluded as their inclusion would be anti-dilutive	3,277,037	2,862,414	2,347,426

NOTE O—COMMITMENTS AND CONTINGENCIES

Leases

We are committed under non-cancelable operating leases for facilities and equipment. During fiscal 2016, 2015 and 2014, aggregate rental costs under all operating leases were approximately $2.5 million, $3.4 million and $2.0 million, respectively. Future annual payments under non-cancelable operating leases in the aggregate, of which one includes an escalation clause, with initial remaining terms of more than one year at May 31, 2016, are summarized as follows (in thousands):

2017	$2,183
2018	2,013
2019	1,981
2020	1,772
2021	935
	$8,884

Litigation Matters

AngioDynamics v. biolitec

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

In October 2009, we commenced an action in the United States District Court for the District of Massachusetts entitled AngioDynamics, Inc. v. biolitec AG and Wolfgang Neuberger. The Complaint in this action was amended in March 2010. This action seeks to recover against biolitec, Inc.'s parent entities and CEO for tortiously interfering with biolitec, Inc.'s contractual obligation to defend and indemnify us, and also seeks to pierce the corporate veil of biolitec, Inc. and to invalidate certain alleged fraudulent transfers in order to hold biolitec, Inc.'s parent entities jointly and severally liable for the alleged breach of the SDA. On September 13, 2012, the Massachusetts Court granted our request for a preliminary injunction prohibiting the downstream merger of biolitec AG with its Austrian subsidiary. On April 1, 2013, the U.S. Court of Appeals for the First Circuit affirmed the preliminary injunction. On January 14, 2014, the District Court entered judgment in our favor as to liability. On March 18, 2014, the District Court entered judgment in our favor against Biolitec AG, Biomed Technology Holdings, Ltd., and Wolfgang Neuberger, jointly and severally, in the amount of $74.9 million. On March 11, 2015, the U.S. Court of Appeals for the First Circuit affirmed the judgment. The defendants petitioned to the U.S. Supreme Court for a writ of certiorari. The Supreme Court denied the petition on November 30, 2015. The defendants have also filed an appeal with the U.S. Court of Appeals for the First Circuit regarding civil contempt sanctions imposed by the Massachusetts District Court as a result of defendants' completion of the downstream merger in violation of the Court's injunction. On May 6, 2016, the First Circuit issued an opinion rejecting this latest appeal. On February 18, 2016, the Massachusetts District Court issued an order compelling the Massachusetts defendants to provide post-judgment discovery intended to aid us in potentially collecting our judgment. On March 21, 2016, the Massachusetts defendants noticed an appeal from this order. On June 27, 2016, we filed a motion asking the Massachusetts District Court to impose sanctions on the Massachusetts defendants for their failure to comply with the post-judgment discovery order.

On November 13, 2014, the U.S. District Court for the District of Massachusetts issued summonses to four Biolitec entities - Biolitec U.S., Inc., Biolitec Holding U.S., Inc., Biolitec Medical Devices, Inc., and CeramOptec Industries, Inc. - pursuant to Massachusetts trustee process. We sought to use this process to attach the assets of these entities in order to satisfy our judgment. The trustee process was automatically stayed when the four Biolitec entities filed Chapter 7 petitions in the U.S. Bankruptcy Court for the District of Delaware. However, on November 3, 2015, the Delaware Bankruptcy Court granted our request to modify the automatic stay to allow us to seek a default against the four Biolitec entities pursuant to trustee process. On January 21, 2016, the four Chapter 7 cases were transferred at our request to the U.S. Bankruptcy Court for the District of New Jersey.

On August 29, 2013, we became co-plaintiffs in an adversary proceeding in the United States Bankruptcy Court for the District of New Jersey entitled Cyganowski, Trustee, et al. v. Biolitec U.S., Inc., et al. In this action, we assert claims of conversion, unjust enrichment, tortious interference, and unfair competition against various biolitec entities for alleged violation of Bankruptcy Court settlement and sale orders under which we acquired certain assets of Biolitec, Inc. On September 3, 2013, we, along with our co-plaintiff, obtained a temporary restraining order against the defendants in this action. On January 22, 2015, the Bankruptcy Court entered a permanent injunction on our behalf for an additional two years.

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

On January 11, 2012, C.R. Bard, Inc. ("Bard") filed a suit in the United States District Court of Utah claiming certain of our implantable port products infringe on three U.S. patents held by Bard (the "Utah Action"). Bard is seeking unspecified damages and other relief. The Court denied Bard's motion for pre-trial consolidation with separate actions it filed on the same day against Medical Components, Inc. and Smiths Medical ASD, Inc., but had asked for supplemental briefing on the issue of whether to conduct a common Markman hearing. Meanwhile, we filed petitions for reexamination in the US Patent and Trademark Office ("PTO") which seek to invalidate all 3 patents asserted by Bard in the litigation. Our petitions were granted and 40 of 41 patent claims were rejected and, following further proceedings, the Patent Office issued a Final Rejection of all 40 claims subject to reexamination. Thereafter, Bard filed appeals to the PTO Board of Appeals and Interferences for all three reexams. The parties completed briefing on the appeals and oral argument was held on June 18, 2015. The Patent Office has issued decisions in the three appeals. In one (issued on March 11, 2016 for US Patent No. 7,785,302), the rejections of six of the ten claims under

reexamination were affirmed, but were reversed on four of the ten claims. In the second (issued on March 24, 2016 for U.S. Patent No. 7,959,615), the rejections of eight of the ten claims under reexamination were affirmed but the rejections of the other two of the ten claims were reversed. In the third (issued on March 29 for U.S. Patent No. 7,947.022) the rejections of all twenty claims under reexamination were affirmed. Bard has since filed Requests for Rehearing in all three reexamination appeals and the Company filed Requests for Rehearing in two of the reexamination appeals (the ‘302 and ‘615 patent reexaminations). Each party has filed comments in Opposition to the other party’s Rehearing Requests, and we are awaiting the PTO determinations in all three reexaminations. The Utah Action has been stayed pending final resolution of the

