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As Filed with the Securities and Exchange Commission on March 5, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S-1
REGISTRATION STATEMENT

Under The Securities Act of 1933

AngioDynamics, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**3841**	**11-3146460**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

603 Queensbury Avenue
Queensbury, New York 12804
(518) 798-1215
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Eamonn P. Hobbs
AngioDynamics, Inc.
603 Queensbury Avenue
Queensbury, New York 12804
(518) 798-1215
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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

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

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

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

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

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

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(a)	Amount of Registration Fee
Common Stock, $.01 par value per share (and associated preferred stock purchase rights) (b)	$ 30,590,000	$ 3,875.76

(a) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.
(b) The preferred stock purchase rights are initially attached to and trade with our shares of common stock registered hereby. Value attributed to such rights, if any, is reflected in the market price of our common stock.

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

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

Subject to Completion, dated March 5, 2004

PROSPECTUS

Shares

ANGIODYNAMICS®
INCORPORATED

Common Stock

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

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

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6.

PRICE $ PER SHARE

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

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

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

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

RBC CAPITAL MARKETS

ADAMS, HARKNESS & HILL

, 2004

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

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

ASSUMPTIONS USED IN THIS PROSPECTUS

Throughout this prospectus, our fiscal years ended May 29, 1999, June 3, 2000, June 2, 2001, June 1, 2002 and May 31, 2003 are referred to as fiscal 1999, 2000, 2001, 2002 and 2003, respectively. Our fiscal year consists of 52 or 53 weeks and ends on the Saturday nearest to May 31st in the applicable year. Fiscal year 2000 was a 53-week year. All other fiscal years consisted of 52 weeks. The six-month periods included in this prospectus consist of 26 weeks ended on November 30, 2002 and November 29, 2003.

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

- assumes reclassification and change of our outstanding shares of Class A voting common stock and Class B non-voting common stock into 9,200,000 shares of common stock (at a ratio of 9,200 shares to 1), to be effected prior to completion of this offering;
- assumes the underwriters do not exercise the option granted by us to purchase additional shares in this offering;
- does not give effect to the exercise of outstanding options to purchase 1,337,136 shares of common stock under our 1997 Stock Option Plan;
- does not include an aggregate of 1,160,532 shares of our common stock available for future issuance or grant under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan; and
- does not give effect to the exercise of options for shares of our common stock that we will issue to holders of E-Z-EM stock options in connection with the distribution of our common stock to the E-Z-EM stockholders.

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

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

PROSPECTUS SUMMARY

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

Our Business

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

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

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

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

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

Our Strategy

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

- Ÿ expanding our sales and marketing efforts;
- Ÿ developing new products and enhancing existing products;
- Ÿ offering a broad product line;
- Ÿ vertically integrating manufacturing; and
- Ÿ acquiring or partnering with complementary businesses.

Our History

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

Relationship with E-Z-EM, Inc.

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

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

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

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

The agreements relating to the separation of our business operations from E-Z-EM are described more fully in "Relationship and Arrangements with E-Z-EM" included elsewhere in this prospectus. The terms of these agreements with E-Z-EM will be established in the context of a parent-subsidiary relationship and may be more or less favorable to us than if they had been negotiated with unaffiliated third parties.

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

- *Direct Access to Capital Markets*. Following the expiration of restrictions on our ability to raise capital related to our separation from E-Z-EM, we will be able to directly access the capital markets to raise equity capital and issue debt securities in an efficient and cost-effective way, as well as to facilitate growth, including through acquisitions.
- *Greater Strategic Focus*. We expect that the separation will allow our directors and management to concentrate on developing business and strategic opportunities focused only on our products and customer base.
- *Increased Speed and Responsiveness*. As a separate company, we believe that we will be able to make decisions more quickly and assign resources more rapidly and efficiently than we could as part of a larger organization.
- *Better Incentives for Management and Employees and Greater Accountability*. The separation will enable us to offer our employees compensation and incentive programs directly linked to the performance of the AngioDynamics business and the market performance of our stock, which we expect to enhance our ability to attract, retain and motivate qualified personnel.

The Offering

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

Summary Consolidated Financial Data

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

	Fifty-two weeks ended			Twenty-six weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Nov. 30, 2002	Nov. 29, 2003
	(in thousands, except share and per share data)				
Statement of earnings data:					
Net sales	$23,390	$30,890	$ 38,434	$ 17,096	$ 22,481
Cost of goods sold	12,418	15,333	18,572	8,135	10,854
Gross profit	10,792	15,557	19,862	8,961	11,627
Operating expenses:					
Sales and marketing	7,089	8,901	11,338	5,127	6,239
General and administrative	1,875	2,317	2,777	1,303	1,637
Research and development	1,426	1,951	2,509	1,176	1,621
Loss on sale of subsidiary and related assets	872	—	—	—	—
Total operating expenses	11,262	13,169	16,624	7,606	9,497
Operating profit (loss)	(290)	2,388	3,238	1,355	2,130
Interest expense, net (a)	(880)	(818)	(983)	(475)	(493)
Earnings (loss) before income tax provision (benefit)	(1,170)	1,570	2,255	880	1,637
Income tax provision (benefit)	(1,513)	561	1,069	544	723
Net earnings	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Net earnings per common share (b)					
Basic:	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Diluted:	$ 343	$ 994	$ 1,152	$ 327	$ 881
Weighted average number of shares used in per share calculations (b)					
Basic:	1,000	1,000	1,000	1,000	1,000
Diluted:	1,000	1,015	1,030	1,029	1,037
Cash flow data:					
Net cash provided by (used in) operating activities	$ 409	$ 1,206	$ 680	$ (267)	$ 780
Net cash provided by (used in) investing activities	1,499	(715)	(4,572)	(3,785)	(321)
Net cash provided by (used in) financing activities	(1,761)	371	3,306	3,376	(120)

	As of November 29, 2003	
	Actual	Pro Forma as Adjusted(c)
Balance sheet data:		
Cash and cash equivalents	$ 1,278	$
Working capital	13,158	
Total assets	28,542	
Non-current liabilities	19,333	
Additional paid-in capital	13,152	
Accumulated deficit	(10,029)	
Total stockholders' equity	2,956	

(a) Interest expense includes imputed interest on debt to E-Z-EM of $892, $446 and $421 for the fifty-two weeks ended May 31, 2003 and the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively. The interest charges are treated as non-cash items for cash flow purposes and increases to additional paid-in capital. Of the $16,148 debt due to E-Z-EM as of November 29, 2003, $13,148 will be capitalized prior to the completion of this offering and the remaining $3,000 will be repaid from the proceeds of this offering.

(b) Does not give effect to the reclassification and change of our outstanding shares of Class A voting common stock and Class B non-voting common stock into 9,200,000 shares of common stock (at a ratio of 9,200 shares to 1) to be effected prior to completion of this offering.

(c) Pro forma as adjusted amounts give effect to the issuance and sale of shares of our common stock at an initial public offering price of $ per share, the capitalization of $13,148 of debt due to E-Z-EM prior to completion of this offering, and the receipt and application of the estimated net proceeds of $ million from this offering, after deducting the underwriting discount and estimated offering expenses payable by us.

RISK FACTORS

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

Risks Related to our Business

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

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

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

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

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

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

- Ÿ financial and other resources;
- Ÿ variety of products;

- technical capabilities;
- ability to develop and introduce new products;
- patent portfolios that may present an obstacle to our conduct of business;
- name recognition; and
- distribution networks and in-house sales forces.

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

If we fail to adequately protect our intellectual property rights, our business may suffer.

Our success depends in part on obtaining, maintaining and enforcing our patents, trademarks and other proprietary rights, and our ability to avoid infringing the proprietary rights of others. We take precautionary steps to protect our technological advantages and intellectual property. We rely upon patent, trade secret, copyright, know-how and trademark laws, as well as license agreements and contractual provisions, to establish our intellectual property rights and protect our products. These measures may not adequately protect our intellectual property rights.

Our patents may not provide commercially meaningful protection, as competitors may be able to design around our patents to produce alternative, non-infringing designs. Additionally, we may not be able to effectively protect our rights in unpatented technology, trade secrets and confidential information. Although we require our new employees, consultants and corporate partners to execute confidentiality agreements, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, may not provide adequate remedies.

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

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

divert our management's time and effort. Such claims could also cause our customers or potential customers to purchase competitors' products or defer or limit their purchase or use of our affected products until resolution of the claim.

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

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

We currently purchase significant amounts of several key products and product components from single and limited source suppliers. For fiscal 2003, approximately 40% of our revenues were derived from sales of products manufactured for us by third parties. Our principal single source supplier, Medcomp, supplies us with our hemodialysis catheters, which accounted for about 24% of our revenues in fiscal 2003. Medcomp also competes with us by selling a hemodialysis catheter for which it has not granted us exclusive rights and other catheters that we do not license from them. Additionally, we purchase the laser and laser fibers for our elvs products from biolitec, Inc., which also competes with us. Any delays in delivery of or shortages in those products and components could interrupt and delay manufacturing of our products and result in the cancellation of orders for our products. Any or all of these suppliers could discontinue the manufacture or supply of these products and components at any time. We may not be able to identify and integrate alternative sources of supply in a timely fashion or at all. Any transition to alternate suppliers may result in production delays and increased costs and may limit our ability to deliver products to our customers. Furthermore, if we are unable to identify alternative sources of supply, we would have to modify our products to use substitute components, which may cause delays in shipments, increased design and manufacturing costs and increased prices for our products.

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

We do not generally have long-term purchase contracts with our customers, who order products on a purchase order basis. Our typical order backlog is less than 10 days. These factors make it difficult to accurately forecast our component and product requirements. Our manufacturing and operating expenses are largely based on anticipated sales volume and a significant portion of these expenses are and will continue to be fixed. We must plan production and order products and product components several months in advance of customer orders. In addition, lead-times for products and product components that we order vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at any given time. These factors expose us to a number of risks such as:

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

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

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

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

We market and sell our products primarily to interventional radiologists and vascular surgeons, who currently perform a large percentage of minimally invasive, image-guided interventional procedures for PVD. Many of our competitors have focused their sales efforts on the cardiology market for interventional procedures. Since we have focused our sales and marketing efforts on interventional radiologists and vascular surgeons, our competitors may have advantages over us for sales to cardiologists. Consequently, if cardiologists perform more of the procedures currently performed by interventional radiologists and vascular surgeons, our revenues may decline and our business may be harmed.

Our business could be harmed if we lose the services of our key personnel.

Our business depends upon the efforts of Eamonn P. Hobbs, our president and chief executive officer, and other key managerial, sales and technical personnel, as well as our ability to continue to attract and retain additional highly qualified personnel. We compete for such key personnel with other companies, healthcare institutions, academic institutions, government entities and other organizations. We do not maintain key person life insurance on any of our executive officers, and we do not have employment agreements with our executive officers. Our ability to maintain and expand our business may be impaired if we are unable to retain our current key personnel or hire or retain other qualified personnel in the future.

Undetected defects may increase our costs and impair the market acceptance of our products.

Our products have occasionally contained, and may in the future contain, undetected defects. When these problems occur, we must divert the attention of our engineering personnel to address them. We cannot assure you that we will not incur warranty or repair costs, be subject to liability claims for damages related to product defects, or experience manufacturing, shipping or other delays or interruptions as a result of these defects in the future. Any insurance policies that we may have may not provide sufficient protection should a claim be asserted. In addition, the occurrence of defects may result in significant customer relations problems and injury to our reputation and may impair the market acceptance of our products.

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

The design, manufacture and marketing of medical devices of the type we produce entail an inherent risk of product liability. Our products are used by physicians to treat seriously ill patients. Those patients may bring claims in a number of circumstances and for a number of reasons, including if our products were misused, if they produced unsatisfactory results and if the instructions for use and operating manuals for our products were found to be inadequate. Claims could also be brought by our customers. We currently are subject to an action claiming that we supplied a defective catheter that contributed to the death of a hemodialysis patient. Although we believe, based on claims made against us in the past, that our existing product liability insurance coverage is reasonably adequate to protect us from any liabilities we might incur, we cannot assure you that it will be sufficient to satisfy any claim made against us, or that we will be able to maintain this insurance at a reasonable cost and on reasonable terms, or at all. Any product liability claim brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing any coverage in the future. Additionally, if any such product liability claim or series of claims is brought against us for uninsured liabilities or is in excess of our insurance coverage, our business could be harmed. Further, such claims may require us to recall some of our products, which could result in significant costs to us, and could divert management's attention from our business.

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

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

- changes in our ability to obtain products and product components that are manufactured for us by third parties, as well as variations in prices of these products and product components;
- delays in the development or commercial introduction of new versions of our products or components we use in our products;
- our ability to attain and maintain production volumes and quality levels for our products and product components;
- effects of domestic and foreign economic conditions on our industry and/or customers;
- changes in the demand for our products;
- changes in the mix of products and systems we sell;
- delays in obtaining regulatory clearance for new versions of our products;
- increased product and price competition;
- changes in the availability of third-party reimbursement for our products;
- the loss of key sales personnel or distributors; and
- seasonality in the sales of our products.

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

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

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

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

Changes in healthcare systems in the United States or elsewhere could adversely affect the demand for our products, as well as the way we conduct business. Third-party payors have adopted, and are continuing to adopt, a number of healthcare policies intended to curb rising healthcare costs. These policies include:

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

We are unable to predict whether Federal, state or local healthcare reform legislation or regulation affecting our business may be proposed or enacted in the future, or what effect any such legislation or regulation would have on our business. These policies, or any reductions in the number of authorizations granted for procedures performed using our current and proposed products or in the levels of reimbursement for those procedures, could cause our revenues to decline.

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

If we cannot obtain approval from governmental agencies, we will not be able to sell our products.

Our products are medical devices that are subject to extensive regulation in the United States and in foreign countries where they are sold. Unless an exemption applies, each medical device that we wish to market in the United States must receive either 510(k) clearance or premarket approval from the FDA before the product can be sold. Either process can be lengthy and expensive. The FDA's 510(k) clearance procedure, also known as "premarket notification," is the process used for our current products. This process usually takes from four to 12 months from the date the application is submitted to, and filed with, the FDA, but may take significantly longer. Although we have obtained 510(k) clearances for our current products, our clearances may be revoked by the FDA if safety or effectiveness problems develop with the devices. The premarket approval process is much more costly, lengthy and uncertain. It generally takes from one to three years from the date the application is submitted to, and filed with, the FDA, and may take even longer. Achieving premarket approval may take numerous clinical trials and require the filing of numerous

amendments over time. Regulatory regimes in other countries similarly require approval or clearance prior to our marketing or selling products in those countries. If we are unable to obtain additional clearances or approvals needed to market existing or new products in the United States or elsewhere, or obtain these clearances or approvals in a timely fashion, our revenues and profitability may decline.

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

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

If we or our suppliers fail to comply with the FDA's Quality System regulation, our manufacturing operations could be delayed, and our product sales and profitability could suffer.

Our manufacturing processes and those of our suppliers must comply with the FDA's Quality System regulation, which governs the methods used in, and the facilities and controls used for, the design, testing, manufacture, control, quality assurance, installation, servicing, labeling, packaging, storage and shipping of medical products. The FDA enforces the Quality System regulation through unannounced inspections. If we or one of our suppliers fails a Quality System regulation inspection, or if a corrective action plan adopted by us or one of our suppliers is not sufficient, the FDA may bring an enforcement action, and our operations could be disrupted and our manufacturing delayed. If we or our suppliers fail to take adequate corrective action in response to any significant compliance issue raised by the FDA, the FDA can take various enforcement actions, including an order to shut-down manufacturing operations or a recall of products. In either event, our product sales and profitability could suffer. In addition, most other countries require us and our suppliers to comply with manufacturing and quality assurance standards for medical devices that are similar to those in force in the United States before marketing and selling our products in those countries.

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

The FDA and similar governmental authorities in other countries have the authority to order mandatory recall of our products or order their removal from the market if there are material deficiencies or defects in

design, manufacture, installation, servicing or labeling of the device, or if the governmental entity finds that our products would cause serious adverse health consequences. A government mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design defects, including labeling defects. Any recall of our products may harm our reputation with customers and divert managerial and financial resources.

We may require additional capital. Failure to attract additional capital could curtail our growth.

We may require additional capital to expand our business. If cash generated internally is insufficient to fund capital requirements, we will require additional debt or equity financing. Needed financing may not be available or, if available, may not be available on terms satisfactory to us and may result in significant shareholder dilution. We are subject to significant restrictions on our ability to issue equity securities or convertible debt to ensure that the distribution by E-Z-EM of our stock will be tax-free to E-Z-EM and its stockholders. In addition, covenants in our industrial bond financing and bank line of credit may also restrict our ability to obtain additional debt financing. If we fail to obtain sufficient additional capital in the future, we could be forced to curtail our growth strategy by reducing or delaying capital expenditures and acquisitions, selling assets, restructuring our operations or refinancing our indebtedness.

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

We conduct all of our manufacturing and assembly at a single facility in Queensbury, New York. This facility and our manufacturing equipment would be difficult to replace and, if our facility is affected by a disaster, could require substantial lead-time to repair or replace. Additionally, we might be forced to rely on third-party manufacturers or to delay production of our products. Insurance for damage to our property and the disruption of our business from disasters may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all. In addition, if one of our principal suppliers were to experience a similar disaster, uninsured loss or under-insured loss, we might not succeed in obtaining adequate alternative sources of supplies or products. Any significant uninsured loss, prolonged or repeated disruption, or inability to operate experienced by us or any of our principal suppliers could cause significant harm to our business, financial condition and results of operations.

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

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

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

- Ÿ E-Z-EM notifying us that it is abandoning the distribution;
- Ÿ completion of the distribution by E-Z-EM;

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

E-Z-EM may be unwilling to give its consent before completing the distribution or may impose conditions in its consent, including the right to acquire such number of our securities so as to enable it to maintain its percentage ownership of our securities. Additionally, for any distribution of our stock by E-Z-EM to qualify as tax-free to E-Z-EM, there must not be a change in ownership of 50% or greater in either the voting power or value of either our stock or E-Z-EM's stock that is considered to be part of a plan or series of transactions related to the distribution. This offering of our common stock will be counted towards the 50%, with the result that a subsequent change in ownership (other than as the result of certain transactions in the public markets) of slightly more than 30% of our stock would render the distribution taxable to E-Z-EM. For a change in ownership occurring after the distribution to be characterized as part of a plan, there must have been an agreement, understanding, arrangement or substantial negotiations regarding the acquisition or a similar acquisition at some time during the two-year period ending on the date of the distribution. However, the shorter the time period between the distribution and change in ownership, the greater the burden of establishing that the two events are not part of a plan. Under a "safe harbor provision," a distribution and acquisition will not be considered part of a plan if the distribution is motivated by a corporate business purpose (other than the acquisition) and the acquisition occurs more than six months after the distribution, provided that there was no agreement, understanding, arrangement or substantial negotiations with respect to the acquisition or a similar acquisition during the period that begins one year before the distribution and ends six months thereafter.

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

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

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

E-Z-EM has advised us that it plans to distribute to its stockholders all AngioDynamics common stock that it owns by February 5, 2005. However, completion of the distribution depends on the satisfaction or waiver of a number of conditions. E-Z-EM is not obligated to make the distribution and it may not occur.

If the distribution is delayed beyond February 5, 2005, the distribution may still be completed in reliance upon an opinion of E-Z-EM's tax counsel. In any event, if the distribution is delayed or not completed, the liquidity of our shares will be constrained unless and until E-Z-EM elects to sell some

portion of its equity ownership in us. In addition, E-Z-EM has agreed with the underwriters that it will not complete the distribution until at least 120 days after the date of this prospectus without the prior written consent of RBC Capital Markets Corporation.

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

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

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

Members of the Stern and Meyers families and their affiliates own in the aggregate approximately 57% of E-Z-EM's outstanding shares of common stock. These stockholders are able to significantly influence all matters requiring E-Z-EM stockholder approval, including the election of directors and significant corporate transactions, such as mergers or other business combinations, and thus may indirectly affect us with respect to these types of matters. Further, if, as we expect, E-Z-EM completes the distribution to its stockholders of the AngioDynamics stock it owns, these two stockholder groups will own approximately 45% of our outstanding common stock (assuming no other issuances of our stock) and will be able to significantly influence, if not exercise control over, our important corporate and business matters. This control by E-Z-EM before the distribution, and by these stockholders after the distribution, may delay, deter or prevent a third-party from acquiring or merging with us. As a result, this control may not be in the best interests of our other stockholders, and may in turn reduce the market price of our common stock.

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

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

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

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

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

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

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

- Ÿ an agreement to indemnify E-Z-EM, its affiliates, and each of their respective directors, officers, employees, agents and representatives from all liabilities that arise from our breach of, or performance under, the agreements we are entering into with E-Z-EM in connection with the separation and for any of our liabilities;
- Ÿ an agreement to indemnify E-Z-EM for certain tax liabilities and for any action or inaction by us that, if the distribution by E-Z-EM of our stock to its stockholders occurs, cause the distribution to be taxable to E-Z-EM or its stockholders;
- Ÿ an agreement to not change our significant accounting principles for periods in which our financial results are included in E-Z-EM's consolidated financial statements, unless we are required to do so to comply, in all material respects, with generally accepted accounting principles and SEC requirements; and
- Ÿ an agreement not to compete with E-Z-EM's current business activities for a period of five years.

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

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

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

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

Risks Relating to the Offering of our Securities

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

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

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

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

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

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

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

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

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

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

Provisions in our amended and restated certificate of incorporation and bylaws, our stockholder rights plan and under Delaware law could make it more difficult for other companies to acquire us, even if doing so would benefit our stockholders. Our amended and restated certificate of incorporation and bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

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

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

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

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

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

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

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

USE OF PROCEEDS

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

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

DIVIDEND POLICY

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

CAPITALIZATION

The following table sets forth our capitalization as of November 29, 2003:

- Ÿ the "Actual" column shows our capitalization on a historical basis, without any adjustments to reflect subsequent or anticipated events;
- Ÿ the "Pro Forma" column shows our capitalization with adjustments to reflect (i) the reclassification and change of our outstanding shares of Class A voting common stock and Class B non-voting common stock into 9,200,000 shares of common stock (at a ratio of 9,200 to 1) and (ii) the capitalization of $13,148,000 of long-term debt due to E-Z-EM prior to completion of this offering; and
- Ÿ the "Pro Forma as Adjusted" column shows our pro forma capitalization with adjustments to reflect (i) receipt by us of the estimated net proceeds from the sale of shares of common stock by us in this offering at an assumed initial public offering price of per share and (ii) the application of a portion of the estimated net proceeds to repay $3,000,000 of indebtedness to E-Z-EM. See "Use of Proceeds."

The information in this table does not include:

- Ÿ an aggregate of 1,337,136 shares of our common stock issuable upon exercise of stock options issued under our 1997 Stock Option Plan at a weighted average exercise price of $4.51 per share;
- Ÿ an aggregate of 1,160,532 shares of our common stock that may be issued under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan; and
- Ÿ shares of our common stock that will be issuable upon exercise of options we will issue to holders of E-Z-EM stock options in connection with the distribution by E-Z-EM of our common stock to its stockholders.

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

	November 29, 2003		
	Actual	**Pro Forma**	**Pro Forma as Adjusted**
		(in thousands)	
Cash & cash equivalents	$ 1,278	$ 1,278	
Liabilities			
Long-term debt, including current portion	3,325	3,325	
Notes payable to parent	16,148	3,000	—
Total long-term debt	19,473	6,325	
Stockholders' equity			
Class A common stock (voting), par value, $1.00 per share — authorized, issued and outstanding, 500 shares	1	—	—
Class B common stock (non-voting), par value, $1.00 per share — authorized, issued and outstanding, 500 shares	1	—	—
Common stock, par value $.01 per share — authorized 45,000,000 shares of which no shares are issued and outstanding (actual); 9,200,000 shares are issued and outstanding (pro forma); shares are issued and outstanding (pro forma as adjusted)	—	92	
Preferred stock, par value $.01 per share — authorized 5,000,000 shares of which no shares are issued and outstanding	—	—	—
Additional paid in capital	13,152	26,210	
Accumulated deficit	(10,029)	(10,029)	
Accumulated other comprehensive loss	(169)	(169)	
Total stockholders' equity	2,956	16,104	
Total capitalization	$ 22,429	$ 22,429	

DILUTION

If you invest in our common stock, your interest will be diluted by the difference between the initial public offering price for each share you purchase and the as adjusted pro forma net tangible book value per share immediately after this offering. Net tangible book value per share represents the amount of our common stockholders equity, less intangible assets, diluted by the number of shares of common stock outstanding. As of November 29, 2003, our pro forma net tangible book value was approximately $15,129,000, or $1.64 per share, giving effect to the reclassification and change of our outstanding shares of Class A voting common stock and Class B non-voting common stock into 9,200,000 shares of common stock (at a ratio of 9,200 to 1) and the capitalization of $13,148,000 of long-term debt due to E-Z-EM. After giving effect to the sale of million shares of common stock offered by us in this offering at an assumed initial public offering price of $ per share and the application of the net proceeds therefrom, our pro forma as adjusted net tangible book value as of November 29, 2003 would have been approximately $ million, or $ per share. This represents an immediate increase in net tangible book value of $ to our existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates the substantial and immediate per share dilution to new investors:

Assumed initial public offering price per share	$
Pro forma net tangible book value as of November 29, 2003	1.64
Increase in pro forma net tangible book value per share attributable to new investors	
Pro forma as adjusted net tangible book value per share after the offering	
Dilution per share to new investors	
	$

The following table sets forth on a pro forma as adjusted basis as of November 29, 2003, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by our existing stockholder and by new investors, before deducting the underwriting discounts and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholder	9,200,000	%	$ 26,302,000	%	$ 2.86
New investors					
Total		100.0%	$	100.0%	$

The discussion and tables above assume no exercise of any outstanding options. As of November 29, 2003, there were 1,337,136 shares of common stock issuable upon exercise of stock options, none of which are currently exercisable, at a weighted average exercise price of $4.51 per share, and an aggregate of 1,160,532 shares available for future grant or issuance under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan. In addition, in connection with E-Z-EM's distribution of our common stock to its stockholders, we will issue options to purchase our common stock to holders of E-Z-EM stock options at exercise prices below that of the market price of our stock at the time of issuance. To the extent that these options are exercised, there will be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected financial data in conjunction with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The consolidated statements of earnings data and the selected consolidated operating data for the fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003, and the consolidated balance sheet data as of June 1, 2002 and May 31, 2003 are derived from the audited consolidated financial statements that are included elsewhere in this prospectus. The consolidated statements of earnings data and the selected consolidated operating data for the fifty-two weeks ended May 29, 1999 and the fifty-three weeks ended June 3, 2000 and the consolidated balance sheet data as of May 29, 1999, June 3, 2000 and June 2, 2001 are derived from our audited consolidated financial statements not included in the prospectus. The consolidated statements of earnings data and the selected consolidated operations data for the twenty-six weeks ended November 30, 2002 and November 29, 2003 and the consolidated balance sheet data as of November 29, 2003 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly our financial position as of November 29, 2003 and results of operations for the twenty-six weeks ended November 30, 2002 and November 29, 2003. Historical results are not necessarily indicative of the results of operations to be expected for future periods. See Note A of "Notes to Financial Statements" for a description of the method that we used to compute our historical basic and diluted net income (loss) per share attributable to common stockholders.

	Fifty-two weeks ended	Fifty-three weeks ended	Fifty-two weeks ended			Twenty-six weeks ended	
	May 29, 1999	June 3, 2000	June 2, 2001	June 1, 2002	May 31, 2003	Nov. 30, 2002	Nov. 29, 2003
	(in thousands, except share and per share data)						
Statement of earnings data:							
Net sales	$ 21,471	$ 21,769	$ 23,390	$ 30,890	$ 38,434	$ 17,096	$ 22,481
Cost of goods sold	12,425	11,911	12,418	15,333	18,572	8,135	10,854
Gross profit	9,046	9,858	10,972	15,557	19,862	8,961	11,627
Operating expenses:							
Sales and marketing	6,011	6,823	7,089	8,901	11,338	5,127	6,239
General and administrative	2,400	2,132	1,875	2,317	2,777	1,303	1,637
Research and development	1,625	1,642	1,426	1,951	2,509	1,176	1,621
Loss on sale of subsidiary and related assets	—	—	872	—	—	—	—
Total operating expenses	10,036	10,597	11,262	13,169	16,624	7,606	9,497
Operating profit	(990)	(739)	(290)	2,388	3,238	1,355	2,130
Other income (expenses)							
Interest income	16	12	71	45	38	17	8
Interest expense(a)	(986)	(1,005)	(952)	(863)	(1,021)	(492)	(501)
Other, net	257	19	1	—	—	—	—
Earnings (loss) before income tax provision (benefit)	(1,703)	(1,713)	(1,170)	1,570	2,225	880	1,637
Income tax provision (benefit)	(546)	(296)	(1,513)	561	1,069	544	723
Net earnings (loss)	$ (1,157)	$ (1,417)	$ 343	$ 1,009	$ 1,186	$ 336	$ 914

	Fifty-two weeks ended	Fifty-three weeks ended	Fifty-two weeks ended			Twenty-six weeks ended	
	May 29, 1999	June 3, 2000	June 2, 2001	June 1, 2002	May 31, 2003	Nov. 30, 2002	Nov. 29, 2003
Earnings per common share(b):							
Basic	$ (1,157)	$ (1,417)	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Diluted	$ (1,157)	$ (1,417)	$ 343	$ 994	$ 1,152	$ 327	$ 881
Weighted average number of shares used in per share calculation(b):							
Basic	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Diluted	1,000	1,000	1,000	1,015	1,030	1,029	1,037
Cash flow data:							
Net cash provided (used in) by operating activities	$ 883	$ 400	$ 409	$ 1,206	$ 680	$ (267)	$ 780
Net cash provided by (used in) investing activities	(376)	(393)	1,499	(715)	(4,572)	(3,785)	(321)
Net cash provided by (used in) financing activities	—	—	(1,761)	371	3,306	3,376	(120)

	As of					
	May 29, 1999	June 3, 2000	June 2, 2001	June 1, 2002	May 31, 2003	Nov. 29, 2003
Balance sheet data:						
Cash and cash equivalents	$ 613	$ 530	$ 1,948	$ 1,525	$ 939	$ 1,278
Working capital	9,822	9,207	9,676	10,101	12,360	13,158
Total assets	18,469	17,872	16,782	20,647	27,056	28,542
Non-current liabilities	17,098	17,697	15,754	15,165	19,403	19,333
Accumulated deficit	(12,064)	(13,481)	(13,138)	(12,129)	(10,943)	(10,029)
Total stockholders' equity (deficit)	(921)	(2,602)	(1,309)	(295)	1,487	2,956

(a) Interest expense includes imputed interest on debt to E-Z-EM of $892, $446 and $421 for the fifty-two weeks ended May 31, 2003 and the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively. The interest charges are treated as non-cash items for cash flow purposes and increases to additional paid-in capital. Of the $16,148 debt due to E-Z-EM as of November 29, 2003, $13,148 will be capitalized prior to the completion of this offering and the remaining $3,000 repaid from the proceeds of this offering.

(b) Does not give effect to the reclassification and change of our outstanding shares of Class A voting common stock and Class B non-voting common stock into 9,200,000 shares of common stock (at a ratio of 9,200 shares to 1) to be effected prior to completion of this offering.

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

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

Overview

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

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

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

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

Our growth depends in large part on the continuous introduction of new and innovative products, together with ongoing enhancements to our existing products, through internal product development, technology licensing and strategic alliances. Approximately 67% of our sales growth over our past two fiscal years was attributable to products in three categories — hemodialysis catheters, image-guided vascular access, or IGVA, products and our elvs product line — that were obtained or developed either under licensing arrangements or through strategic alliances with third parties. We also achieved significant growth in sales of angiographic catheters and PTA dilation catheters, which we developed internally. Additionally, about 55% of our net sales for fiscal 2003 were from products introduced in the last five

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

For fiscal 2003, approximately 40% of our net sales were derived from products manufactured for us by third parties. Going forward, we intend to manufacture some of these products to achieve lower product costs and increased profitability. We recently expanded our facility to provide us with significantly greater manufacturing capacity and to accommodate additional research, development and administrative requirements.

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

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

Critical Accounting Policies and Use of Estimates

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

Revenue Recognition

We recognize revenues in accordance with generally accepted accounting principles as outlined in the SEC's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement

exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has occurred or services have been rendered. Decisions relative to criterion (iii) regarding collectability are based upon our judgments, as discussed under "Accounts Receivable" below, and should conditions change in the future and cause us to determine this criterion is not met, our results of operations may be affected. We recognize revenue as products are shipped and title passes to customers. We negotiate shipping and credit terms on a customer-by-customer basis and products are shipped at an agreed upon price. All product returns must be pre-approved by us and, if approved, customers are subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and must have at least 12 months remaining prior to its expiration date.

Accounts Receivable

Accounts receivable are generally due within 30 to 60 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. We perform ongoing customer credit evaluations and adjust credit limits based upon payment history and the customers' current credit worthiness, as determined by a review of their current credit information. We continuously monitor aging reports, collections and payments from customers, and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues we identify. While such credit losses have historically been within our expectations and allowances, we cannot guarantee the same credit loss rates will be experienced in the future. We write off accounts receivable when they become uncollectible. For the period from the beginning of fiscal 2002 to November 29, 2003, our write offs of accounts receivable aggregated $28,000.

Income Taxes

In preparing our financial statements, we calculate income tax expense for each jurisdiction in which we operate. This involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. We periodically evaluate deferred tax assets, capital loss carryforwards and tax credit carryforwards to determine their recoverability based primarily on our ability to generate future taxable income and capital gains. Where their recovery is not likely, we estimate a valuation allowance and record a corresponding additional tax expense in our statement of earnings. If actual results differ from our estimates due to changes in assumptions, the provision for income taxes could be materially affected. As of May 31, 2003, our valuation allowance and net deferred tax asset were approximately $1.2 million and $1.5 million, respectively.

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

Inventories

We value inventories at the lower of cost (on the first-in, first-out method) or market. On a quarterly basis, we review inventory quantities on hand and analyze the provision for excess and obsolete inventory based primarily on product expiration dating and our estimated sales forecast, which is based on sales

history and anticipated future demand. Our estimates of future product demand may not be accurate and we may understate or overstate the provision required for excess and obsolete inventory. Accordingly, any significant unanticipated changes in demand could have a significant impact on the value of our inventory and results of operations. As of June 1, 2002, May 31, 2003, and November 29, 2003, our reserve for excess and obsolete inventory was $1.0 million, $1.2 million and $1.4 million, respectively.