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

On March 10, 2015, C.R. Bard, Inc. and Bard Peripheral Vascular, Inc. (“Bard”) filed suit in the United States District Court for the District of Delaware claiming certain of our implantable port products infringe on three U.S. patents held by Bard (the “Delaware Action). Bard is seeking unspecified damages and other relief. The patents asserted in the Delaware Action are different than those asserted in the Utah Action. On June 1, 2015, we filed two motions in response to Bard’s Complaint - one sought transfer to the District of Utah where the Utah Action is currently pending, and the other sought dismissal of the entire complaint on grounds that none of the claims in the asserted patents is directed to patent eligible subject matter under Section 101 of the Patent Statute and in light of recent authority from the U. S. Supreme Court. On January 12, 2016, the court issued a decision denying both motions. We have since served an Answer and Counterclaim to which Bard has served a Reply. On March 10, 2016, the Court held a case management conference, and, on March 14, 2016, the court entered a Scheduling Order which set, inter alia, a Markman hearing for March 10, 2017, a summary judgment hearing for December 8, 2017 and trial for March 12, 2018. The parties have since served various discovery requests on each other; on May 27, 2016 Bard served its Infringement Contentions which identified all the port products accused of infringement; and, on June 24, 2016, we served Invalidity Contentions which detail various grounds for invalidating the three asserted patents. We believe these claims are without merit and intend to defend them vigorously. We have not recorded an expense related to the outcome of this litigation because it is not yet possible to determine if a potential loss is probable nor reasonably estimable.

Governmental Investigations

LC Beads

In June 2014 we received a subpoena from the U.S. Department of Justice (the “DOJ”) requesting documents in relation to a criminal and civil investigation the DOJ is conducting regarding BTG International, Inc.’s LC Bead® product beginning in 2003. RITA Medical Systems and AngioDynamics, Inc., after its acquisition of RITA, was the exclusive distributor of LC Beads in the United States from 2006 through December 31, 2011. We are cooperating fully with this investigation and at this time are unable to predict its scope, duration or outcome. We are unable at this time to reasonably estimate the amount or range of any loss, although it is possible that the amount of such loss could be material. In accordance with ASC 450, "Contingencies," or "ASC 450," no amount in respect of any potential liability in this matter, including for penalties, fines or other sanctions, has been accrued in the consolidated financial statements.

EVLT

In April 2015 we received a subpoena from the DOJ requesting documents in relation to a criminal and civil investigation the DOJ is conducting regarding purported promotion of certain of AngioDynamics’ VenaCure EVLT products for un-cleared indications. We are cooperating fully with this investigation and at this time are unable to predict its scope, duration or outcome. We are unable at this time to reasonably estimate the amount or range of any loss, although it is possible that the amount of such loss could be material. In accordance with ASC 450, "Contingencies," or "ASC 450," no amount in respect of any potential liability in this matter, including for penalties, fines or other sanctions, has been accrued in the consolidated financial statements.

Future Purchase Obligations

We have entered into commitments for future minimum inventory purchases related to several core products. Total future non-cancelable purchase obligations through fiscal 2021 amount to $8.9 million. There are no such obligations thereafter.

NOTE P—SEGMENTS AND GEOGRAPHIC INFORMATION

Segment information

We consider our business to be a single segment entity related to the development, manufacture and sale on a global basis of medical devices for vascular access, surgery, peripheral vascular disease and oncology. Our chief operating decision maker (CEO) evaluates the various global product portfolios on a net sales basis. Executives reporting in to the CEO include those responsible for operations and supply chain management, research and development, sales, franchise marketing and certain

corporate functions. The CEO evaluates profitability, investment and cash flow metrics on a consolidated worldwide basis due to shared infrastructure and resources.

Total sales by product category are summarized below (in thousands):

	Year Ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Net sales by Product Category			
Peripheral Vascular	$202,780	$192,713	$192,626
Vascular Access	99,375	107,754	106,394
Oncology/Surgery	48,895	51,890	49,360
Supply Agreement	2,840	4,177	6,045
Total	$353,890	$356,534	$354,425

Geographic information

Total sales for geographic areas are summarized below (in thousands):

	Year Ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Net sales by Geography			
United States	$283,519	$280,611	$280,161
International	67,531	71,746	68,219
Supply Agreement	2,840	4,177	6,045
Total	$353,890	$356,534	$354,425

For fiscal years 2016, 2015 and 2014, International sales as a percentage of total net sales were 19%, 20% and 19%, respectively. Sales to any one country outside the U.S., as determined by shipment destination, did not comprise a material portion of our net sales in any of the last three fiscal years. 99% of our total assets are located within the United States.

NOTE Q—RESTRUCTURING

On December 5, 2013, we announced a company-wide operational excellence program designed to save between $15 and $18 million during the course of the next three years. The initiative is expected to create greater efficiencies and drive business performance improvements by focusing on several key elements, including product rationalization, lean manufacturing initiatives, supply chain optimization and enterprise resource planning (ERP) implementation. The plan also incorporates the consolidation of our New York plants to establish a single manufacturing center in Glens Falls and a distribution center in Queensbury. During the course of the three years program, we reduced our New York employee base by approximately 80-100 positions as a result of this plant consolidation and reorganization. We have invested $5.4 million in facility improvements to date. In addition, total restructuring charges are estimated to be $4.9 million. During the year ended May 31, 2016, the cost incurred was $1.5 million, consisting of $1.0 million of accelerated depreciation and $0.5 million of other related costs. During the year ended May 31, 2015, the cost incurred was $2.0 million, consisting of $0.5 million of severance and related costs and $1.5 million of accelerated depreciation. These costs are included in “Acquisition, restructuring and other items, net” in the statements of income.