Property, Plant and Equipment

We state property, plant and equipment at cost, less accumulated depreciation, and depreciate these assets principally using the straight-line method over their estimated useful lives. We determine this based on our estimates of the period over which the assets will generate revenue. Any change in condition that would cause us to change our estimate of the useful lives of a group or class of assets may significantly affect depreciation expense on a prospective basis.

Results of Operations

Our operating results for fiscal 2001, 2002 and 2003 and for the twenty-six weeks ended November 29, 2002 and November 30, 2003 are expressed as a percentage of total net sales in the following table.

	Fifty-two weeks ended			Twenty-six weeks ended	
	June 2, 2001	**June 1, 2002**	**May 31, 2003**	**Nov. 30, 2002**	**Nov. 29, 2003**
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	53.1	49.6	48.3	47.6	48.3
Gross profit	46.9	50.4	51.7	52.4	51.7
Operating expenses					
Sales and marketing	30.3	28.8	29.5	30.0	27.8
General and administrative	8.0	7.5	7.2	7.6	7.3
Research and development	6.1	6.3	6.5	6.9	7.2
Loss on sale of subsidiary and related assets	3.7	0.0	0.0	0.0	0.0
Total operating expenses	48.1	42.6	43.3	44.5	42.2
Operating profit (loss)	(1.2)	7.7	8.4	7.9	9.5
Other income (expenses)					
Interest income	0.3	0.1	0.1	0.1	0.0
Interest expense	(4.1)	(2.8)	(2.7)	(2.9)	(2.2)
Other, net	0.0	0.0	0.0	0.0	0.0
Earnings (loss) before income tax provision (benefit)	(5.0)	5.1	5.9	5.1	7.3
Income tax provision (benefit)	(6.5)	1.8	2.8	3.2	3.2
Net earnings	1.5%	3.3%	3.1%	2.0%	4.1%
Earnings per common share:					
Basic	1.5%	3.3%	3.1%	2.0%	4.1%
Diluted	1.5%	3.2%	3.0%	1.9%	3.9%

Twenty-six weeks ended November 29, 2003 and November 30, 2002

Net sales. Net sales consist of revenue derived from the sale of our products and related freight charges, less discounts and returns. For the twenty-six weeks ended November 29, 2003, or the fiscal 2004 period, net sales were $22.5 million, an increase of $5.4 million, or 31.5%, compared to the twenty-six weeks ended November 30, 2002, or the fiscal 2003 period. Sales increased across all of our principal product lines for the fiscal 2004 period compared to the fiscal 2003 period. The increase in our net sales was due to new product introductions, the expansion of our domestic sales force and increased sales of our existing product lines. Sales of hemodialysis catheters for the fiscal 2004 period increased by $2.1 million compared to the fiscal 2003 period, principally due to our introduction of the Dura-Flow chronic hemodialysis catheter in September 2002. Our elvs product, a device used in the treatment of varicose veins, was introduced in June 2002 and accounted for $1.9 million of the increase in our net sales for the fiscal 2004 period. Sales of angiographic, vascular access, PTA dilatation catheters and thrombolytic products in the aggregate accounted for $1.4 million of the increase in our net sales for the fiscal 2004 period. Net sales to non-U.S. markets for the fiscal 2004 period were $1.2 million, or 5.2% of net sales, compared to $1.3 million, or 7.7% of net sales, for the fiscal 2003 period. This decrease is due to lower sales of angiographic products resulting from increased pricing competition. Price increases were not a significant factor in the increase of our net sales.

Gross profit. Gross profit consists of net sales less the cost of goods sold, which includes the costs of materials, products purchased from third parties and resold by us, manufacturing personnel, freight, business insurance, depreciation of property and equipment and other manufacturing overhead. Gross profit for the fiscal 2004 period increased by $2.7 million, or 29.8%, to $11.6 million, compared to the fiscal 2003 period. As a percentage of net sales, gross profit decreased to 51.7% for the fiscal 2004 period, from 52.4% for the fiscal 2003 period, due to an inventory reserve for the planned discontinuation of two product lines and initial sales of our elvs lasers. Lasers are capital equipment and typically carry lower gross margins than elvs-related disposables.

Sales and marketing. Sales and marketing expenses consist primarily of the costs of salaries, commissions, travel and entertainment, attendance at medical society meetings, advertising and product promotions and samples. Sales and marketing expenses were $6.2 million for the fiscal 2004 period, an increase of $1.1 million, or 21.7%, compared to the fiscal 2003 period. Selling expenses increased due to an expansion of our domestic sales force and to other costs related to the increase in net sales, including increased commissions, promotions and samples, meals and entertainment, and travel and lodging. During the 2004 period, we added three new domestic sales representatives, bringing the total to 33, and one regional sales manager, bringing the total to five. Marketing expenses increased principally due to new product programs and our hiring of additional personnel to support the marketing efforts for our elvs product. As a percentage of net sales, sales and marketing expenses were 27.8% and 30.0% for the fiscal 2004 period and the fiscal 2003 period, respectively.

General and administrative. General and administrative expenses include corporate, finance, human resources, administrative and professional fees, as well as information technology expenses. General and administrative expenses increased to $1.6 million for the fiscal 2004 period, an increase of $334,000, or 25.6%, compared to the fiscal 2003 period. This increase was principally due to increased professional fees, overhead costs associated with the expansion of our facility in Queensbury and increased compensation expenses. As a percentage of net sales, general administrative expenses were 7.3% and 7.6% for the fiscal 2004 period and the fiscal 2003 period, respectively.

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

our intellectual property. Research and development expenses increased to $1.6 million for the fiscal 2004 period, an increase of $445,000, or 37.8%, from the fiscal 2003 period. This increase was due primarily to expanded efforts to maintain and register our intellectual property assets and increased personnel in both our research and development departments. As a percentage of net sales, research and development expenses were 7.2% and 6.9% for the fiscal 2004 and 2003 periods, respectively.

Other income (expenses). Other income (expenses) principally includes interest income, interest expense and other miscellaneous items. For the fiscal 2004 period, other income (expenses) increased to a net expense of $493,000 from a net expense of $475,000 for the fiscal 2003 period. This increase is due to higher interest expense from the financing of our facility expansion and to lower interest income. Interest expense also includes an imputed interest charge on our debt to E-Z-EM. Although E-Z-EM waived interest charges on this debt, we recorded imputed interest charges of $421,000 and $446,000 for the fiscal 2004 and the fiscal 2003 periods, respectively. These charges are treated as non-cash items for cash flow purposes and as increases to additional paid in capital. As a percentage of net sales, other expenses, net, were 2.2% and 2.8% for the fiscal 2004 period and the fiscal 2003 period, respectively.

Income tax. Our effective income tax rates for the fiscal 2004 period and the fiscal 2003 period were 44.2% and 61.8%, respectively, compared to the Federal statutory rate of 34.0%. In both fiscal periods, we recorded expenses that were non-deductible for Federal income tax purposes, principally the imputed interest expense on our debt to E-Z-EM, which contributed to our higher than statutory effective tax rate. Further, in the 2004 fiscal period, the effect of non-deductible expenses was partially offset by utilization of capital loss carryforwards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

During the past three years, we financed our operations primarily through long-term debt and cash flow from operations. At November 29, 2003, $2.0 million, or 7.0%, of our assets consisted of cash and cash equivalents, excluding restricted cash of $220,000, and short-term debt securities. Our current ratio was 3.1 to 1, with net working capital of $13.2 million, at November 29, 2003, compared to a current ratio of 3 to 1, with net working capital of $12.4 million, at May 31, 2003. The current ratio was 2.75 to 1, with net working capital of $10.1 million, at June 1, 2002. At November 29, 2003, total debt was $19.5 million comprised of $16.2 million of long-term notes payable to E-Z-EM and $3.3 million of short and long-term bank debt for financing our facility expansion in Queensbury, New York. Total debt was $19.5 million at May 31, 2003 and $16.2 million at June 1, 2002.

For the twenty-six weeks ended November 29, 2003, capital expenditures were funded by cash provided by operations and cash reserves. For fiscal 2003, capital expenditures and an equity investment at cost were funded by cash from long-term debt, operations and cash reserves. For fiscal 2002, capital expenditures were funded by cash provided by operations. For fiscal 2001, capital expenditures and the repayment of debt to E-Z-EM were funded by proceeds from the sale of our Irish subsidiary and by cash from operations.

Historically, our primary sources of financing have been loans and capital contributions from E-Z-EM. At November 29, 2003, May 31, 2003 and June 1, 2002, notes payable to E-Z-EM were $16.2 million. Under the master separation and distribution agreement we will enter into with E-Z-EM, E-Z-EM will agree to capitalize $13.2 million of this amount on or before the date of this prospectus. The remaining $3.0 million of debt will be repaid from the proceeds of this offering. Effective June 2, 2002 and through May 29, 2004, E-Z-EM agreed to waive interest payments on these notes. However, we recorded imputed interest charges for the twenty-six weeks ended November 29, 2003 and for fiscal 2003 of $421,000 and $892,000, respectively. These imputed interest charges were treated as non-cash items for cash flow purposes and as increases in additional paid in capital.

Net capital expenditures, primarily for facility expansion and machinery and equipment, were $4.1 million for fiscal 2003, compared to $682,000 for fiscal 2002 and $466,000 for fiscal 2001. Of the fiscal 2003 expenditures, $3.0 million was for the expansion of our headquarters and manufacturing facility. This expansion is expected to cost $3.5 million and is being financed by industrial revenue bonds. To secure this financing, we entered into agreements with local municipalities, a bank, a trustee and a remarketing agent. These agreements are referred to as the IDA agreements. The proceeds of the bonds are being advanced as construction occurs. As of November 29, 2003, the advances totaled $3.3 million, with the remaining proceeds of $220,000 classified as restricted cash. The bonds bear interest based on the market rate on the date the bonds are repriced and require quarterly principal payments ranging from $25,000 to $65,000 plus accrued interest through May 2022. We entered into an interest rate swap with a bank to convert the initial variable rate payments to a fixed interest rate of 4.45% per annum. The payments on the bonds are secured by a letter of credit in an initial amount of $3.6 million, and we are required to pay an annual fee ranging from 1.0% to 1.9% of the outstanding balance depending on our financial results. The current fee is 1.35% and is in effect until November 2005. The IDA agreements contain financial covenants relating to fixed charge coverage and interest coverage. At November 29, 2003, we were in compliance with these covenants. The outstanding debt is secured by a letter of credit and a first mortgage on the land, building and equipment comprising our facility in Queensbury. The debt covenants related to the industrial revenue bond financing and our bank line of credit, and the collateralization of substantially all of our assets to secure these financings, may restrict our ability to obtain debt financing in the future.

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

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

of $13.2 million debt due to E-Z-EM and the repayment of the $3.0 million remaining balance from the proceeds of this offering. We have no variable interest entities or other off-balance sheet obligations. As of November 29, 2003, there were no material changes to these obligations.

	Cash Payments Due by Period as of May 31, 2003				
	Total	Less than One Year	1-3 Years	3-5 Years	After 5 Years
			(in thousands)		
Contractual obligations:					
Notes payable to bank	$ 3,395	$ 140	$ 500	$ 550	$ 2,205
Notes payable to parent(a)	3,000	3,000	—	—	—
	$ 6,395	$ 3,140	$ 500	$ 550	$ 2,205

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

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

Quantitative and Qualitative Disclosure About Market Risk

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

Our excess cash is invested in highly liquid, short-term, investment grade securities with maturities of less than one year. These investments are not held for speculative or trading purposes. Changes in interest rates may affect the investment income we earn on cash, cash equivalents and debt securities and therefore affect our cash flows and results of operations. As of November 29, 2003, we were exposed to interest rate change market risk with respect to our investments in tax-free municipal bonds in the amount of $733,000. The bonds bear interest at a floating rate established weekly. For fiscal 2003, the after-tax interest rate on the bonds approximated 1.30%. Each 100 basis point (or 1%) fluctuation in interest rates will increase or decrease interest income on the bonds by approximately $7,000 on an annual basis.

At November 29, 2003, we maintained variable interest rate financing of $3.3 million in connection with our facility expansion. We have limited our exposure to interest rate risk by entering into an interest rate swap agreement with a bank under which we agreed to pay the bank a fixed annual interest rate of 4.45% and the bank assumed our variable interest payment obligations under the financing.

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

Quarterly Results of Operations

The following table sets forth the unaudited quarterly results of operations for each of the 10 quarters in the period June 3, 2001 through November 29, 2003, as well as the same data expressed as a percentage of net sales. This information includes all adjustments management considers necessary for the fair presentation of such data. The information for each quarter is unaudited and we have prepared it on the same basis as the audited financial statements appearing elsewhere in this document. In our opinion, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited quarterly results. We have historically experienced lower sales in the first and, to a lesser extent, in the second fiscal quarter due to lower volumes of elective surgeries in warmer months and increased purchasing following major medical society meetings that are typically held in our third and fourth fiscal quarters. These seasonal factors may lead to seasonality in our quarterly results of operations. The results of historical periods are not necessarily indicative of results for any future period.

Results of Quarterly Operations
Quarter Ended

	Fiscal 2002				Fiscal 2003				Fiscal 2004	
	Sept. 1, 2001	Dec. 1, 2001	March 2, 2002	June 1, 2002	Aug. 31, 2002	Nov. 30, 2002	March 1, 2003	May 31, 2003	Aug. 30, 2003	Nov. 29, 2003
	(in thousands, except per share data)									
Net sales	$ 6,743	$ 7,603	$ 8,134	$ 8,410	$ 8,328	$ 8,768	$ 10,103	$ 11,235	$ 10,630	$ 11,851
Cost of goods sold	3,562	3,667	4,318	3,786	4,160	3,974	5,036	5,402	5,095	5,759
Gross profit	3,181	3,936	3,816	4,624	4,168	4,794	5,067	5,833	5,535	6,092
Operating expenses										
Sales and marketing	2,080	2,101	2,047	2,673	2,432	2,696	2,900	3,310	3,004	3,235
General and administrative	546	582	603	586	603	700	739	735	837	800
Research and development	350	477	515	609	573	603	593	740	751	870
Total operating expenses	2,976	3,160	3,165	3,868	3,608	3,999	4,232	4,785	4,592	4,905
Operating profit	205	776	651	756	560	795	835	1,048	943	1,187
Other income (expenses)										
Interest income	16	12	8	9	9	8	10	11	4	4
Interest expense	(216)	(216)	(216)	(215)	(223)	(269)	(266)	(263)	(260)	(241)
Earnings before income tax provision	5	572	443	550	346	534	579	796	687	950
Income tax provision	32	230	96	203	236	308	262	263	379	344
Net earnings (loss)	$ (27)	$ 342	$ 347	$ 347	$ 110	$ 226	$ 317	$ 533	$ 308	$ 606
Earnings (loss) per common share										
Basic	$ (27)	$ 342	$ 347	$ 347	$ 110	$ 226	$ 317	$ 533	$ 308	$ 606
Diluted	$ (27)	$ 342	$ 337	$ 337	$ 107	$ 219	$ 308	$ 518	$ 299	$ 580

Results of Quarterly Operations
Quarter Ended

	Fiscal 2002				Fiscal 2003				Fiscal 2004	
	Sept. 1, 2001	Dec. 1, 2001	March 2, 2002	June 1, 2002	Aug. 31, 2002	Nov. 30, 2002	March 1, 2003	May 31, 2003	Aug. 30, 2003	Nov. 29, 2003
	(in thousands, except per share data)									
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	52.8	48.2	53.1	45.0	50.0	45.3	49.8	48.1	47.9	48.6
Gross profit	47.2	51.8	46.9	55.0	50.0	54.7	50.2	51.9	52.1	51.4
Operating expenses										
Sales and marketing	30.8	27.6	25.2	31.8	29.2	30.7	28.7	29.5	28.3	27.3
General and administrative	8.1	7.7	7.4	7.0	7.2	8.0	7.3	6.5	7.8	6.8
Research and development	5.2	6.3	6.3	7.2	6.9	6.9	5.9	6.6	7.1	7.3
Total operating expenses	44.1	41.6	38.9	46.0	43.3	45.6	41.9	42.6	43.2	41.4
Operating profit	3.1	10.2	8.0	9.0	6.7	9.1	8.3	9.3	8.9	10.0
Other income (expenses)										
Interest income	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Interest expense	(3.2)	(2.8)	(2.7)	(2.6)	(2.7)	(3.1)	(2.7)	(2.3)	(2.4)	(2.0)
Earnings before income tax provision	0.1	7.6	5.4	6.5	4.2	6.1	5.7	7.1	6.5	8.0
Income tax provision	0.5	3.1	1.1	2.4	2.8	3.5	2.6	2.3	3.6	2.9
Net earnings (loss)	(0.4)%	4.5%	4.3%	4.1%	1.3%	2.6%	3.1%	4.8%	2.9%	5.1%
Earnings (loss) per common share										
Basic	(0.4)%	4.5%	4.3%	4.1%	1.3%	2.6%	3.1%	4.8%	2.9%	5.1%
Diluted	(0.4)%	4.5%	4.1%	4.0%	1.3%	2.5%	3.0%	4.6%	2.8%	4.9%

BUSINESS

Company Overview

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

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

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

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

Peripheral Vascular Disease

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

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

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

Peripheral Interventional Medicine

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

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

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

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

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

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

Our Strategy

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

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

- Ÿ *Offering a broad product line.* We believe our ability to offer a broad line of therapeutic and diagnostic products is a competitive advantage that differentiates us from single product niche device companies. We intend to continue to enter complementary product categories in which we feel we can become a market leader.
- Ÿ *Vertically integrating manufacturing.* In fiscal 2003, approximately 40% of our revenues were derived from products manufactured for us by third parties. We intend to manufacture a greater percentage of these products. We believe this increased vertical integration will enable us to lower production costs and increase profitability.
- Ÿ *Acquiring or partnering with complementary businesses.* We believe we will be able to leverage our existing sales infrastructure and to supplement our internal development efforts through selective licenses, alliances and acquisitions of technologies and products that will further enhance our presence in interventional medicine.

Products

Our current product offerings consist of the following product categories:

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

The sales reported in the table above as “Other” include revenues from freight charges, sales of biliary stents and revenues from contract manufacturing for E-Z-EM.

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

Angiographic Products and Accessories

Angiographic products and accessories are used during virtually every peripheral vascular interventional procedure. These products permit interventional physicians to reach targeted locations within the vascular system to deliver contrast media for visualization purposes and therapeutic agents and devices, such as stents or PTA balloons. Angiographic products consist primarily of angiographic catheters. Angiographic accessories include entry needles and guidewires that are specifically designed for peripheral interventions, and fluid management products.

Millennium Research Group reports that the U.S. market for angiographic products and accessories for peripheral vascular applications in 2002 was $162.2 million. This aggregate market consisted of a $134.9 million market for peripheral vascular guidewires and a $27.3 million market for angiographic catheters.

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

- *Soft-Vu.* Our proprietary Soft-Vu technology incorporates a soft, atraumatic tip, which is easily visualized under fluoroscopy.
- *ANGIOPTIC.* The ANGIOPTIC line is distinguished from other catheters because the entire instrument is highly visible under fluoroscopy.
- *Accu-Vu.* The Accu-Vu is a highly visible, accurate sizing catheter to determine the length and diameter of a vessel for endovascular procedures. Accu-Vu provides a soft, highly radiopaque tip with a choice of platinum radiopaque marker patterns along the shaft for enhanced visibility and accuracy. Sizing catheters are used primarily in preparation for aortic aneurysm stent-grafts, percutaneous balloon angioplasty, peripherally-placed vascular stents and vena cava filters.

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

Our major competitors in the peripheral angiographic market are Boston Scientific, Cook and Cordis. Millennium Research Group reports that in 2002, we had the largest share of the peripheral angiographic catheter market, with 31% of the market.

Hemodialysis Catheters

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

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

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

- *Schon*. The Schon chronic hemodialysis catheter is designed to be self-retaining, deliver high flow rates and provide patient comfort. The Schon is for long-term use.
- *More-Flow*. The More-Flow chronic hemodialysis catheter permits easier insertion and delivers high flow rates. The material conforms well to the vessel anatomy, resulting in higher patient tolerance during extended use. The More-Flow is for long-term use.

- Ÿ *Dura-Flow*. The Dura-Flow chronic hemodialysis catheter is designed to be durable, maximize flow rates and provide for easier care and site maintenance. The Dura-Flow chronic hemodialysis catheter is for long-term use.
- Ÿ *Schon XL*. The Schon XL acute hemodialysis catheter is designed to be kink resistant, deliver high flow rates, offer versatile positioning and provide patient comfort. Schon XL is for short-term use.

Boston Scientific, C.R. Bard, Kendall Healthcare Products, a subsidiary of Tyco International Ltd., and Medcomp are our major competitors in the development, production and marketing of hemodialysis catheters. We obtain all of our hemodialysis catheters from Medcomp under an exclusive license, except for our More-Flow catheter, which we obtain under a non-exclusive license.

PTA Dilation Balloons

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

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

Boston Scientific, Cordis, Cook and C.R. Bard are our primary competitors in the PTA dilation market.

Thrombolytic Products

Thrombolytic catheter products are used to deliver thrombolytic agents, drugs that dissolve blood clots in hemodialysis access grafts, arteries, veins and surgical bypass grafts. Medtech Insight reports that approximately 112,000 peripheral catheter-directed, thrombolytic procedures were performed in the United States in 2002. Medtech Insight reports that sales of catheter-directed thrombolytic devices for peripheral indications were an estimated $19.6 million in 2002 and are expected to grow to $25.6 million in 2007, representing a CAGR of 5.5%.

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

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

Image-Guided Vascular Access Products

Image-guided vascular access, or IGVA, involves the use of advanced imaging equipment to guide the placement of catheters that deliver primarily short-term drug therapies, such as chemotherapeutic agents and antibiotics, into the central circulatory system. Delivery to the central system allows drugs to mix with a

large volume of blood as compared to intravenous drug delivery into a superficial vessel. IGVA procedures include the placement of percutaneously inserted central catheter lines, or PICC lines, implantable ports and central venous catheters, or CVCs.

Our IGVA products include:

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

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

Our competitors in this market include Arrow International, Inc., Boston Scientific, Cook, C.R. Bard, Deltec, Inc., a subsidiary of Smiths Group plc, and Medcomp.

Endovascular Laser Venous System (elvs)

An endovascular laser procedure in the venous system is a less invasive alternative to vein stripping for the treatment of venous insufficiency of the greater saphenous vein. Vein stripping is a lengthy, painful and traumatic surgical procedure that involves significant patient recovery time. In contrast, laser treatment is an outpatient procedure that generally allows the patient to quickly return to normal activities with no scarring and minimal post-operative pain. The laser delivers energy that causes the degenerating vein to collapse. The body subsequently routes the blood to other healthy veins. Another treatment alternative to laser treatment is radio frequency ablation, which we believe is a more time consuming and expensive procedure than laser treatment.

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

Our Precision 810 and Precision 980 elvs products treat venous insufficiency. When venous valves become incompetent, they allow blood to leak or reflux into thin-walled veins that are close to the skin's surface. The refluxing blood increases the pressure within these veins, causing them to become enlarged, dilate and ultimately result in varicose veins. Laser energy is used to stop the source of the pressure by

delivering energy to collapse and destroy the affected vein. With our elvs products, a laser fiber is inserted into an affected vein through a sheath. Our elvs products are sold as a system that includes a diode laser, disposable components and training and marketing material. The diode laser is a self-contained reusable instrument. The disposable components in the system include a Sheath-Lok laser fiber system for which a patent application is pending, an access sheath, access wires and needles. The training and marketing material includes a two-day physician training course, a comprehensive business development package and patient marketing kit.

Competition for the treatment of venous insufficiency includes surgical vein stripping treatments, RF ablation and other laser treatment of the greater saphenous vein. The leading provider for RF ablation is VNUS Medical. Companies competing in the laser segment include biolitec, Inc., Diomed, Dornier MedTech GmbH and Vascular Solutions, Inc. We purchase the laser and laser fiber used in our Precision 810 and Precision 980 elvs products from biolitec, Inc.

Drainage Products

Drainage products percutaneously drain abscesses and other fluid pockets. An abscess is a tender, inflamed mass that typically must be drained by a physician. According to IMS Health, the 2002 U.S. market size for drainage catheters was approximately $25.5 million, an increase of 15.6% over the prior year.

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

Our primary competitors for drainage products include Boston Scientific, Cook and C.R. Bard.

New Products

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

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

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

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

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

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

MORPHEUS. The MORPHEUS PICC line provides short- or long-term peripheral access to the central venous system for intravenous therapy and blood sampling. This PICC line has a proprietary shaft design with increasing flexibility from the proximal to distal end. This design provides ease of use and enhanced patient safety and comfort.

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

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

SPEEDLYSER. Our SPEEDLYSER thrombolytic catheter will be used to effectively deliver thrombolytic agents into obstructed dialysis grafts. This new catheter features Pulse*Spray slit technology that simplifies catheter insertion and drug delivery.

Mariner. Our Mariner is a hydrophilic-coated angiographic catheter designed to access anatomy that is difficult to reach and for the delivery of embolic particles. It features a hydrophilic coating that is very durable and does not become tacky when dry.

Research & Development

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

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

Our research and product development teams work closely with our sales force to incorporate customer feedback into our development and design process. We believe that we have a reputation among interventional physicians as being a good partner for product development because of our tradition of close physician collaboration, dedicated market focus, responsiveness and execution capabilities for product development and commercialization.

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

Competition

We encounter significant competition from various entities across our product lines and in each market in which our products are sold. These markets are characterized by rapid change resulting from technological advances and scientific discoveries. In the product lines in which we compete, we face competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of products. In addition, we compete with providers of other medical therapies, such as pharmaceutical companies, which may offer non-surgical therapies for conditions that are currently or intended to be treated using our products. Our primary device competitors include: Boston Scientific, Cook, Cordis, C.R. Bard, Diomed, Medcomp and VNUS Medical. Medcomp supplies us with all of our hemodialysis catheters, but also competes with us by selling More-Flow catheters, which we buy from them on a non-exclusive basis, and other hemodialysis catheters that we do not license from them. Many of our competitors have substantially greater financial, technological, research and development, regulatory, marketing, sales and personnel resources than we do. Certain of these competitors may also have greater experience in developing products, obtaining regulatory approvals, and manufacturing and marketing such products. Certain of these competitors may obtain patent protection or regulatory approval or clearance, or achieve product commercialization, before us, any of which could materially adversely affect us.

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

Sales and Marketing

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

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

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

We promote our products through medical society meetings that are well attended by interventional radiologists, vascular surgeons, interventional cardiologists and interventional nephrologists. Our significant presence at these key meetings reflects our commitment to, and stature in, the interventional community.

Manufacturing

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

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

Our management information system includes order entry, invoicing, on-line inventory management, lot traceability, purchasing, shop floor control and shipping and distribution analysis, as well as various accounting-oriented functions. This system enables us to track our products from the inception of an order through all parts of the manufacturing process until the product is delivered to the customer. Our efficient manufacturing capabilities enable us to ship 95% of products sold in the United States within 48 hours of when an order is placed.

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

In fiscal 2003, 60% of our net sales were derived from products we manufactured ourselves, with the balance being derived from products manufactured for us by third parties. We intend to manufacture more of these outsourced products in our facility in 2004, which we believe will enable us to lower production costs and increase profitability.

We believe our manufacturing operations meet or exceed all applicable domestic and foreign regulations and standards. Our Queensbury facility is registered with the FDA and has been certified to ISO 13485, EN 46001 and ISO 9001 standards, as well as the CMD/CAS Canadian Medical Device Regulations. Our manufacturing facilities are subject to periodic inspections by regulatory authorities to ensure compliance with domestic and non-U.S. regulatory requirements. See " — Government Regulation."

Intellectual Property

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

We currently hold U.S. patents covering certain aspects of the following products: Soft-Vu angiographic catheter lines, Pulse*Spray Infusion Systems, UNI*FUSE Infusion System, CO_2Ject carbon dioxide angiographic systems, PULSE*VU bloodless angiographic needle, Halo angiographic flush catheters, VISTAFLEX and OMNIFLEX peripheral and biliary stents and ANGIOFLUSH fluid delivery systems. In addition, we hold foreign patents or pending foreign patent applications for some of these products, in certain non-U.S. jurisdictions.

We also hold U.S. patents or pending patent applications regarding other devices and potential products, including retrievable and convertible IVC filters, needles, angioplasty balloons, stent delivery systems, angiographic catheters, thrombolytic devices, PICC lines, venous therapies, dialysis devices and drainage catheters. We hold foreign patent applications regarding other devices and potential products including IVC filters, needles, thrombolytic devices, PICC lines, venous therapies and dialysis devices.

We have licenses for U.S. patents or pending patent applications regarding potential products, including angiographic catheters, guidewires, micro-catheters, microwave tumor therapies, hemostasis sheaths and irrigation devices.

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

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

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

Third parties may claim that our products infringe on their patents and other intellectual property rights. Some companies in the medical device industry have used intellectual property infringement litigation to gain a competitive advantage. If a competitor were to challenge our patents, licenses or other intellectual property rights, or assert that our products infringe its patent or other intellectual property rights, we could incur substantial litigation costs, be forced to make expensive changes to our product designs, license rights in order to continue manufacturing and selling our products, or pay substantial damages. Third-party infringement claims, regardless of their outcome, would not only consume our financial resources but also divert our management's time and effort. Such claims could also cause our customers or potential customers to defer or limit their purchase or use of the affected products until resolution of the claim.

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

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

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

Government Regulation

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

United States Regulation

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

The 510(k) procedure is less rigorous than the PMA procedure, but is available only in particular circumstances. The 510(k) clearance procedure is available only if a manufacturer can establish that its device is "substantially equivalent" to a legally marketed device. The 510(k) procedure applies both to new products and to modifications of existing products. The 510(k) clearance procedure generally takes from four to 12 months from the time of submission, but may take longer. The FDA may determine that a new device is not substantially equivalent to a legally marketed device or may require that additional information, including clinical data, be submitted before a determination is made, either of which could significantly delay the introduction of new device products. If a product does not satisfy the criteria of substantial equivalence, premarket approval is required prior to the introduction of that product into the market.

The PMA application procedure is more comprehensive than is the 510(k) procedure and typically takes several years to complete. The PMA application must be supported by scientific evidence providing preclinical and clinical data relating to the safety and efficacy of the device and include a variety of other information. The standard used by the FDA in determining whether to approve a PMA application is that there must be a reasonable assurance that the device is safe and effective for its intended purpose. As part of the PMA approval, the FDA may place restrictions on the device, such as requiring additional patient follow-up for an indefinite period of time. After a PMA is approved, if significant changes are made to a device, a PMA supplement containing additional information must be filed for FDA approval. If the FDA's evaluation of the PMA application or the manufacturing facility is not favorable, the FDA may deny approval of the PMA application or issue a "not approvable" letter. The FDA may also require additional clinical trials, which can delay the PMA approval process by several years.

Historically, our products have been introduced into the market using the 510(k) procedure and we have never used the more rigorous PMA procedure. No current clinical trials are pending for any of our products.

The FDA approval process for a medical device is expensive, uncertain and lengthy, and a number of products for which FDA approval has been sought by other companies have never been approved for marketing. There can be no assurance that we will be able to obtain necessary regulatory approvals for any product requiring regulatory approval on a timely basis or at all. Delays in receipt of or failure to receive such approvals, the loss of previously received approvals, or the failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition and results of operation. If and when FDA marketing approvals are granted for a device, the products and their manufacture are subject to pervasive and continuing regulation by the FDA, including record keeping requirements and reporting of adverse experiences with the use of the device. The labeling and promotion activities with respect to devices and drugs are subject to scrutiny by the FDA, and in certain instances, by the Federal Trade Commission. The FDA actively enforces regulations prohibiting the marketing of devices and drugs for unapproved uses.

The devices manufactured by us are subject to current Good Manufacturing Practice and Quality System regulations. Device manufacturers are required to register their facilities and list their facilities with the FDA and certain state agencies. Every phase of production, including raw materials, components and subassemblies, manufacturing, testing, quality control, labeling, tracing of consignees after distribution, and follow-up and reporting of complaint information is governed by FDA regulations. The FDA periodically conducts inspections of manufacturing facilities and, if there are violations, the operator of a facility must correct or satisfactorily explain the violations or face potential regulatory action.

Non-compliance with applicable FDA requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the FDA to grant marketing approvals, withdrawal of marketing approvals, a recommendation by the FDA to disallow us to enter into government contracts, and criminal prosecutions. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by us.

Other

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

Non-U.S. Regulation

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

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

International sales of medical devices manufactured in the United States that are not approved or cleared by the FDA for use in the United States, or are banned or deviate from lawful performance standards, are subject to FDA export requirements. Before exporting such products to a foreign country, we must first comply with the FDA's regulatory procedures for exporting unapproved devices.

There can be no assurance that new laws or regulations regarding the release or sale of medical devices will not delay or prevent sale of our current or future products.

Third-Party Reimbursement

United States

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

In the United States, third-party payors generally pay healthcare providers directly for the procedures they perform, and in certain instances for the products they use. However, in many cases third-party payors operate by reimbursing patients for all or part of the charges that patients pay for procedures and products used in connection with those procedures. In either case, our sales volumes depend on the extent to which third-party payors cover our products and the procedures in which they are used. In general, a third-party payor only covers a medical product or procedure when the plan administrator is satisfied that the product or procedure improves health outcomes, including quality of life or functional ability, in a safe and cost-effective manner. Even if a device has received clearance or approval for marketing by the FDA, there is no assurance that third-party payors will cover the cost of the device and related procedures.

In many instances, third-party payors cover the procedures performed using our products using price schedules that do not vary to reflect the cost of the products and equipment used in performing those procedures. In other instances, payment or reimbursement is separately available for the products and equipment used, in addition to payment or reimbursement for the procedure itself. Even if coverage is available, third-party payors may place restrictions on the circumstances where they provide coverage or may offer reimbursement that is not sufficient to cover the cost of our products. Many of the products that compete with ours are less expensive. Therefore, although coverage may be available for our products and the related procedures, the levels of approved coverage may not be sufficient to justify using our products instead of those of competitors.