During the year ended May 31, 2015, we initiated a restructuring of finance, R&D and S&M organizations to improve our profitability. As part of the restructuring, we recorded $1.9 million and $0.8 million, for the years ended May 31, 2016 and 2015, respectively, in severance expense which is included in "Acquisition, restructuring and other items, net" in the statement of operations. In addition, we recorded a gain of $0.7 million related to the modification of the stock based compensation for the former CEO.

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NOTE R—IMMATERIAL ERROR CORRECTIONS

During the financial closing process for the fourth quarter of fiscal year 2016, the Company determined that certain consolidated financial statement amounts were not accounted for correctly in prior periods. The Company has evaluated these errors together with errors identified in prior periods and concluded that they were not material individually or in the aggregate to any of its previously issued annual and interim financial statements. However, the financial statements included herein have been revised to correct for the impact of these items.

The Company has corrected the relevant financial information from previous reporting periods contained in these financial statements. The immaterial error corrections identified were primarily related to a misclassification of credit card fees from Other Expense to Sales and Marketing (refer to the tables below for the impact in each period), intercompany foreign exchange losses (cumulative impact of approximately $0.7 million), research and development expenses (cumulative impact of approximately $0.4 million), lease expense (cumulative impact of approximately $0.3 million) and other individually immaterial items. The impacts of these revisions are shown in the tables below:

	Year ended May 31, 2015		
	As previously reported	Adjustments	As revised
Net sales	$356,974	$ (440)	$356,534
Cost of sales	180,085	653	180,738
Gross profit	176,889	(1,093)	175,796
Research and development	26,931	(337)	26,594
Sales and marketing	80,623	2,597	83,220
General and administrative	29,871	(709)	29,162
Amortization of intangibles	17,912	54	17,966
Change in fair value of contingent consideration	(8,196)	100	(8,096)
Acquisition, restructuring and other items, net	26,600	(343)	26,257
Total operating expenses	177,883	1,362	179,245
Operating income	(994)	(2,455)	(3,449)
Other expense	(3,812)	2,323	(1,489)
Total other income (expense)	(7,005)	2,323	(4,682)
Income (loss) before taxes	(7,999)	(132)	(8,131)
Income tax (benefit) expense	(4,731)	(12)	(4,743)
Net income (loss)	(3,268)	(120)	(3,388)

	Year ended May 31, 2015		
	As previously reported	Adjustments	As revised
Net income (loss)	$(3,268)	$ (120)	$(3,388)
Foreign currency translation	(411)	147	(264)
Other comprehensive income (loss), before tax	(235)	147	(88)
Other comprehensive income (loss), net of tax	(299)	147	(152)
Total comprehensive income (loss), net of tax	(3,567)	27	(3,540)

	As of May 31, 2015		
	As previously reported	Adjustments	As revised
Prepaid expenses and other	$4,783	$ (651)	$4,132
Total current assets	151,449	(651)	150,798
Property, Plant and Equipment, net	54,560	(110)	54,450
Other Assets	5,288	110	5,398
Intangible Assets, net	181,806	(154)	181,652
Deferred Income Taxes, long term	19,268	240	19,508
Total Assets	773,623	(565)	773,058
Accounts payable	23,668	(620)	23,048
Accrued liabilities	18,331	(222)	18,109
Other current liabilities	—	200	200
Total current liabilities	61,157	(642)	60,515
Total Liabilities	228,601	(642)	227,959
Retained earnings	28,233	(658)	27,575
Accumulated other comprehensive loss	(1,568)	735	(833)
Total Stockholders' Equity	545,022	77	545,099
Total Liabilities and Stockholders' Equity	773,623	(565)	773,058

	Year ended May 31, 2015		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$26,242	$ (557)	$25,685
Net cash provided by (used in) investing activities	(13,293)	557	(12,736)
Net cash provided by (used in) financing activities	(10,465)	—	(10,465)

	Year ended May 31, 2014		
	As previously reported	Adjustments	As revised
Cost of sales	$174,757	$ (506)	$174,251
Gross profit	179,668	506	180,174
Research and development	27,486	638	28,124
Sales and marketing	83,200	2,105	85,305
General and administrative	26,639	263	26,902
Amortization of intangibles	16,622	(60)	16,562
Change in fair value of contingent consideration	(1,808)	(100)	(1,908)
Acquisition, restructuring and other items, net	10,760	113	10,873
Total operating expenses	166,728	2,959	169,687
Operating income	12,940	(2,453)	10,487
Other expense	(3,544)	1,899	(1,645)
Total other income (expense)	(7,200)	1,899	(5,301)
Income (loss) before taxes	5,740	(554)	5,186
Income tax (benefit) expense	3,074	(235)	2,839
Net income (loss)	2,666	(319)	2,347

	Year ended May 31, 2014		
	As previously reported	Adjustments	As revised
Net income (loss)	$2,666	$ (319)	$2,347
Foreign currency translation	295	147	442
Other comprehensive income (loss), before tax	247	147	394
Other comprehensive income (loss), net of tax	265	147	412
Total comprehensive income (loss), net of tax	2,931	(172)	2,759

	As of May 31, 2014		
	As previously reported	Adjustments	As revised
Inventories	$61,234	$ 506	$61,740
Prepaid expenses and other	5,471	(591)	4,880
Total current assets	147,097	(85)	147,012
Property, Plant and Equipment, net	66,590	(135)	66,455
Other Assets	3,926	(120)	3,806
Intangible Assets, net	205,256	(203)	205,053
Deferred Income Taxes, long term	15,028	228	15,256
Total Assets	798,891	(315)	798,576
Accrued liabilities	16,652	(712)	15,940
Current portion of contingent consideration	10,918	(100)	10,818
Other current liabilities	599	—	599
Total current liabilities	66,753	(812)	65,941
Other Long Term Liabilities	84	447	531
Total Liabilities	262,056	(365)	261,691
Retained earnings	31,501	(538)	30,963
Accumulated other comprehensive loss	(1,269)	588	(681)
Total Stockholders' Equity	536,835	50	536,885
Total Liabilities and Stockholders' Equity	798,891	(315)	798,576