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

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

Finally, the advent of contracted fixed rates per procedure has made it difficult to receive reimbursement for disposable products, even if the use of these products improves clinical outcomes. In addition, many third-party payors are moving to managed care systems in which providers contract to provide comprehensive healthcare for a fixed cost per person. Managed care providers often attempt to

control the cost of healthcare by authorizing fewer elective surgical procedures. Under current prospective payment systems, such as the diagnosis related group system and the hospital out-patient prospective payment system, both of which are used by Medicare and in many managed care systems used by private third-party payors, the cost of our products will be incorporated into the overall cost of a procedure and there will be no separate reimbursement for our products. As a result, we cannot be certain that hospital administrators and physicians will purchase our products, despite the clinical benefits and opportunity for cost savings that we believe can be derived from their use.

If hospitals and physicians cannot obtain adequate reimbursement for our products or the procedures in which they are used, our business, financial condition and results of operations could suffer a material adverse impact.

Non-U.S.

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

Insurance

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

We cannot assure you that our current product liability insurance is adequate. We will endeavor to obtain our own product liability coverage to commence upon termination of our coverage under E-Z-EM's policy. However, we cannot assure you that such insurance coverage will be available on commercially reasonable terms or at all. A successful product liability claim or other claim with respect to uninsured or underinsured liabilities could have a material adverse effect on us.

Environmental

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

Employees

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

Facilities

We own a 56,000 square foot manufacturing, administrative, engineering and warehouse facility situated on 13 acres in Queensbury, New York. The land and buildings are subject to a first mortgage in favor of a bank. We believe that this facility has sufficient capacity to meet our anticipated manufacturing and other needs for the next five years.

Litigation

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

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

Under our distribution agreement with Medcomp, Medcomp is required to indemnify us against all our costs and expenses, as well as losses, liabilities and expenses (including reasonable attorneys' fees) that relate in any way to products covered by the agreement. We have tendered the defense of the Duhon action to Medcomp. Medcomp has accepted defense of the action.

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

MANAGEMENT

Executive Officers and Directors

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

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

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

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

Harold C. Mapes has served as our Vice President, Operations since 1996 and was our Director of Operations from 1995 to 1996 and Product Development Project Manager from 1992 to 1994. Before joining us, Mr. Mapes held product development and supervisory manufacturing and engineering positions from 1988 to 1992 with Mallinckrodt Medical, a medical device manufacturer.

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

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

Brian S. Kunst has served as our Vice President, Regulatory Affairs/Quality Assurance, or RA/QA, since 1997 and from 1995 to 1997 was our Director of RA/QA. From 1991 to 1995, Mr. Kunst was the Regulatory Affairs Manager for Surgitek, Inc., a medical device company. From 1990 to 1991, Mr. Kunst was a Regulatory Affairs Associate for W.L. Gore and Associates, a medical device manufacturer. From 1984 to 1990 he was a biomedical engineer with the U.S. Food and Drug Administration.

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

Paul S. Echenberg has been a director since 1996 and Chairman of our board of directors since February 2004. He has been a director of E-Z-EM since 1987 and has served as Chairman of the Board of E-Z-EM Canada since 1994. He has been the President, Chief Executive Officer and a director of Schroders & Associates Canada Inc., an investment buy-out advisory services company, and a director of Schroders Ventures Ltd., an investment firm, since 1997. He is also a founder and has been a general partner and director of Eckvest Equity Inc., a personal investment and consulting services company since 1989. He is a director of Lallemand Inc., Benvest Capital Inc., Colliers MacAuley Nicholl, ITI Medical, Flexia Corp., Fib-Pak Industries Inc., Med-Eng Systems Inc., MacroChem Corp., Matra Plast Industries Inc. and A.P. Plasman Corp. E-Z-EM has an investment in ITI Medical.

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

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

David P. Meyers has served as a director since 1996. He has been a director of E-Z-EM since 1996. He is a founder of Alpha Cord, Inc., which provides cryopreservation of umbilical cord blood, and has served

as its President since 2002. Previously, he founded MedTest Express, Inc., a provider of contracted laboratory services for home health agencies, and served as its President, Chief Executive Officer and a director from 1994 to September 2002.

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

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

Key Employees

Daniel K. Recinella has served as our Director, Product Development since 2001. Since joining us in 1991, Mr. Recinella has been a Project Manager and Senior Project Engineer for our product development group, and Director of Thrombolytic/Thrombectomy Products for our marketing group. In 1989, Mr. Recinella was a Senior Project Engineer for VASER, Inc., a medical devices company. From 1985 to 1989, he was a Project Engineer and Product Development Engineer with BSC/Mansfield Scientific, a medical devices company. From 1983 to 1985, Mr. Recinella was a Product Development Engineer with Sarns/3M, a medical capital and devices company.

Board of Directors

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

Directors' Compensation

Directors who are not our employees receive a monthly retainer of $1,000, in addition to $1,000 for each board meeting attended in person, and $250 for each telephonic meeting of the board in which they

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

Board Committees

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

Audit Committee

Our audit committee is solely responsible for the appointment of and reviewing fee arrangements with our independent accountants, as well as approving any non-audit services by our independent accountants. Our audit committee reviews and monitors our internal accounting procedures and reviews the scope and results of the annual audit and other services provided by our independent accountants. Our audit committee currently consists of Dennis Meteny, who chairs this committee. Our board of directors has determined that Mr. Meteny is an audit committee “financial expert” as defined under the regulations of the Securities Act. Our board intends to add two more independent directors to the audit committee prior to completion of this offering.

Governance/Nominating Committee

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

Compensation Committee

Our compensation committee is primarily responsible for reviewing and approving the compensation and benefits of our executive officers; evaluating the performance and compensation of our executive officers in light of our corporate goals and objectives; administering our employee benefit plans and making recommendations to our board of directors regarding these matters; and administering our equity compensation plans. Our board intends to appoint at least two independent directors to our compensation committee.

Compensation Committee Interlocks and Insider Participation

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

Scientific Advisory Board

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

The scientific advisory board currently consists of the following members:

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

Kenneth R. Thomson, M.D.	Professor of Radiology and Director of Radiology, Monash University, Melbourne, Australia
Frank J. Veith M.D. F.A.C.S.	Professor of Surgery, Albert Einstein College of Medicine, New York, NY and Vice-Chairman of Surgery & Chief of Vascular Surgical Services, Montefiore Medical Center, New York, NY; William J. von Liebig Chair, Vascular Surgery, Montefiore Medical Center, New York, NY

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

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

The following table sets forth the E-Z-EM common stock held by our directors, our named executive officers, all of our directors and executive officers as a group and all other persons known to us who beneficially own 5% or more of E-Z-EM's outstanding common stock as of February 24, 2004. Except as otherwise noted, the individual director or named executive officer (including his or her family members) had sole voting and investment power with respect to the E-Z-EM common stock.

	Number of Shares of Common Stock Owned(a)(b)	% of Outstanding Shares
Eamonn P. Hobbs	32,699(c)	*
Robert M. Rossell	3,419(d)	*
Paul J. Shea	6,844(e)	*
William M. Appling	6,809(f)	*
Brian S. Kunst	4,502(g)	*
Howard S. Stern	2,056,099(h)	20.0
Jeffrey Gold	—	—
Paul S. Echenberg	95,202(i)	*
David P. Meyers	748,667(j)	7.3
Howard W. Donnelly	—	—
Dennis S. Meteny	—	—
Jonas I. Meyers	598,319(k)	5.8
Stuart J. Meyers	691,973(l)	6.7
Ira Albert	800,042(m)	7.8
Wellington Management Company	707,402(n)	6.9
All directors and executive officers as a group (13 persons)	2,960,382	27.8

(a) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options that are exercisable or will become exercisable within 60 days of

January 2, 2004 into shares of E-Z-EM common stock are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(b) The table does not include shares of our common stock that are subject to outstanding options held by our officers and directors that are not currently exercisable. These options will become exercisable upon the earlier to occur of (i) 14 months after the completion of this offering and (ii) two months after completion of this offering and the distribution by E-Z-EM of our shares of common stock to its stockholders. These options held by our named executive officers and directors cover the following number of shares: Mr. Hobbs, 426,545 shares; Mr. Rossell, 52,272 shares; Mr. Shea, 52,272 shares; Mr. Appling, 52,272 shares; Mr. Kunst, 52,272 shares; Mr. Gold, 42,863 shares; Mr. Echenberg, 95,136 shares; Mr. Stern, 86,772 shares; and Mr. Meyers, 42,863 shares; and all of our directors and executive officers, 1,007,811 shares.

(c) Includes 32,640 shares issuable under currently exercisable options at an exercise price of $4.22 per share.

(d) Includes 3,419 shares issuable under currently exercisable options at an exercise price of $4.22 per share.

(e) Includes 6,844 shares issuable under currently exercisable options at an exercise price of $4.22 per share.

(f) Includes 6,809 shares issuable under currently exercisable options at an exercise price of $4.22 per share.

(g) Includes 4,502 shares issuable under currently exercisable options at an exercise price of $3.78 per share.

(h) Includes 2,000 shares issuable under currently exercisable options at an exercise price of $9.00 per share. Does not include 329,931 shares owned by Mr. Stern's son or an aggregate of 447,877 shares owned or issuable under currently exercisable options held by Mr. Stern's daughter, her husband and their minor children, as to which shares Mr. Stern disclaims beneficial ownership. The information relating to Mr. Stern's share ownership and that of the persons named in this footnote was obtained from a Schedule 13D dated September 26, 2003, filed jointly by Mr. Stern, Seth F. Stern and Rachel Stern Graham and other information provided to us by E-Z-EM.

(i) Includes 77,856 shares issuable under currently exercisable options at an average exercise price of $4.27 per share.

(j) Includes 1,000 shares issuable under currently exercisable options at an exercise price of $9.00 per share. Does not include (i) 121,849 shares held by Mr. Meyers' wife, (ii) 25,773.6 shares held by a trust established for the benefit of his children, and (iii) 52,134 shares in which Mr. Meyers has a remainder interest and his mother has a life estate. Mr. Meyers has disclaimed beneficial ownership of all of the shares described in the preceding sentence. The information relating to Mr. Meyers' share ownership was obtained from a Schedule 13D dated February 23, 2004, filed jointly by Mr. Meyers and others and other information provided to us by E-Z-EM.

(k) Excludes 49,632 shares in which Mr. Meyers has a remainder interest and his mother has a life estate, as to which he disclaims ownership. The information relating to Jonas I. Meyers' share ownership was obtained from the Schedule 13D described in footnote (j), above.

(l) Excludes (i) 119,940 shares held by Mr. Meyers' wife, (ii) 290,002 shares held by a trust established for the benefit of his children, and (iii) 49,632 shares in which he has a remainder interest and his mother has a life estate, as to which Mr. Meyers disclaims beneficial ownership. The information relating to Stuart J. Meyers' share ownership was obtained from the Schedule 13D described in footnote (j), above.

(m) Mr. Albert's share ownership was obtained from a Schedule 13D dated July 18, 2003.
(n) Wellington Management Company's share ownership was obtained from a Schedule 13G dated February 13, 2004. Of the shares beneficially owned by Wellington Management, 523,602 shares are owned of record by Vanguard Specialized Funds — Vanguard HealthCare Fund, or Vanguard, as reflected in a Schedule 13G dated February 5, 2004 filed by Vanguard and the Schedule 13G filed by Wellington Management.
* Less than 1%.

Executive Compensation

The following table sets information concerning compensation awarded by us to our chief executive officer and each of our four most highly compensated executive officers whose total salary, bonus and other compensation exceeded $100,000 during our fiscal year ended May 31, 2003, whom we refer to in this prospectus as "named executive officers." In accordance with the rules of the Securities and Exchange Commission, or the SEC, the compensation described in this table does not include perquisites and other personal benefits received by the executive officers named in the table below that do not exceed the lesser of $50,000 or 10% of the total salary and bonus reported for these executive officers.

Summary Compensation Table

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

Options Granted in Fiscal 2003

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

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

There were no option exercises by the named executive officers during our fiscal year ended May 31, 2003. The following table summarizes the value of the options held by them as of May 31, 2003. The value of unexercised in-the-money options at fiscal year end is calculated using the difference between the option

exercise price and the estimated fair market value at May 31, 2003, which has been deemed to be $ per share, multiplied by the number of shares underlying the option. An option is in-the-money if the fair market value of the common stock subject to the option is greater than the exercise price. The initial public offering price of $ per share is higher than the estimated fair market value at fiscal year end and the value of unexercised options would be higher than the numbers shown in the table if the value were calculated by subtracting the exercise price from the initial public offering price.

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

Employment Agreements

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

Treatment of E-Z-EM Options

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

Except for the adjusted exercise price, the terms and conditions of the E-Z-EM options, including the vesting provisions, will remain the same. In connection with the grant of AngioDynamics options, we may adopt certain option plans intended to “mirror” the provisions of the E-Z-EM option plan or plans under which the outstanding E-Z-EM options were granted. To ensure that each AngioDynamics option is granted without any additional benefit not provided by the underlying outstanding E-Z-EM option, the AngioDynamics options will be granted under the terms of the corresponding “mirror” plan, pursuant to an identical non-plan award agreement or under our 2004 Stock and Incentive Award Plan. The AngioDynamics option will vest and become exercisable in accordance with the terms of the E-Z-EM options to which they relate, and will expire as follows. For our officers and directors, one-half of the AngioDynamics options will expire upon the later of (i) 12 months after one-half of the options become exercisable in full and (ii) 12 months after expiration of the 180-day lock-up period described in the “Underwriting” section of this prospectus. The remaining one-half of the options will expire upon the later of (i) 24 months after the remaining one-half of the options become exercisable in full and (ii) 24 months

after expiration of the 180-day lock-up period. For all other options recipients, one-half of their options will expire upon the later of (i) 12 months after one-half of the options become exercisable in full and (ii) 12 months from the date of the completion by E-Z-EM of the distribution of our shares to its stockholders. The remaining one-half of their options will expire upon the later of (i) 24 months after the remaining one-half of the options become exercisable in full and (ii) 24 months from the date of the completion by E-Z-EM of the distribution. However, in no event will the options be exercisable beyond the exercise period of the E-Z-EM options to which they relate.

Employee Compensation Plans

1997 Stock Option Plan

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

We have reserved 1,497,668 shares of our common stock for issuance upon exercise of incentive stock options and non-qualified options granted under the 1997 Plan, of which 1,337,136 shares are subject to outstanding options. Generally, the exercise price for incentive stock options and non-qualified options granted under the 1997 Plan may not be less than 100% of the fair market value of our common stock on the option grant date. If a participant owns more than 10% of our voting stock on the date an incentive stock option is granted, the exercise price may not be less than 110% of the fair market value of our common stock on the date of grant. A participant may pay the option exercise price in cash or, if approved by the board or the committee, with previously-owned shares of our common stock.

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

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

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

If there is a stock dividend, stock split, recapitalization, combination, subdivision, issuance of rights to our stockholders, or other similar event, then the board will adjust the total number of shares that may be issued under the 1997 Plan, and the number of shares subject to, and the exercise price of, each outstanding option, as it deems appropriate. If there is a proposed merger, or if we sell all or substantially all of our assets or our outstanding stock is obtained by another person, or if there is a divisive reorganization, spin-off, liquidation or partial liquidation of AngioDynamics, then our board will take such action as it deems reasonable to permit option holders to realize the value of the rights granted to them under the 1997 Plan.

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

2004 Stock and Incentive Award Plan

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

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

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

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

No participant in our 2004 Plan may receive options to purchase, or stock appreciation rights with respect to, more than shares in any year. The maximum number of shares for which awards other

than stock options or stock appreciation rights may be granted to a plan participant in any year is shares. Awards payable in cash under the 2004 Plan may not exceed $ for a participant in any year.

Stock appreciation rights, or SARs may, be granted under our 2004 Plan. SARs allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. The committee will determine the terms of SARs, including when such rights become exercisable and whether to pay the increased appreciation in cash or with shares of our common stock, or a combination thereof.

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

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

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

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

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

Limitation of Liability and Indemnification Matters

Our amended and restated certificate of incorporation and bylaws will provide that we will indemnify all of our directors and officers to the fullest extent permitted by Delaware law. Our amended and restated certificate of incorporation and bylaws will also authorize us to indemnify our employees and other agents to the fullest extent permitted by Delaware law. We believe that these provisions will assist us in attracting and retaining qualified persons to serve as directors and officers.

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

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

RELATIONSHIP AND ARRANGEMENTS WITH E-Z-EM

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

Master Separation and Distribution Agreement

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

The Distribution

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

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

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

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

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

Indemnification

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

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

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

- Ÿ E-Z-EM's failure to pay, perform or discharge in due course E-Z-EM's liabilities that are not assumed by us in connection with the distribution or our separation from E-Z-EM;
- Ÿ E-Z-EM's failure to comply with the terms of the master separation and distribution agreement or any of the other agreements we enter into with E-Z-EM in connection with the distribution;
- Ÿ any action or inaction by E-Z-EM that causes the distribution to be taxable, to the extent we or our stockholders are adversely affected;
- Ÿ any defense of any claims, investigations or proceedings arising out of E-Z-EM's benefit plans if caused by the gross negligence or willful misconduct of E-Z-EM personnel;
- Ÿ any claims arising out of pre-distribution employment arrangements for which E-Z-EM is liable under the master separation and distribution agreement; or
- Ÿ any claims based on E-Z-EM's gross negligence or willful misconduct in performing intercompany services.