	Year ended May 31, 2014		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$24,681	$ —	$24,681
Net cash provided by (used in) investing activities	(16,448)	—	(16,448)
Net cash provided by (used in) financing activities	(14,016)	—	(14,016)

	Year ended May 31, 2013		
	As previously reported	Adjustments	As revised
Research and development	$26,319	$ (228)	$26,091
Sales and marketing	76,121	1,443	77,564
General and administrative	26,186	(151)	26,035
Amortization of intangibles	16,617	(18)	16,599
Total operating expenses	162,226	1,046	163,272
Operating income	6,288	(1,046)	5,242
Other expense	(2,707)	1,296	(1,411)
Total other income (expense)	(7,875)	1,296	(6,579)
Income (loss) before taxes	(1,587)	250	(1,337)
Income tax (benefit) expense	(376)	90	(286)
Net income (loss)	(1,211)	160	(1,051)

	As of May 31, 2013		
	As previously reported	Adjustments	As revised
Property, Plant and Equipment, net	$62,391	$ (16)	$62,375
Intangible Assets, net	214,673	(150)	214,523
Deferred Income Taxes, long term	18,016	(7)	18,009
Total Assets	790,734	(173)	790,561
Accrued liabilities	16,356	(395)	15,961
Total current liabilities	63,315	(395)	62,920
Total Liabilities	264,632	(395)	264,237
Retained earnings	28,835	(219)	28,616
Accumulated other comprehensive loss	(1,534)	441	(1,093)
Total Stockholders' Equity	526,102	222	526,324
Total Liabilities and Stockholders' Equity	790,734	(173)	790,561

	Year ended May 31, 2012		
	As previously reported	Adjustments	As revised
Sales and marketing	$64,505	$ 1,252	$65,757
Amortization of intangibles	9,309	84	9,393
Total operating expenses	129,217	1,336	130,553
Operating income	(3,908)	(1,336)	(5,244)
Other expense	(2,096)	1,105	(991)
Total other income (expense)	(1,514)	1,105	(409)
Income (loss) before taxes	(5,422)	(231)	(5,653)
Income tax (benefit) expense	(239)	(83)	(322)
Net income (loss)	(5,183)	(148)	(5,331)

	As of May 31, 2012		
	As previously reported	Adjustments	As revised
Intangible Assets, net	$147,363	$ (168)	$147,195
Deferred Income Taxes, long term	44,194	83	44,277
Total Assets	719,988	(85)	719,903
Retained earnings	30,046	(379)	29,667
Accumulated other comprehensive loss	(1,274)	294	(980)
Total Stockholders' Equity	523,391	(85)	523,306
Total Liabilities and Stockholders' Equity	719,988	(85)	719,903

NOTE S—QUARTERLY INFORMATION (unaudited)

Quarterly results of operations during the fiscal years ended May 31, 2016 and 2015 are as follows:

	2016			
	First quarter	Second quarter	Third quarter	Fourth quarter
	(in thousands, except per share data)			
Net sales	$83,753	$89,284	$87,434	$93,419
Gross profit	43,371	45,884	43,534	41,527
Net income (loss)	(775)	(334)	594	(43,075)
Earnings (loss) per common share				
Basic	(0.02)	(0.01)	0.02	(1.19)
Diluted	(0.02)	(0.01)	0.02	(1.19)

	2015			
	First quarter	Second quarter	Third quarter	Fourth quarter
	(in thousands, except per share data)			
Net sales	$87,091	$92,149	$86,597	$90,697
Gross profit	45,964	46,828	37,673	45,331
Net income (loss)	284	1,069	(4,153)	(588)
Earnings (loss) per common share				
Basic	0.01	0.03	(0.12)	(0.02)
Diluted	0.01	0.03	(0.12)	(0.02)

The data in the schedules above has been intentionally rounded to the nearest thousand and therefore the quarterly amounts may not sum to the full year amounts. We made adjustments to correct immaterial errors within this selected financial data. For a detailed explanation of these adjustments, please refer to Note R, "Immaterial Error Corrections".

	Three months ended February 29, 2016		
	As previously reported	Adjustments	As revised
Net sales	$87,384	$ 50	$87,434
Gross profit	43,484	50	43,534
Sales and marketing	20,301	654	20,955
General and administrative	6,784	117	6,901
Total operating expenses	40,797	771	41,568
Operating income	2,687	(721)	1,966
Other expense	(868)	654	(214)
Total other income (expense)	(1,675)	654	(1,021)
Income (loss) before taxes	1,012	(67)	945
Income tax (benefit) expense	382	(31)	351
Net income (loss)	630	(36)	594

	Nine months ended February 29, 2016		
	As previously reported	Adjustments	As revised
Net sales	$260,321	$ 150	$260,471
Cost of sales	127,829	(147)	127,682
Gross profit	132,492	297	132,789
Research and development	18,189	(73)	18,116
Sales and marketing	61,429	2,105	63,534
General and administrative	22,300	597	22,897
Total operating expenses	127,418	2,629	130,047
Other expense	(2,861)	2,291	(570)
Total other income (expense)	(5,464)	2,291	(3,173)
Income (loss) before taxes	(390)	(41)	(431)
Income tax (benefit) expense	99	(15)	84
Net income (loss)	(489)	(26)	(515)

	As of February 29, 2016		
	As previously reported	Adjustments	As revised
Intangible Assets, net	$168,080	$ (154)	$167,926
Deferred Income Taxes, long term	19,563	255	19,818
Total Assets	753,513	101	753,614
Other current liabilities	—	50	50
Total current liabilities	61,579	50	61,629
Total Liabilities	202,768	50	202,818
Retained earnings	27,744	(684)	27,060
Accumulated other comprehensive loss	(1,790)	735	(1,055)
Total Stockholders' Equity	550,745	51	550,796
Total Liabilities and Stockholders' Equity	753,513	101	753,614

	Nine months ended February 29, 2016		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$26,672	$ —	$26,672
Net cash provided by (used in) investing activities	(3,888)	—	(3,888)
Net cash provided by (used in) financing activities	(19,167)	—	(19,167)