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

Access to Information

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

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

Use of Funds

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

Termination

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

Expenses

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

Support Services, Manufacturing and Distribution Arrangements

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

- Ÿ accounting and finance;

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

The terms of these services generally will expire on December 31, 2004, unless terminated sooner by E-Z-EM.

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

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

Corporate Agreement

If the distribution of our shares by E-Z-EM is not completed, E-Z-EM would not be permitted to sell its shares of our common stock without registration under the Securities Act or a valid exemption thereunder. Additionally, if after our initial public offering we issue additional shares or other voting equity interests, the ownership interest of E-Z-EM in our voting shares would likely decrease below the levels necessary for E-Z-EM to complete a tax-free distribution of our shares, as is currently contemplated. For these reasons, and to provide for certain other matters of a “corporate” nature, we will enter into an agreement with E-Z-EM to provide E-Z-EM with certain preemptive rights, registration rights and rights related to private sales of our common stock. We will also agree for our fiscal year and annual audit to coincide with those of E-Z-EM. E-Z-EM will agree not to vote its shares so as to cause the composition of our board of directors to not have a sufficient number of independent directors or a “financial expert” if required under the Sarbanes-Oxley Act of 2002 and applicable Nasdaq rules and regulations. E-Z-EM will also agree not to cast any other votes that would preclude us from qualifying for listing or being quoted as a public company under applicable securities laws or regulations, including the Sarbanes-Oxley Act of 2002 and rules and regulations applicable to Nasdaq companies.

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

Approval Rights for Issuances

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

Registration Rights

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

Demand Registration

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

Terms of Each Offering

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

Timing of Demand Registrations

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

Piggy-Back Registration Rights

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

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

Private Sales

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

Expenses

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

Indemnification

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

Transfer

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

Other Covenants

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

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

Under the corporate agreement, we will agree to keep E-Z-EM's auditors as our auditors and to keep our fiscal year unchanged. We will also agree to provide to E-Z-EM and its independent auditors all information and documents required and to otherwise coordinate the audit of our financial statements and the preparation of our interim financial statements so that E-Z-EM or its auditors, as applicable, will be able to prepare, file and distribute E-Z-EM's financial statements and audit report in a timely manner. We will also agree to provide to E-Z-EM and its independent auditors access to the auditor who reviewed our financial statements so that E-Z-EM and its independent auditors may conduct their audits relating to our financial statements. Additionally, we will not change our significant accounting policies for periods in

which our financial results are included in E-Z-EM's consolidated financial statements unless we are required to do so to comply, in all material respects, with generally accepted accounting principles or SEC requirements. We will also agree to consult with E-Z-EM regarding the timing and content of its earnings releases. The foregoing obligations will survive for so long as E-Z-EM is entitled to consolidate our company within its audited financial statements.

Tax Allocation and Indemnification Agreement

Allocation of Taxes

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

In general, under the tax allocation agreement:

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

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

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

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

Preservation of the Tax-free Status of the Distribution

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

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

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

OTHER RELATED PARTY TRANSACTIONS

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

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

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

PRINCIPAL STOCKHOLDER

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

DESCRIPTION OF CAPITAL STOCK

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

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

Common Stock

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

Preferred Stock

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

Anti-Takeover Provisions

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

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

Delaware Law

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

Certificate of Incorporation and Bylaws

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

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

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

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

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

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

Stockholder Rights Plan

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

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

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

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

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

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

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

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

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

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Mellon Investor Services. Its address is 85 Challenger Road, Ridgefield Park, New Jersey and its telephone number is (201) 296-4000.

SHARES ELIGIBLE FOR FUTURE SALE

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

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

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

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

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

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

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

We have reserved 1,497,668 shares of our common stock for issuance under our 1997 Stock Option Plan. As of the date of this prospectus, we have issued options to purchase 1,337,136 shares of our common stock under this plan. Substantially all of these options will become exercisable upon the earlier to occur of (i) 14 months after either the completion of this offering of our stock or a distribution by E-Z-EM of its AngioDynamics stock to its stockholders or (ii) two months after completion of both this offering and the distribution. We expect to file a registration statement under the Securities Act to register shares reserved for issuance under our 1997 Stock Option Plan. Shares issued through award grants after the effective date of the registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act.

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

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

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

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

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

Dividends

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

Gain on Sale or Other Disposition of Stock

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

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

U.S. Federal Estate Tax

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

Backup Withholding, Information Reporting and Other Reporting Requirements

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

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

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

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

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

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

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

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

UNDERWRITING

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

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

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

Commissions and Expenses

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

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

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

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

Over-Allotment Option

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

Lock-Up Agreements

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

Offering Price Determination

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

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

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

Indemnification

The underwriting agreement provides for the indemnification of the underwriters against liabilities relating to the offering, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

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

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

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

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

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

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

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

Directed Share Program

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

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

LEGAL MATTERS

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

EXPERTS

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholder
AngioDynamics, Inc.

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

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

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

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

/s/ GRANT THORNTON LLP

Melville, New York
July 3, 2003

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

CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 1, 2002	May 31, 2003	Nov. 29, 2003 (unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,525	$ 939	$ 1,278
Restricted cash	—	798	220
Debt securities, at fair value	1,318	729	733
Accounts receivable — trade, net of allowance for doubtful accounts of $229, $228 and $251 at June 1, 2002, May 31, 2003 and November 29, 2003, respectively	4,461	6,532	6,940
Inventories	7,909	8,631	9,285
Deferred income taxes	465	652	575
Prepaid expenses and other	200	244	380
Total current assets	15,878	18,525	19,411
PROPERTY, PLANT AND EQUIPMENT — AT COST, less accumulated depreciation and amortization	2,730	6,261	6,875
DEFERRED INCOME TAXES	882	826	826
INTANGIBLE ASSETS, less accumulated amortization of $668, $789 and $850 at June 1, 2002, May 31, 2003 and November 29, 2003, respectively	1,157	1,036	975
OTHER ASSETS	—	408	455
	$ 20,647	$ 27,056	$ 28,542

The accompanying notes are an integral part of these statements.

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

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

	June 1, 2002	May 31, 2003	Nov. 29, 2003
			(unaudited)
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	$ 2,294	$ 2,707	$ 2,623
Accrued liabilities	1,891	2,072	1,983
Due to parent	609	1,246	1,507
Current portion of long-term debt	—	140	140
Current portion of notes payable — Parent	983	—	—
Total current liabilities	5,777	6,165	6,253
LONG-TERM DEBT, net of current portion	—	3,255	3,185
NOTES PAYABLE — PARENT, net of current portion	15,165	16,148	16,148
Total liabilities	20,942	25,568	25,586
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDER'S EQUITY (DEFICIT)			
Class A common stock (voting), par value, $1.00 per share — authorized, issued and outstanding, 500 shares	1	1	1
Class B common stock (nonvoting), par value, $1.00 per share — authorized, issued and outstanding, 500 shares	1	1	1
Additional paid-in capital	11,832	12,729	13,152
Accumulated deficit	(12,129)	(10,943)	(10,029)
Accumulated other comprehensive loss	—	(300)	(169)
Total stockholder's equity (deficit)	(295)	1,488	2,956
	$ 20,647	$ 27,056	$ 28,542

The accompanying notes are an integral part of these statements.

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

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

	Fifty-two weeks ended			Twenty-six weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Nov. 30, 2002	Nov. 29, 2003
				(unaudited)	
Net sales	$23,390	$30,890	$ 38,434	$ 17,096	$ 22,481
Cost of goods sold	12,418	15,333	18,572	8,135	10,854
Gross profit	10,972	15,557	19,862	8,961	11,627
Operating expenses					
Sales and marketing	7,089	8,901	11,338	5,127	6,239
General and administrative	1,875	2,317	2,777	1,303	1,637
Research and development	1,426	1,951	2,509	1,176	1,621
Loss on sale of subsidiary and related assets	872	—	—	—	—
Total operating expenses	11,262	13,169	16,624	7,606	9,497
Operating profit (loss)	(290)	2,388	3,238	1,355	2,130
Other income (expenses)					
Interest income	71	45	38	17	8
Interest expense	(952)	(863)	(1,021)	(492)	(501)
Other, net	1	—	—	—	—
Earnings (loss) before income tax provision (benefit)	(1,170)	1,570	2,255	880	1,637
Income tax provision (benefit)	(1,513)	561	1,069	544	723
Net earnings	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Earnings per common share					
Basic	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Diluted	$ 343	$ 994	$ 1,152	$ 327	$ 881

The accompanying notes are an integral part of these statements.

ANGIODYNAMICS, INC. AND SUBSIDIARIES

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

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

Fifty-two weeks ended June 2, 2001, June 1, 2002 and May 31, 2003 and twenty-six weeks ended November 29, 2003 (unaudited)

(in thousands, except share data)

	Common Stock —Class A		Common Stock —Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Compre-hensive Loss	Total	Compre-hensive Income
	Shares	Amount	Shares	Amount					
Balance at June 3, 2000	500	$ 1	500	$ 1	$ 11,822	$ (13,481)	$ (945)	$ (2,602)	—
Compensation related to stock option plan	—	—	—	—	5	—	—	5	—
Net earnings	—	—	—	—	—	343	—	343	$ 343
Foreign currency translation adjustments arising during the year	—	—	—	—	—	—	(49)	(49)	(49)
Reclassification adjustment for sale of investment in a foreign entity	—	—	—	—	—	—	994	994	994
Comprehensive income									$ 1,288
Balance at June 2, 2001	500	1	500	1	11,827	(13,138)	—	(1,309)	—
Compensation related to stock option plan	—	—	—	—	5	—	—	5	—
Net earnings	—	—	—	—	—	1,009	—	1,009	$ 1,009
Comprehensive income									$ 1,009
Balance at June 1, 2002	500	1	500	1	11,832	(12,129)	—	(295)	—
Compensation related to stock option plan	—	—	—	—	5	—	—	5	—
Capital contribution — imputed interest on note payable to Parent	—	—	—	—	892	—	—	892	—
Net earnings	—	—	—	—	—	1,186	—	1,186	$ 1,186
Unrealized loss on interest rate swap, net of tax	—	—	—	—	—	—	(300)	(300)	(300)
Comprehensive income									$ 886
Balance at May 31, 2003	500	1	500	1	12,729	(10,943)	(300)	1,488	—
Compensation related to stock option plan	—	—	—	—	2	—	—	2	—
Capital contribution — imputed interest on note payable to Parent	—	—	—	—	421	—	—	421	—
Net earnings	—	—	—	—	—	914	—	914	914
Unrealized gain on interest rate swap, net of tax	—	—	—	—	—	—	131	131	131
Comprehensive income									$ 1,045
Balance at November 29, 2003	500	$ 1	500	$ 1	$ 13,152	$ (10,029)	$ (169)	$ 2,956	

The accompanying notes are an integral part of this statement.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fifty-two weeks ended			Twenty-six weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	Nov. 30, 2002	Nov. 29, 2003
				(unaudited)	
Cash flows from operating activities					
Net earnings	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities					
Depreciation and amortization	565	569	657	286	343
Provision for doubtful accounts	42	55	13	21	26
Deferred income tax provision (benefit)	(1,076)	55	45	—	—
Imputed interest on note payable to Parent	—	—	892	446	421
Loss on sale of assets	872	—	—	—	—
Other noncash items	5	5	5	2	2
Changes in operating assets and liabilities					
Accounts receivable	(307)	(811)	(2,084)	(360)	(434)
Inventories	232	(2,555)	(722)	(917)	(653)
Prepaid expenses and other	(98)	(13)	(67)	59	(136)
Other Assets	—	—	—	(87)	2
Accounts payable and accrued liabilities	(33)	1,848	118	(645)	35
Due to (from) Parent	(136)	1,044	637	592	260
Net cash provided by (used in) operating activities	409	1,206	680	(267)	780
Cash flows from investing activities					
Addition to property, plant and equipment	(466)	(682)	(4,062)	(1,632)	(895)
Investment at cost	—	—	(300)	(300)	—
(Increase) decrease in restricted cash	—	—	(798)	(2,447)	578
Proceeds from sale of subsidiary and related assets	3,250	—	—	—	—
Purchase of available-for-sale securities	(10,840)	(8,519)	(5,547)	(2,696)	(955)
Proceeds from sale of available-for-sale securities	9,555	8,486	6,135	3,290	951
Net cash provided by (used in) investing activities	1,499	(715)	(4,572)	(3,785)	(321)
Cash flows from financing activities					
Proceeds from long-term debt	—	—	3,500	3,500	—
Repayment of long-term debt	—	—	(105)	(35)	(70)
Increase in deferred financing costs	—	(23)	(89)	(89)	—
Proceeds (repayment) of note payable—Parent	(1,761)	394	—	—	(50)
Net cash provided by (used in) financing activities	(1,761)	371	3,306	3,376	(120)
Effect of exchange rate changes on cash and cash equivalents	(14)	—	—	—	—
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	133	862	(586)	(676)	339
Cash and cash equivalents at beginning of period	530	663	1,525	1,525	939
Cash and cash equivalents at end of period	$ 663	$ 1,525	$ 939	$ 849	$ 1,278
Supplemental disclosures of cash flow information:					
Cash paid during the period for					
Interest	$ 952	$ 469	$ 116	$ 46	$ 93
Income taxes	6	—	19	—	1

The accompanying notes are an integral part of these statements.

ANGIODYNAMICS, INC. AND SUBSIDIARIES

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2003 and June 1, 2002

(Information with respect to November 29, 2003 and the twenty-six weeks ended November 30, 2002 and November 29, 2003 is unaudited)

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

1. Basis of Presentation and Business Description

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

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

All significant intercompany balances and transactions have been eliminated.

2. Fiscal Year

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

3. Cash and Cash Equivalents

The Company considers all unrestricted highly liquid investments purchased with a maturity of less than three months to be cash equivalents. As of June 1, 2002, May 31, 2003 and November 29, 2003, approximately $1,425,000, $1,537,000 and $1,298,000, respectively, of cash and cash equivalents and restricted cash held by financial institutions in the United States exceeded Federal Deposit Insurance Corporation insured amounts.

4. Debt Securities

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

5. Accounts Receivable

Accounts receivable, principally trade, are generally due within 30 to 60 days and are stated at amounts due from customers net of an allowance for doubtful accounts. The Company performs ongoing credit

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

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

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

	June 1, 2002	May 31, 2003	Nov. 29, 2003
			(unaudited)
		(in thousands)	
Beginning balance	$ 185	$ 229	$ 228
Provision for doubtful accounts	55	13	26
Write-offs	(11)	(14)	(3)
Ending balance	$ 229	$ 228	$ 251

6. Inventories

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

7. Property, Plant and Equipment

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

8. Accounting for Business Combinations, Goodwill and Intangible Assets

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

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

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fifteen years. Annual amortization of intangible assets was $128,000, $122,000 and $121,000 in 2001, 2002, and 2003 and $61,000 and $61,000 for the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively. As of May 31, 2003, annual amortization of these intangible assets will approximate $121,000 for each of the next five years.

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

9. Revenue Recognition

The Company recognizes revenue on the date the product is shipped, which is when title passes to the customer. Shipping and credit terms are negotiated on a customer-by-customer basis. All customer returns must be preapproved by the Company.

10. Research and Development

The Company charges all costs incurred to establish the technological feasibility of a product or product enhancement to research and development expense.

11. Shipping and Handling Costs

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

12. Advertising

All costs associated with advertising are expensed as incurred. Advertising expense, included in sales and marketing was $97,000, $102,000, $520,000, $198,000 and $79,000 in 2001, 2002, 2003 and twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively.

13. Income Taxes

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

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

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14. Fair Value of Financial Instruments

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

15. Foreign Currency Translation

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

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

16. Derivative Financial Instruments

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

17. Stock-Based Compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." SFAS No. 148 amends the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and APB Opinion No. 28, "Interim Financial Reporting," to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net earnings and earnings per share in annual and interim financial statements. The adoption of SFAS No. 148 disclosure requirements, effective March 2, 2003, did not have an effect on the Company's

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consolidated financial statements. At May 31, 2003, the Company has one stock-based compensation plan, which is described more fully in Note O. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations.

Accordingly, no compensation expense has been recognized under this plan concerning options granted to key employees and to members of the Board of Directors, as all such options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. Compensation expense of $5,000, $5,000, $5,000 in 2001, 2002 and 2003 and $2,000 and $2,000 for the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively, was recognized under this plan for options granted to consultants.

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

				Twenty-six weeks ended	
	2001	2002	2003	Nov. 30, 2002	Nov. 29, 2003
				(unaudited)	
			(in thousands, except per share data)		
Net earnings (loss)					
As reported	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Deduct total stock-based compensation under fair value based method for all awards, net of tax effects	(430)	(292)	(304)	(152)	(158)
Pro forma net earnings (loss)	(87)	717	882	184	756
Basic earnings (loss) per common share					
As reported	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Pro forma	(87)	717	882	184	756
Diluted earnings (loss) per common share					
As reported	$ 343	$ 994	$ 1,152	$ 326	$ 881
Pro forma	(87)	717	872	182	738

18. Earnings Per Common Share

Basic earnings per share are based on the weighted-average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share are based on the weighted-average number of common and potential dilutive common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the period.

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

				Twenty-six weeks ended	
	2001	2002	2003	Nov. 30, 2002	Nov. 29, 2003
				(unaudited)	
Basic	1,000	1,000	1,000	1,000	1,000
Effect of dilutive securities (stock options)	—	15	30	29	37
Diluted	1,000	1,015	1,030	1,029	1,037

Excluded from the calculation of diluted earnings per common share, are options to purchase 132.67, 4.03, 7.44 and 4.03 shares of common stock at June 2, 2001, June 1, 2002, May 31, 2003 and November 30, 2002, respectively, as their inclusion would not be dilutive. The exercise prices on the excluded options were $40,000 per share at June 2, 2001, $60,000 per share at June 1, 2002, $60,000 per share at May 31, 2003 and $60,000 per share at November 30, 2002.

19. Use of Estimates

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

20. Effects of Recently Issued Accounting Pronouncements

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

In November 2002, the Emerging Issues Task Force (“EITF”) reached a consensus opinion of EITF 00-21, “Revenue Arrangements with Multiple Deliverables.” That consensus provides that revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met. The consideration of the arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue criteria should be considered separately for each separate unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Entities may elect to report the change as a cumulative effect adjustment in accordance with APB Opinion 20, “Accounting Changes.” As of May 31, 2003, the Company was evaluating the effect of the adoption of EITF 00-21 on its financial position and results of operations. During the twenty-six weeks ended November 29, 2003, the Company concluded that the adoption had no current effect on its financial position and results of operations.

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

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

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

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

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

21. Interim Financial Information (Unaudited)

The financial statements of the Company as of November 29, 2003 and for the twenty-six weeks ended November 30, 2002 and November 29, 2003 are unaudited. The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and rules and regulations of the Securities and Exchange Commission for interim financial information.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring entries) necessary to present fairly the Company's financial position as of November 29, 2003, and its operations and cash flows for the twenty-six weeks ended November 30, 2002 and November 29, 2003. The results reported for the twenty-six weeks ended November 29, 2003 are not necessarily indicative of the results of operations that may be expected for a full year.

NOTE B — COMPREHENSIVE INCOME

The Company records comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires unrealized holding gains or losses on investments available-for-sale, cumulative translation adjustments and cash flow hedges (net of tax) to be included in the accumulated other comprehensive income (loss), as a separate component of stockholders' equity (deficit). At May 31, 2003 and November 29, 2003, accumulated other comprehensive loss relating to cash flow hedges was $300,000 and $169,000, respectively.

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

				Twenty-six weeks ended	
	2001	2002	2003	Nov. 30, 2002	Nov. 29, 2003
				(unaudited)	
			(in thousands)		
Net earnings	$ 343	$ 1,009	$ 1,186	$ 336	$ 914
Reclassification adjustment for sale of investment in foreign entity	994	—	—	—	—
Foreign currency translation adjustments arising during the year	(49)	—	—	—	—
Increase (decrease) in fair value on interest rate swap	—	—	(300)	(172)	131
	$ 1,288	$ 1,009	$ 886	$ 164	$ 1,045

NOTE C — INVESTMENT AT COST

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

NOTE D — SALE OF SUBSIDIARY AND RELATED ASSETS

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

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NOTE E — DEBT SECURITIES

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

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

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

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

Debt securities at November 29, 2003 consist of the following:

	Amortized Cost	Fair Value
	(unaudited) (in thousands)	
Available-for-sale securities (carried on the balance sheet at fair value)		
Municipal bonds with maturities		
Due after 10 years and through 20 years	$ 350	$ 350
Due after 20 years	380	380
Other	3	3
	$ 733	$ 733

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NOTE F — INVENTORIES

Inventories consist of the following:

	June 1, 2002	May 31, 2003	Nov. 29, 2003
			(unaudited)
		(in thousands)	
Finished goods	$ 4,103	$ 5,198	$ 5,322
Work in process	1,315	1,033	1,434
Raw materials	2,491	2,400	2,529
	$ 7,909	$ 8,631	$ 9,285

NOTE G — PROPERTY, PLANT AND EQUIPMENT, AT COST

Property, plant and equipment are summarized as follows:

	Estimated Useful Lives	June 1, 2002	May 31, 2003	Nov. 29, 2003
				(unaudited)
		(in thousands)		
Building and building improvements	39 years	$ 1,393	$ 4,611	$ 5,015
Machinery and equipment	3 to 8 years	4,616	5,461	6,011
Leasehold improvements	Term of lease	59	59	—
		6,068	10,131	11,026
Less accumulated depreciation and amortization		3,550	4,082	4,363
		2,518	6,049	6,663
Land		212	212	212
		$ 2,730	$ 6,261	$ 6,875

NOTE H — INCOME TAXES

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

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

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

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

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

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

	2001	2002	2003
		(in thousands)	
U.S.	$(1,065)	$ 1,570	$ 2,255
International	(105)	—	—
	$(1,170)	$ 1,570	$ 2,255

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

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

NOTE I — NOTES PAYABLE — PARENT

The Company depends on the Parent's support for a significant portion of its financing requirements. At May 31, 2003, the Company has outstanding unsecured notes payable of $16,148,000 (the "Notes") with the Parent. The Notes, which bear interest at annual rates ranging from 1.53% to 6.15%, mature from November 8, 2003 through May 31, 2006. The Parent has agreed to extend $15,165,000 of the Notes due in Fiscal 2004 for an additional three years. Interest is payable at maturity or at an earlier date at the option of the Company. At June 1, 2002 and May 31, 2003, deferred payments of interest expense to parent, which are included in Notes payable—parent, approximated $983,000. Effective June 1, 2002 and through May 29, 2004, the Parent agreed to suspend interest charges on the outstanding Notes. The Company recorded an imputed interest charge of $892,000 in 2003 and $446,000 and $421,000 for the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively, for the suspended interest and a corresponding credit to "Additional paid-in capital." Amounts charged to interest expense on the Notes were $952,000 and $863,000 in 2001 and 2002, respectively. The repayment of the Notes and other indebtedness to the Parent (the "Subordinated Indebtedness"), is subordinated to the outstanding long-term debt (see Note L). The long-term debt agreement provides for semiannual payments of Subordinated Indebtedness and interest, provided no event of default exists after such payment.

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NOTE J — ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	June 1, 2002	May 31, 2003	Nov. 29, 2003
			(unaudited)
		(in thousands)	
Payroll and related expenses	$ 1,756	$ 1,405	$ 1,508
Fair value of interest rate swap (see Note L)	—	476	268
Other	135	191	207
	$ 1,891	$ 2,072	$ 1,983

NOTE K — LINE OF CREDIT

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

NOTE L — LONG-TERM DEBT

In September 2002, the Company closed on the financing for the expansion of its headquarters and manufacturing facility in Queensbury, New York. The expansion is being financed principally with Industrial Revenue Bonds (the “Bonds”) issued by the Warren and Washington Counties Industrial Development Agency (the “Agency”) aggregating $3,500,000. The Bonds are issued under a Trust Agreement by and between the Agency and a bank, as trustee (the “Trustee”). The proceeds of the Bonds are being advanced, as construction occurs, pursuant to a Building Loan Agreement by and among the Agency, the Trustee, a second bank (the “Bank”) and the Company. As of May 31, 2003, the advances aggregated $2,702,000 with the remaining proceeds of $798,000 classified as restricted cash. The Bonds reprice every seven days and are resold by a Remarketing Agent. As of November 29, 2003, the advances aggregated $3,280,000 with the remaining proceeds of $220,000 classified as restricted cash. The Bonds bear interest based on the market rate on the date the Bonds are repriced (1.35% and 1.30% per annum at May 31, 2003 and November 29, 2003, respectively) and require quarterly interest payments and quarterly principal payments ranging from $25,000 to $65,000 through May 2022. In connection with the issuance of the Bonds, the Company entered into a Letter of Credit and Reimbursement Agreement with the Bank which requires the maintenance of a letter of credit for an initial amount of $3,575,000 to support principal and certain interest payments of the Bonds and requires payment of an annual fee on the outstanding balance ranging from 1% to 1.9%, depending on financial results achieved. The Company also entered into a Remarketing Agreement, pursuant to which the Remarketing Agent will use its best efforts to arrange for a sale in the secondary market of such Bonds. The Remarketing Agreement provides for the payment of an annual fee of .1% of the remaining balance.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Reimbursement Agreement contains certain financial covenants, relating to fixed charge coverage and interest coverage, as defined (see Note K). Amounts borrowed under the Agreement are secured by the aforementioned letter of credit and a first mortgage on the land, building and equipment relating to the facility with a net carrying value of $6,261,000 and $6,875,000 at May 31, 2003 and November 29, 2003, respectively.

The Company entered into an interest rate swap agreement (the "Swap Agreement") with the Bank, effective September 2002, with an initial notional amount of $3,500,000 to limit the effect of variability due to interest rates on its rollover of the Bonds. The Swap Agreement, which qualifies as a hedge under SFAS No. 133, is a contract to exchange floating interest rate payments for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional amounts. The Swap Agreement requires the Company to pay a fixed rate of 4.45% and receive payments based on 30-day LIBOR repriced every seven days through May 2022. At May 31, 2003 and November 29, 2003, since the Swap Agreement is classified as a cash flow hedge, the fair value of $476,000 and $268,000, respectively has been recorded as a component of accrued liabilities, and accumulated other comprehensive loss has been increased by $300,000 and $169,000, respectively, net of tax benefit. As of May 31, 2003 an estimated $110,000 of the $476,000 is expected to be reclassified into earnings over the following twelve months. Amounts to be paid or received under the Swap Agreement are accrued as interest rates change and are recognized along with any hedge ineffectiveness over the life of the Swap Agreement as an adjustment to interest expense.

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

	(in thousands)
2004	$ 140
2005	155
2006	165
2007	180
2008	200
Thereafter	2,555
	$ 3,395

NOTE M — RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Allocations from Parent

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

				Twenty-six weeks ended	
	2001	2002	2003	Nov. 30, 2002	Nov. 29, 2003
				(unaudited)	
			(in thousands)		
Cost of goods sold	$ 140	$ 301	$ 366	$ 147	$ 211
Selling and administrative	131	225	330	148	202
	$ 271	$ 526	$ 696	$ 295	$ 413

Capitalization

The Class A common stock and Class B common stock are identical in all material respects except that: (i) shares of the Class A common stock entitles the holders to one vote per share on all matters and shares of the Class B common stock are nonvoting, and (ii) the shares of the Class B common stock are subject to certain restrictions on transfer.

Sales to Parent and Parent's Affiliates

Sales to the Parent and the Parent's affiliates were approximately $714,000, $1,045,000, $958,000, $422,000 and $411,000 in 2001, 2002, 2003 and for the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively. Amounts due from affiliates of the Parent, which are included in "Accounts receivable—trade" in the accompanying balance sheets, were $117,000, $85,000 and $73,000, at June 1, 2002, May 31, 2003 and November 29, 2003, respectively.

NOTE N — RETIREMENT PLANS

The Company has a profit-sharing plan under which the Company makes discretionary contributions to eligible employees, and a companion 401(k) plan under which eligible employees can defer a portion of their compensation, part of which is matched by the Company. Profit-sharing contributions were $173,000, $214,000, $266,000, $136,000 and $162,000 in 2001, 2002, 2003 and for the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively. Matching contributions were $103,000, $130,000, $155,000, $79,000 and $91,000 in 2001, 2002, 2003 and for the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively.

NOTE O — STOCK OPTION PLAN

In 1997, the Company adopted a Stock Option Plan (the "Plan"). The Plan provides for the grant to key employees of both nonqualified stock options and incentive stock options and to members of the Board of Directors and consultants of nonqualified stock options. A total of 162.79 shares (including 26.43 shares authorized in May 2002) of AngioDynamics' Class B common stock may be issued under the Plan pursuant

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to the exercise of options. All stock options must have an exercise price of not less than the market value of the shares on the date of grant. Options will be exercisable over a period of time to be designated by the administrators of the Plan (but not more than 10 years from the date of grant) and will be subject to such other terms and conditions as the administrators may determine. The Plan terminates in March 2007. Options outstanding at June 1, 2002 and May 31, 2003 vest and are exercisable on the ninth anniversary from the date of grant or an earlier date, upon the occurrence of certain conditions, as defined.

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

	2001		2002		2003	
	Shares (000)	Weighted-average Exercise Price	Shares (000)	Weighted-average Exercise Price	Shares (000)	Weighted-average Exercise Price
Outstanding at beginning of year	136.14	$ 40,000	132.67	$ 40,000	139.77	$ 40,577
Granted	1.65	$ 40,000	7.21	$ 51,181	3.41	$ 60,000
Forfeited	(5.12)	$ 40,000	(.11)	$ 40,000	(1.30)	$ 40,000
Outstanding at end of year	132.67	$ 40,000	139.77	$ 40,577	141.88	$ 41,049
Options exercisable at year-end	None		None		None	
Weighted-average fair value of options granted during the year		$ 25,315		$ 32,702		$ 36,943

On May 31, 2003 and November 29, 2003, there remained 20.92 and 17.34 shares, respectively available for granting of options under the Plan. Options are exercisable into Class B common stock.

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

Exercise price	Number Outstanding	Weighted-average Remaining Life in Years	Weighted-average Exercise Price
$40,000	134.44	4.16	$ 40,000
60,000	7.44	9.44	60,000
	141.88		

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the twenty-six weeks ended November 29, 2003, options for 3.58 shares were granted at $60,000 per share, options for .11 shares were forfeited at $40,000 per share, and no options were exercised or expired during the twenty-six weeks ended November 29, 2003.

NOTE P — COMMITMENTS AND CONTINGENCIES

Leases

The Company is committed under noncancellable operating leases for facilities and equipment. During 2001, 2002, 2003 and twenty-six weeks ended November 30, 2002 and November 29, 2003, aggregate rental costs under all operating leases were approximately $269,000, $347,000, $435,000, $208,000 and $156,000, respectively. Future annual payments under non-cancellable operating equipment leases in the aggregate which include escalation clauses, with initial remaining terms of more than one year at May 31, 2003, are summarized as follows:

	(in thousands)
2004	$ 46
2005	35
2006	9
2007	6
	$ 96

Litigation Matters

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

NOTE Q — EXPORT SALES AND OVERSEAS DISTRIBUTORS

The Company's export sales were $2,814,000, $2,771,000, $2,656,000, $1,320,000 and $1,162,000 for 2001, 2002, 2003 and the twenty-six weeks ended November 30, 2002 and November 29, 2003, respectively.

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

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

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

1. In October 2003, the Company's Parent announced that it was considering a spin-off and initial public offering of the Company. The Parent signed a letter of engagement with an investment banking firm, regarding the possible spin-off and public offering of the Company, the initiation and timing of which will be subject to market and other conditions, including the receipt by the Parent of a favorable private letter ruling from the Internal Revenue Service. The Parent received the private letter ruling in February 2004.

   In conjunction with the proposed initial public offering, the Company will reclassify and change the outstanding shares of Class A voting common stock and Class B non-voting common stock for 9,200,000 shares of common stock (at a ratio of 9,200 for 1), to be effected prior to the completion of this offering.

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

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

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

2. As of December 29, 2003, the Company entered into an amended and restated $3,000,000 line of credit with a bank expiring on November 30, 2004. The terms of the line of credit are the same as the line of credit that expired with the same bank on October 31, 2003 (see Note K).

3. The Company has been named as a defendant in an action entitled Duhon, et. al vs. Brezoria Kidney Center, Inc., filed in the District Court of Brezoria County, Texas, 239th Judicial District on December 29, 2003. The complaint alleges that the Company and its co-defendants, E-Z-EM and Medical Components, Inc. ("Medcomp"), designed, manufactured, sold, distributed and marketed a defective catheter that was used in the treatment of, and caused the death of, a hemodialysis patient, as well as committing other negligent acts. The complaint seeks compensatory and other monetary damages in unspecified amounts. Under AngioDynamics' distribution agreement with Medcomp, Medcomp is required to indemnify AngioDynamics against all its costs and expenses, as well as losses, liabilities and expenses (including reasonable attorneys' fees) that relate in any way to products covered by the agreement. The Company has tendered the defense of the Duhon actions to Medcomp. Medcomp has accepted defense of the action.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

Shares

ANGIODYNAMICS®
INCORPORATED

Common Stock

PRICE $ PER SHARE

RBC CAPITAL MARKETS

ADAMS, HARKNESS & HILL

PROSPECTUS

, 2004

PART II
Information Not Required in Prospectus

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

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

	Amount
Securities and Exchange Commission Filing Fee	$ 3,875
NASD Filing Fee	3,580
Nasdaq National Market Listing Fee	100,000
Accounting Fees and Expenses	*
Blue Sky Fees and Expenses	*
Legal Fees and Expenses	*
Transfer Agent and Registrar Fees and Expenses	*
Printing Expenses	*
Miscellaneous Expenses	*
Total	$

* To be completed by amendment.

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

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The Registrant's amended and restated certificate of incorporation and bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law.

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

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

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

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

1. On June 2, 2001, the Registrant granted options to purchase an aggregate of 14,638 shares of common stock at an exercise price of $4.35 per share to directors under its 1997 Stock Option Plan.
2. On August 27, 2001, the Registrant granted options to purchase an aggregate of 29,261 shares of common stock at an exercise price of $4.35 per share to employees under its 1997 Stock Option Plan.