	Three months ended November 30, 2015		
	As previously reported	Adjustments	As revised
Net sales	$89,234	$ 50	$89,284
Gross profit	45,834	50	45,884
Sales and marketing	20,569	809	21,378
General and administrative	8,089	(7)	8,082
Total operating expenses	44,517	802	45,319
Operating income	1,317	(752)	565
Other expense	(1,048)	809	(239)
Total other income (expense)	(2,045)	809	(1,236)
Income (loss) before taxes	(728)	57	(671)
Income tax (benefit) expense	(366)	29	(337)
Net income (loss)	(362)	28	(334)

	Six months ended November 30, 2015		
	As previously reported	Adjustments	As revised
Net sales	$172,937	$ 100	$173,037
Cost of sales	83,929	(147)	83,782
Gross profit	89,008	247	89,255
Research and development	12,381	(73)	12,308
Sales and marketing	41,128	1,450	42,578
General and administrative	15,516	480	15,996
Total operating expenses	86,621	1,857	88,478
Operating income	2,387	(1,610)	777
Other expense	(1,993)	1,636	(357)
Total other income (expense)	(3,789)	1,636	(2,153)
Income (loss) before taxes	(1,402)	26	(1,376)
Income tax (benefit) expense	(283)	16	(267)
Net income (loss)	(1,119)	10	(1,109)

	As of November 30, 2015		
	As previously reported	Adjustments	As revised
Intangible Assets, net	$172,511	$ (154)	$172,357
Deferred Income Taxes, long term	19,826	224	20,050
Total Assets	760,371	70	760,441
Accrued liabilities	16,975	(117)	16,858
Other current liabilities	—	100	100
Total current liabilities	60,104	(17)	60,087
Total Liabilities	212,732	(17)	212,715
Retained earnings	27,114	(648)	26,466
Accumulated other comprehensive loss	(1,922)	735	(1,187)
Total Stockholders' Equity	547,639	87	547,726

Total Liabilities and Stockholders' Equity	760,371	70	760,441

	Six months ended November 30, 2015		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$14,278	$ —	$14,278
Net cash provided by (used in) investing activities	(1,143)	—	(1,143)
Net cash provided by (used in) financing activities	(12,370)	—	(12,370)

	Three months ended August 31, 2015		
	As previously reported	Adjustments	As revised
Net sales	$83,703	$ 50	$83,753
Cost of sales	40,529	(147)	40,382
Gross profit	43,174	197	43,371
Research and development	6,202	(73)	6,129
Sales and marketing	20,559	641	21,200
General and administrative	7,427	487	7,914
Total operating expenses	42,104	1,055	43,159
Operating income	1,070	(858)	212
Other expense	(945)	827	(118)
Total other income (expense)	(1,744)	827	(917)
Income (loss) before taxes	(674)	(31)	(705)
Income tax (benefit) expense	83	(13)	70
Net income (loss)	(757)	(18)	(775)

	As of August 31, 2015		
	As previously reported	Adjustments	As revised
Other Assets	$4,818	$ 110	$4,928
Intangible Assets, net	177,399	(154)	177,245
Deferred Income Taxes, long term	19,436	253	19,689
Total Assets	771,789	209	771,998
Other current liabilities	—	150	150
Total current liabilities	60,651	150	60,801
Total Liabilities	224,666	150	224,816
Retained earnings	27,476	(676)	26,800
Accumulated other comprehensive loss	(1,615)	735	(880)
Total Stockholders' Equity	547,123	59	547,182
Total Liabilities and Stockholders' Equity	771,789	209	771,998

	Three months ended August 31, 2015		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$4,699	$ —	$4,699
Net cash provided by (used in) investing activities	(743)	—	(743)

Net cash provided by (used in) financing activities	(2,071)	—	(2,071)

	Three months ended May 31, 2015		
	As previously reported	Adjustments	As revised
Net sales	$90,897	$ (200)	$90,697
Cost of sales	45,340	26	45,366
Gross profit	45,557	(226)	45,331
Research and development	7,289	(738)	6,551
Sales and marketing	20,218	933	21,151
General and administrative	7,658	(210)	7,448
Total operating expenses	44,217	(15)	44,202
Operating income	1,340	(211)	1,129
Other expense	(860)	630	(230)
Total other income (expense)	(1,607)	630	(977)
Income (loss) before taxes	(267)	419	152
Income tax (benefit) expense	547	193	740
Net income (loss)	(814)	226	(588)

	Three months ended February 28, 2015		
	As previously reported	Adjustments	As revised
Cost of sales	$48,746	$ 178	$48,924
Gross profit	37,851	(178)	37,673
Research and development	6,855	(277)	6,578
Sales and marketing	19,355	444	19,799
General and administrative	6,917	(304)	6,613
Amortization of intangibles	5,106	82	5,188
Change in fair value of contingent consideration	(10,044)	250	(9,794)
Acquisition, restructuring and other items, net	18,779	(103)	18,676
Total operating expenses	48,002	92	48,094
Operating income	(10,151)	(270)	(10,421)
Other expense	(971)	497	(474)
Total other income (expense)	(1,828)	497	(1,331)
Income (loss) before taxes	(11,979)	227	(11,752)
Income tax (benefit) expense	(7,717)	118	(7,599)
Net income (loss)	(4,262)	109	(4,153)

	Nine months ended February 28, 2015		
	As previously reported	Adjustments	As revised
Net sales	$266,077	$ (240)	$265,837
Cost of sales	134,745	627	135,372
Gross profit	131,332	(867)	130,465
Research and development	19,642	401	20,043
Sales and marketing	60,405	1,664	62,069
General and administrative	22,213	(499)	21,714
Amortization of intangibles	13,182	54	13,236
Change in fair value of contingent consideration	(8,626)	100	(8,526)
Acquisition, restructuring and other items, net	23,745	(343)	23,402
Total operating expenses	133,666	1,377	135,043
Operating income	(2,334)	(2,244)	(4,578)
Other expense	(2,950)	1,693	(1,257)
Total other income (expense)	(5,398)	1,693	(3,705)
Income (loss) before taxes	(7,732)	(551)	(8,283)
Income tax (benefit) expense	(5,278)	(205)	(5,483)
Net income (loss)	(2,454)	(346)	(2,800)

	Three months ended February 28, 2015		
	As previously reported	Adjustments	As revised
Net income (loss)	$(4,262)	$ 109	$(4,153)
Foreign currency translation	(624)	37	(587)
Other comprehensive income (loss), before tax	(508)	37	(471)
Other comprehensive income (loss), net of tax	(551)	37	(514)
Total comprehensive income (loss), net of tax	(4,813)	146	(4,667)

	Nine months ended February 28, 2015		
	As previously reported	Adjustments	As revised
Net income (loss)	$(2,454)	$ (346)	$(2,800)
Foreign currency translation	(728)	110	(618)
Other comprehensive income (loss), before tax	(568)	110	(458)
Other comprehensive income (loss), net of tax	(627)	110	(517)
Total comprehensive income (loss), net of tax	(3,081)	(236)	(3,317)

	As of February 28, 2015		
	As previously reported	Adjustments	As revised
Inventories	$68,710	$ 57	$68,767
Prepaid expenses and other	4,859	(221)	4,638
Total current assets	154,654	(164)	154,490
Property, Plant and Equipment, net	58,295	(80)	58,215
Other Assets	4,060	224	4,284
Intangible Assets, net	186,547	(154)	186,393
Deferred Income Taxes, long term	19,107	433	19,540
Total Assets	783,136	259	783,395
Accounts payable	21,696	278	21,974
Accrued liabilities	19,946	(461)	19,485
Total current liabilities	59,687	(183)	59,504
Other Long Term Liabilities	—	628	628
Total Liabilities	239,380	445	239,825
Retained earnings	29,047	(884)	28,163
Accumulated other comprehensive loss	(1,896)	698	(1,198)
Total Stockholders' Equity	543,756	(186)	543,570
Total Liabilities and Stockholders' Equity	783,136	259	783,395

	Nine months ended February 28, 2015		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$15,436	$ (557)	$14,879
Net cash provided by (used in) investing activities	(12,042)	557	(11,485)
Net cash provided by (used in) financing activities	641	—	641

	Three months ended November 30, 2014		
	As previously reported	Adjustments	As revised
Cost of sales	$44,493	$ 828	$45,321
Gross profit	47,656	(828)	46,828
Research and development	6,069	207	6,276
Sales and marketing	20,983	553	21,536
General and administrative	7,973	(187)	7,786
Amortization of intangibles	4,061	(50)	4,011
Change in fair value of contingent consideration	617	(75)	542
Acquisition, restructuring and other items, net	2,302	(240)	2,062
Total operating expenses	43,081	208	43,289
Operating income	4,575	(1,036)	3,539
Other expense	(954)	580	(374)
Total other income (expense)	(1,746)	580	(1,166)
Income (loss) before taxes	2,829	(456)	2,373
Income tax (benefit) expense	1,491	(187)	1,304

Net income (loss)	1,338	(269)	1,069

	Six months ended November 30, 2014		
	As previously reported	Adjustments	As revised
Net sales	$179,480	$ (240)	$179,240
Cost of sales	85,999	449	86,448
Gross profit	93,481	(689)	92,792
Research and development	12,787	678	13,465
Sales and marketing	41,050	1,221	42,271
General and administrative	15,296	(195)	15,101
Amortization of intangibles	8,076	(28)	8,048
Change in fair value of contingent consideration	1,418	(150)	1,268
Acquisition, restructuring and other items, net	4,966	(240)	4,726
Total operating expenses	85,664	1,285	86,949
Operating income	7,817	(1,974)	5,843
Other expense	(1,979)	1,196	(783)
Total other income (expense)	(3,570)	1,196	(2,374)
Income (loss) before taxes	4,247	(778)	3,469
Income tax (benefit) expense	2,439	(323)	2,116
Net income (loss)	1,808	(455)	1,353

	Three months ended November 30, 2014		
	As previously reported	Adjustments	As revised
Net income (loss)	$1,338	$ (269)	$1,069
Foreign currency translation	(104)	37	(67)
Other comprehensive income (loss), before tax	(100)	37	(63)
Other comprehensive income (loss), net of tax	(101)	37	(64)
Total comprehensive income (loss), net of tax	1,237	(232)	1,005

	Six months ended November 30, 2014		
	As previously reported	Adjustments	As revised
Net income (loss)	$1,808	$ (455)	$1,353
Foreign currency translation	(104)	74	(30)
Other comprehensive income (loss), before tax	(60)	74	14
Other comprehensive income (loss), net of tax	(76)	74	(2)
Total comprehensive income (loss), net of tax	1,732	(381)	1,351

	As of November 30, 2014		
	As previously reported	Adjustments	As revised
Inventories	$75,315	$ 57	$75,372
Prepaid expenses and other	6,753	(191)	6,562
Total current assets	159,355	(134)	159,221
Property, Plant and Equipment, net	67,552	(829)	66,723
Other Assets	2,741	(15)	2,726
Intangible Assets, net	197,362	(175)	197,187
Deferred Income Taxes, long term	11,327	551	11,878
Total Assets	799,331	(602)	798,729
Accrued liabilities	19,177	(588)	18,589
Current portion of contingent consideration	9,795	(250)	9,545
Total current liabilities	57,937	(838)	57,099
Other Long Term Liabilities	124	568	692
Total Liabilities	255,760	(270)	255,490
Retained earnings	33,309	(993)	32,316
Accumulated other comprehensive loss	(1,345)	662	(683)
Total Stockholders' Equity	543,571	(332)	543,239
Total Liabilities and Stockholders' Equity	799,331	(602)	798,729

	Six months ended November 30, 2014		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$3,205	$ (557)	2,648
Net cash provided by (used in) investing activities	(7,773)	557	(7,216)
Net cash provided by (used in) financing activities	3,381	—	3,381

	Three months ended August 31, 2014		
	As previously reported	Adjustments	As revised
Net sales	$87,331	$ (240)	$87,091
Cost of sales	41,506	(379)	41,127
Gross profit	45,825	139	45,964
Research and development	6,718	470	7,188
Sales and marketing	20,067	668	20,735
General and administrative	7,323	(8)	7,315
Amortization of intangibles	4,015	22	4,037
Change in fair value of contingent consideration	801	(75)	726
Total operating expenses	42,583	1,077	43,660
Operating income	3,242	(938)	2,304
Other expense	(1,025)	616	(409)
Total other income (expense)	(1,824)	616	(1,208)
Income (loss) before taxes	1,418	(322)	1,096
Income tax (benefit) expense	948	(136)	812

Net income (loss)	470	(186)	284

	Three months ended August 31, 2014		
	As previously reported	Adjustments	As revised
Net income (loss)	$470	$ (186)	$ 284
Foreign currency translation	—	37	37
Other comprehensive income (loss), before tax	41	37	78
Other comprehensive income (loss), net of tax	26	37	63
Total comprehensive income (loss), net of tax	496	(149)	347

	As of August 30, 2014		
	As previously reported	Adjustments	As revised
Inventories	$70,421	$ 885	$71,306
Prepaid expenses and other	6,777	(311)	6,466
Total current assets	150,638	574	151,212
Property, Plant and Equipment, net	66,794	(605)	66,189
Other Assets	3,345	(53)	3,292
Intangible Assets, net	201,440	(225)	201,215
Deferred Income Taxes, long term	12,903	364	13,267
Total Assets	796,114	55	796,169
Accrued liabilities	17,700	(178)	17,522
Current portion of contingent consideration	10,897	(175)	10,722
Total current liabilities	63,707	(353)	63,354
Other Long Term Liabilities	32	507	539
Total Liabilities	256,430	154	256,584
Retained earnings	31,971	(724)	31,247
Accumulated other comprehensive loss	(1,243)	625	(618)
Total Stockholders' Equity	539,684	(99)	539,585
Total Liabilities and Stockholders' Equity	796,114	55	796,169

	Three months ended August 30, 2014		
	As previously reported	Adjustments	As revised
Net cash provided by (used in) operating activities	$5,352	$ (410)	$4,942
Net cash provided by (used in) investing activities	(5,258)	410	(4,848)
Net cash provided by (used in) financing activities	(2,391)	—	(2,391)

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AngioDynamics, Inc. and Subsidiaries

SCHEDULE II -VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Additions - Charged to costs and expenses	Deductions	Balance at End of Period
Year Ended May 31, 2014				
Allowance for deferred tax asset (a)	712	819	—	1,531
Allowance for sales returns and doubtful accounts (b)	1,272	7,342	(6,878)	1,736
Totals	$ 1,984	$ 8,161	$ (6,878)	$ 3,267
Year Ended May 31, 2015				
Allowance for deferred tax asset (a)	1,531	467	(207)	1,791
Allowance for sales returns and doubtful accounts (b)	1,736	1,846	(539)	3,043
Totals	$ 3,267	$ 2,313	$ (746)	$ 4,834
Year Ended May 31, 2016				
Allowance for deferred tax asset (a)	1,791	40,685	(267)	42,209
Allowance for sales returns and doubtful accounts (b)	3,043	3,748	(2,419)	4,372
Totals	$ 4,834	$ 44,433	$ (2,686)	$ 46,581

(a) Fully reserved deferred tax assets and expiration of fully reserved state net operating loss.
We made adjustments to correct immaterial errors within this selected financial data. For a detailed explanation of these adjustments, please refer to Note R, "Immaterial Error Corrections".

(b) Previously reserved sales returns and accounts written off as uncollectible.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: July 25, 2017 By: /S/ JAMES C. CLEMMER
James C. Clemmer,
President, Chief Executive Officer
(Principal Executive Officer)

EXHIBITS

(b) Exhibits

2.1	Stockholders Agreement, dated as of May 22, 2012, among AngioDynamics, Inc. and the stockholders set forth on the signature pages thereto (incorporated by reference to Exhibit 2.2 of the Company's current report on Form 8-K filed with the Commission on May 25, 2012).
2.2	Stock Purchase Agreement, dated as of October 8, 2012, by and among AngioDynamics, Inc., Vortex Medical, Inc. ("Vortex"), the stockholders of Vortex set forth on the signature pages thereto, the option holders of Vortex set forth on the signature pages thereto and CHTP Management Services, Inc., as sellers' representative (incorporated by reference to Exhibit 2.1 of the Company's current report on Form 8-K, filed with the Commission on October 12, 2012).
3.1.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's quarterly report on Form 10-Q, filed with the Commission on October 7, 2005).
3.1.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of AngioDynamics, Inc. (incorporated by reference to Exhibit 3.1.2 of the Company's annual report on Form 10-K, filed with the Commission on August 10, 2015).
3.2	Second Amended and Restated By-Laws, effective October 16, 2015 (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K, filed with the Commission on October 21, 2015).
10.1	Credit Agreement, dated as of September 19, 2013, by and among AngioDynamics, Inc., the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and Keybank National Association as co-syndication agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank National Association as joint bookrunners and joint lead arrangers (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed with the Commission on September 24, 2013).
10.1.1	AngioDynamics, Inc. 1997 Stock Option Plan, as amended by the Board and Shareholders on February 27, 2004 (incorporated by reference to Exhibit 10.2 of the Company's registration statement on Form S-1, filed on March 5, 2004).
10.1.2	AngioDynamics, Inc. 2004 Stock and Incentive Award Plan (as amended) (incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed with the Commission on September 17, 2014).
10.1.3	AngioDynamics 2013 Total Shareholder Return Performance Unit Agreement Program (incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K filed with the Commission on November 5, 2013).
10.1.4	AngioDynamics 2014 Total Shareholder Return Performance Unit Agreement Program (incorporated by reference to Exhibit 10.1.4 of the Company's annual report on Form 10-K filed with the Commission on January 12, 2015).
10.1.5	AngioDynamics 2015 Total Shareholder Return Performance Unit Agreement Program (incorporated by reference to Exhibit 10.1.5 of the Company's annual report on Form 10-K filed with the Commission on August 10, 2015).
10.2	AngioDynamics, Inc. Employee Stock Purchase Plan (as amended) (incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed with the Commission on September 17, 2014).
10.3	Form of Non-Statutory Stock Option Agreement pursuant to the AngioDynamics, Inc. Stock and Incentive Award Plan (incorporated by reference to Exhibit 10.1 of the Company's quarterly report on Form 10-Q, filed with the Commission on October 12, 2004).
10.4.1	Form of 2013 Performance Share Award Agreement pursuant to the AngioDynamics, Inc. 2004 Stock and Incentive Award Plan (incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K, filed with the Commission on May 12, 2005).
10.4.2	Form of 2014 Performance Share Award Agreement pursuant to the AngioDynamics, Inc. 2004 Stock and Incentive Award Plan (incorporated by reference to Exhibit 10.4.2 of the Company's annual report on Form

	10-K filed with the Commission on January 12, 2015).
10.4.3	Form of 2015 Performance Share Award Agreement pursuant to the AngioDyanmics, Inc. 2004 Stock and Incentive Award Plan (incorporated by reference to Exhibit 10.4.3 of the Company's annual report on Form 10-K filed with the Commission on August 10, 2015).
10.5	Form of Restricted Stock Award Agreement pursuant to the AngioDynamics, Inc. 2004 Stock and Incentive Award Plan (incorporated by reference to the Company's current report on Form 8-K, filed with the Commission on May 12, 2005).

10.6	Rita Medical Systems, Inc. 1994 Incentive Stock Plan (incorporated by reference to Exhibit 10.2 of Rita Medical Systems registration statement on Form S-1, filed with the Commission on May 3, 2000)
10.7	Horizon Medical Products, Inc. 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.11 of Horizon Medical Products' registration statement on Form S-1, filed with the Commission on February 13, 1998.
10.8	Rita Medical Systems, Inc. 2000 Stock Plan (incorporated by reference to Exhibit 10.3 of Rita Medical Systems registration statement on Form S-1/A, filed with the Commission on June 14, 2000).
10.9	Rita Medical Systems, Inc. 2000 Directors' Stock Plan, as amended on June 8, 2005 (incorporated by reference to Exhibit 99.2 of Rita Medical System's registration statement on Form S-8, filed with the Commission on July 8, 2005).
10.10	Rita Medical Systems, Inc. 2005 Stock and Incentive Plan (incorporated by reference to Exhibit 99.1 of Rita Medical System's registration statement on Form S-8, filed with the Commission on July 8, 2005).
10.11	Form of Indemnification Agreement of AngioDynamics, Inc. (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K, filed with the Commission on May 12, 2006).
10.11.1	Employment Agreement, dated April 1, 2016, between AngioDynamics, Inc. and James C. Clemmer (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K, filed with the Commission on April 6, 2016).
10.12	Change in Control Agreement, dated April 1, 2016, between AngioDynamics, Inc. and James C. Clemmer (incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K, filed with the Commission on April 6, 2016).
10.12.1	Form of Severance Agreement of AngioDynamics, Inc. (incorporated by reference to Exhibit 10.1 of the Company's current report on form 8-K, filed with the Commission on October 31, 2007).
10.13	Form of Change in Control Agreement (incorporated by reference to Exhibit 10.13 of the Company's annual report on Form 10-K filed with the Commission on January 12, 2015).
10.13.1	Performance Share Award Agreement, with a grant date of April 4, 2016, between AngioDynamics, Inc. and James C. Clemmer (incorporated by reference to Exhibit 10.3 of the Company's current report on Form 8-K, filed with the Commission on April 6, 2016).
10.14	AngioDynamics, Inc. Total Shareholder Return Performance Share Award Program - Performance Period Ending July 2019 (incorporated by reference to Exhibit 10.4 of the Company's current report on Form 8-K, filed with the Commission on April 6, 2016).
10.15	Stock Option Award Agreement, with a grant date of April 4, 2016, between AngioDynamics, Inc. and James C. Clemmer (incorporated by reference to Exhibit 10.5 of the Company's current report on Form 8-K, filed with the Commission on April 6, 2016).
10.16	Restricted Stock Unit Award Agreement, with a grant date of April 4, 2016, between AngioDynamics, Inc. and James C. Clemmer (incorporated by reference to Exhibit 10.6 of the Company's current report on Form 8-K, filed with the Commission on April 6, 2016).
10.17	Separation Agreement and General Release, dated April 22, 2016, between AngioDynamics, Inc. and Joseph M. DeVivo (incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K, filed with the Commission on April 27, 2016).
10.19	AngioDynamics, Inc. Fiscal Year 2012 Senior Executive Equity Incentive Program (incorporated by reference to Exhibit 10.30 of the Company's annual report on Form 10-K, filed with the commission on August 12, 2011).
14	Code of Ethics (incorporated by reference to Exhibit 14 of the Company's current report on Form 8-K, filed with the Commission on May 12, 2006).

21	Subsidiaries (incorporated by reference to Exhibit 21 of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).
23	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (incorporated by reference as part of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).
101.SCH	XBRL Schema Document (incorporated by reference as part of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).
101.CAL	XBRL Calculation Linkbase Documents (incorporated by reference as part of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (incorporated by reference as part of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).
101.LAB	XBRL Labels Linkbase Documents (incorporated by reference as part of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).
101.PRE	XBRL Presentation Linkbase Documents (incorporated by reference as part of the Company's annual report on Form 10-K filed with the Commission on August 1, 2016).