3. On May 21, 2002, the Registrant granted options to purchase an aggregate of 37,109 shares of common stock at an exercise price of $6.52 per share to non-employee directors under its 1997 Stock Option Plan.

4. On May 31, 2003, the Registrant granted options to purchase an aggregate of 31,360 shares of common stock at an exercise price of $6.52 per share to non-employee directors under its 1997 Stock Option Plan.

5. On August 31, 2003, the Registrant granted options to purchase an aggregate of 32,398 shares of common stock at an exercise price of $6.52 per share to employees under its 1997 Stock Option Plan.

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

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

(a) Exhibits

The exhibits are as set forth in the Exhibit Index.

(b) Financial Statement Schedules.

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

Item 17. ***Undertakings***

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

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Queensbury, State of New York on the 5th day of March, 2004.

ANGIODYNAMICS, INC.

By: /s/ EAMONN P. HOBBS

Eamonn P. Hobbs
President and Chief Executive Officer

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ EAMONN P. HOBBS **Eamonn P. Hobbs**	President, Chief Executive Officer and Director *(Principal Executive Officer)*	March 5, 2004
/s/ JOSEPH G. GERARDI **Joseph G. Gerardi**	Vice President, Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 5, 2004
/s/ HOWARD J. STERN **Howard J. Stern**	Director	March 5, 2004
/s/ JEFFREY GOLD **Jeffrey Gold**	Director	March 5, 2004
/s/ PAUL S. ECHENBERG **Paul S. Echenberg**	Director	March 5, 2004
/s/ DAVID P. MEYERS **David P. Meyers**	Director	March 5, 2004

Signature	Title	Date
/s/ HOWARD W. DONNELLY **Howard W. Donnelly**	Director	March 5, 2004
/s/ DENNIS S. METENY **Dennis S. Meteny**	Director	March 5, 2004

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EXHIBIT INDEX

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

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Exhibit Number	Document
10.16	Reimbursement Agreement dated as of August 1, 2002, between the Registrant and Keybank National Association
10.17	First Amendment to Reimbursement Agreement dated as of December 29, 2003, between the Registrant and Keybank National Association
10.18	The Registrant's 2004 Stock and Incentive Award Plan*
10.19	Agreement effective as of January 1, 2002 between E-Z-EM, Inc. and Howard Stern***
10.20	Agreement effective as of January 1, 2004 between the Registrant and Donald A. Meyer.
21.1	Subsidiaries of the Registrant
23.1	Consent of Davies Ward Phillips & Vineberg LLP*
23.2	Consent of Grant Thornton LLP
24.1	Power of Attorney (see Page II-4)

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

Exhibit 10.1

Confidential Treatment Requested.
Confidential portions of this
document have been redacted and
have been separately filed with the
Commission.

SUPPLY AND DISTRIBUTION AGREEMENT

THIS SUPPLY AND DISTRIBUTION AGREEMENT (this "Agreement") is made as of April 1, 2002 (the "Effective Date") by and between AngioDynamics Inc., a Delaware corporation ("AngioDynamics") and Biolitec, Inc., a New Jersey corporation having offices at 515 Shaker Road, East Longmeadow, MA 01028 ("BIOLITEC").

RECITALS

WHEREAS BIOLITEC is engaged in the development and manufacturing of the Products;

AND WHEREAS BIOLITEC and AngioDynamics desire that BIOLITEC grant to AngioDynamics the right to market, sell, offer for sale and distribute the Products on the terms and conditions set forth herein;

AND WHEREAS BIOLITEC and AngioDynamics further desire to enter into such other agreements as are contained herein;

NOW THEREFORE, in consideration of the foregoing premises and the covenants set forth below, the parties hereby agree as follows:

1. DEFINITIONS. As used herein, the following terms shall have the following meanings:

1.1 "Adequate Supply" shall mean the supply of Products in ordered quantity that is delivered on a timely basis according to written purchase orders pursuant to Section 3.2(b) and that comply with the Manufacturing Requirements.

1.2 "Affiliate" as applied to any Person, shall mean (a) any other Person directly or indirectly controlling, controlled by or under common control with, that Person, (b) any other Person that owns or controls (i) 5% or more of any class of equity securities of that Person or any of its Affiliates or (ii) 5% or more of any class of equity securities (including any equity securities issuable upon the exercise of any Option or convertible security) of that Person or any of its Affiliates, or (c) any director, partner, officer, agent, employee or relative of such Person. For the purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by"; and "under common control with") as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through ownership of voting securities or by contract or otherwise.

1.3 "Applicable Laws" shall mean all applicable laws, rules, regulations and guidelines within or without the Territory that may apply to the development, manufacturing, marketing and/or sale of the Products in the Territory or the performance of either party's obligations under this Agreement including laws,

regulations and guidelines governing the import, export, development, manufacturing, marketing, distribution and sale of the Products in the Territory, and including all Good Manufacturing Practices or Good Clinical Practices standards or guidelines promulgated by Competent Authorities and including the FD&C Act and trade association guidelines.

1.4 "Competent Authorities" shall mean the entities in the Territory responsible for the regulation of medical devices intended for human use, and shall include the FDA.

1.5 "Confidential Information" shall mean, subject to the exceptions set forth in Section 6.2, any information received by one party from the other party pursuant to this Agreement, including, without limitation, all know-how, data, process, technique, or formula relating to the Products and any research project, work in process, future development, scientific, engineering, manufacturing, marketing, business plan, financial or personnel matter relating to either party, its present or future products, sales, suppliers, customers, employees, investors or business, whether in oral, written, graphic or electronic form. It includes information exchanged under the Mutual Confidentiality Agreement, dated 15th of March, 2002.

1.6 "Contract Year" shall mean the year long period commencing on the Effective Date and ending on the twelve month anniversary and each subsequent twelve (12) month period thereafter.

1.7 "FDA" shall mean the United States Food and Drug Administration.

1.8 "FD&C Act" shall mean the United States Federal Food, Drug and Cosmetic Act and applicable regulations promulgated thereunder, as amended from time to time.

1.9 "Field" shall mean the Interventional Radiology and Vascular Surgery marketplace.

1.10 "BIOLITEC" Technology" shall mean all know how, technology, patents, trade secrets, processes, data, methods and any physical, chemical or biological material or other information that BIOLITEC owns, controls or acquires or has or acquires a license to relating to the development, manufacturing, and use of Products.

1.11 "Improvements" shall mean any improved or modified element or feature of BIOLITEC Technology for use in the Field made during the term of this Agreement which is applicable to a Product.

1.12 "Licenses" shall mean the licenses granted to AngioDynamics pursuant to Section 2.1.

1.13 "Loss" shall mean any and all damages, fines, fees, penalties, deficiencies, liabilities, losses and expenses, including without limitation, interest, reasonable expenses of investigation, court costs, reasonable fees and expenses of attorneys, accountants and other experts or other expenses of litigation or other proceedings or of any claim, default or assessment (such fees and expenses to include without limitation, all fees and expenses, including, without limitation fees and expenses of attorneys, incurred in connection with (i) the investigation or defense of any third party claims or (ii) successfully asserting or disputing any rights under this Agreement against any party hereto or otherwise).

1.14 "Manufacturing Requirements" shall mean the requirements set forth in Section 3.5(a).

1.15 "Marketing Authorization" shall mean each necessary and appropriate approval, where applicable, to put Products on the market in a particular jurisdiction in the Territory, including any applicable approvals from Competent Authorities.

1.16 "Minimum Purchase Default" shall mean, as to any Product, the failure of AngioDynamics in a Contract Year to purchase the Minimum Quantities of such Product, provided that it shall not be a Minimum Purchase Default if such failure to purchase is to any degree due to (a) BIOLITEC's breach of this Agreement, (b) the failure of BIOLITEC to timely deliver sufficient Products complying with the Manufacturing Requirements to AngioDynamics or (c) either the infringement of the BIOLITEC Technology by any person or entity or the infringement by the BIOLITEC Technology of the patent rights or other proprietary rights of any person or entity.

1.17 "Minimum Quantities" shall mean for each Product, the minimum number of units of such Product required to be purchased in a Contract Year by AngioDynamics, as set forth on Schedule C.

1.18 "Packaging Specifications" shall mean the bulk, non-sterile packaging specifications for the Products as may be determined by BIOLITEC and AngioDynamics from time to time, as such specifications may be amended from time to time by BIOLITEC and AngioDynamics.

1.19 "Product Specifications" shall mean the specifications for the Products that are attached hereto as Schedule B, as such specifications may be amended from time to time by mutual agreement of the parties, including, without limitation, such amendments as may be necessary to obtain any Marketing Authorizations or other approvals within the Territory.

1.20 "Products" means the diode lasers and laser fibers privately labeled for AngioDynamics as more fully described on Schedule A hereto and also includes Improvements.

1.21 "Rights" mean the right to market, sell and/or distribute a product.

1.22 "United States" shall mean the United States of America and its territories and possessions.

1.23 "Territory" shall mean the United States and Canada.

2. GRANT OF RIGHTS

2.1 Appointment.

(a) Products. Subject to Section 2.1 (f), BIOLITEC hereby appoints AngioDynamics as its exclusive (even as to BIOLITEC) distributor to market, sell, offer for sale and distribute the Products in the Territory for the Field. Outside the United States AngioDynamics shall have the right to sub-license the rights granted in this Section 2.1 to (a) one or more of its Affiliates and (b) one or more distributors, sub-distributors or dealers, provided that AngioDynamics shall have the right to sell Products through (a) one or more of its Affiliates and (b) one or more distributors, subdistributors or dealers without in any such case sub-licensing the rights granted in this Section 2.1.

(b) BIOLITEC Obligations. BIOLITEC shall not directly or indirectly, market, promote, sell or distribute any of the Products to any third party directly or indirectly in the Field in the Territory other than AngioDynamics. BIOLITEC shall take all appropriate actions to prevent any distributors, sub-distributors or dealers of the Products from marketing, selling, offering for sale or distributing the Products in or to the Field in the Territory. BIOLITEC shall refer all inquires from the in the Territory concerning Products to AngioDynamics. BIOLITEC shall not discontinue the manufacturing of any Product without the prior written consent of AngioDynamics.

(c) ANGIODYNAMICS Obligations. ANGIODYNAMICS shall actively market the sale of the Products with a marketing plan commensurate with the Sales Forecast for each Contract Year. ANGIODYNAMICS shall keep BIOLITEC apprised of these marketing plans as they become actionable.

(d) Cooperation Concerning Improvements. BIOLITEC agrees to keep AngioDynamics fully informed of Improvements that it develops as it pertains to the Product.

(e) Right of First Refusal for Improvements. Provided the appointment as set forth in Section 2.1 (a) remains exclusive, in the event BIOLITEC develops any Improvements which can be used for the Products, it shall provide AngioDynamics with written notice regarding such Improvement. If AngioDynamics desires to market and sell such Improvements, the parties shall negotiate in good faith the price for such Improvements. If,

after six (6) months of negotiations, the parties are unable to reach an agreement on the price, BIOLITEC shall be entitled to offer such Improvements to any third party, but only on such terms and conditions as were offered to AngioDynamics. If BIOLITEC offers better terms and conditions for such Improvements to a third party, then AngioDynamics shall have a right of first refusal on such better terms and conditions.

(f) Loss of Exclusivity. If there is a Minimum Purchase Default as to any Product, the exclusive licenses in Section 2.1 (a) shall thereafter be nonexclusive. The loss of exclusivity provided for (i)in this Section 2.1 (d) shall be the sole and exclusive remedy for a Minimum Purchase Default.

3. MANUFACTURE AND SUPPLY OF PRODUCTS

3.1 (a) Manufacturing. BIOLITEC shall be the exclusive manufacturer of the Products sold by AngioDynamics; provided, however, that if a problem arises with regard to Adequate Supply, then AngioDynamics shall give BIOLITEC written notice and thirty (30) days to cure any failure to provide Adequate Supply. If BIOLITEC does not cure such failure within such thirty (30) day period, AngioDynamics may, with notice to BIOLITEC, who may join in the process, take whatever steps are necessary, including directly contacting suppliers, to obtain the Products and in such event BIOLITEC shall grant a license to AngioDynamics or to a new supplier selected by AngioDynamics on market standard terms and conditions to use the BIOLITEC Technology to manufacture Products and shall cooperate with AngioDynamics and/or such new supplier to transfer manufacturing of the Products. If the parties are unable to agree on the terms and conditions of such license, the license terms and conditions shall be determined by a panel of arbitrators experienced in licensing matters chosen in accordance and acting in accordance with the Commercial Arbitration Rules (Expedited Procedures) of the American Arbitration Association, who shall specifically take into account the fact that the license is being granted due to BIOLITEC's inability to fulfill its obligations under this Agreement. In no event shall BIOLITEC subcontract its manufacturing obligations under this Agreement without the prior written consent of AngioDynamics. BIOLITEC shall only be entitled to two thirty (30) day cure periods pursuant to this Section 3.1 in any twelve month period.

3.2 Supply Forecasts and Ordering Procedures.

(a) AngioDynamics shall furnish the following reports to BIOLITEC:

(i) non-binding annual sales forecast reports, by Product by month, not later than thirty (30) days prior to the beginning of each Contract Year, with the sales forecast report for the Contract Years being attached hereto as Schedule D; and

(ii) non-binding quarterly sales forecast deviation reports on a rolling four-quarter basis for each quarter of each Contract Year.

(b) AngioDynamics shall submit firm orders for Products at least one hundred eighty (180) days prior to the requested delivery date. Orders may be submitted by fax, e-mail or US mail. BIOLITEC shall confirm each order within ten (10) days after receipt. Confirmation shall be by mail.

3.3 Delivery. All Products shall be shipped F.O.B. (Incoterms 2000) point of departure from BIOLITEC's facility in East Longmeadow, MA to such locations and in such manner as directed by AngioDynamics from time to time.

3.4 Price and Payment Terms. The price for Products shall be as set forth on Schedule E. AngioDynamics shall have payment terms of 45 days after Invoice Date during the first six months of this agreement and thirty (30) days after Invoice Date thereafter. The invoice date shall in no event be earlier than the date of shipment. All payments to BIOLITEC shall be made by check and shall be made in U.S. Dollars. The price for Improvements shall be negotiated by the parties in good faith.

(a) BIOLITEC intends to maintain the pricing to AngioDynamics of PRODUCTS as given in Exhibit E, but reserves the right to increase prices in light of extraordinary, unusual increases to its manufacturing costs: In the event of any price change BIOLITEC agrees to notify AngioDynamics, in writing, at least sixty (60) days prior to the effective date of the increase. BIOLITEC agrees to honor any orders it has accepted during the sixty day notice period.

3.5 Quality Control and Assurance.

(a) BIOLITEC shall manufacture and supply the Products in an ISO certified facility in accordance with (i) the Product Specifications, (ii) the Packaging Specifications, (iii) current good manufacturing practices specified by any applicable Competent Authority (collectively, "cGMPs") and (iv) all other Applicable Laws. Furthermore, BIOLITEC warrants that all Products provided hereunder shall be free from defect in material and workmanship at the time of shipment to AngioDynamics.

(b) BIOLITEC shall be responsible for quality control of the Products and shall perform such quality control and quality assurance testing as is necessary or appropriate to ensure that the Products comply with the Manufacturing Requirements.

(c) Each time BIOLITEC ships Products to AngioDynamics, it shall provide AngioDynamics with a certificate of compliance that sets out the test results for each lot of Products, and that certifies that the Products shipped to AngioDynamics have been evaluated by BIOLITEC's Quality

Control/Quality Assurance department and that the Products comply with the Manufacturing Requirements.

(d) BIOLITEC shall permit AngioDynamics or its designated representative to perform such audits and inspections as may be requested by AngioDynamics of the facilities, procedures and records that are relevant to BIOLITEC's manufacturing of Products, and to the extent reasonably obtainable by BIOLITEC, of facilities, procedures and records that are relevant to such audits or inspections of unaffiliated parties with responsibility for testing, analyzing, labeling or packaging the Product.

(e) BIOLITEC shall notify AngioDynamics of any proposed changes in critical materials or processes which affect the form, fit or function of Products at least ninety (90) days prior to such actions and shall not make any such change without the prior written consent of AngioDynamics, which consent shall not be unreasonably withheld, conditioned or delayed.

(f) BIOLITEC shall promptly inform AngioDynamics of the results of all visits and inspections, relating to the Product, by Competent Authorities, including, without limitation, providing AngioDynamics with copies of all warning letters, 483s and other correspondence with the Competent Authority.

(g) In the event of any customer complaints regarding the Product, BIOLITEC agrees to cooperate and assist AngioDynamics in investigating such complaints and providing an appropriate response.

3.6 Packaging and Trademarks.

(a) Packaging of the Products shall comply with the Packaging Specifications.

(b) AngioDynamics shall be responsible for final packaging, instructions for use and labeling of the Products.

(c) BioLitec hereby grants an exclusive, royalty free license to AngioDynamics to use the "ELVeS" trademark connection with the promotion, marketing, and sale of the Products. AngioDynamics may use any other trademark or trade dress as it deems appropriate in the promotion, marketing and sale of the Products. BIOLITEC shall the right to preview and comment on items containing its trademarks.

4. SERVICE AND PRODUCT WARRANTY

4.1 At the request of AngioDynamics, BIOLITEC will provide repair service on the Ceralas D lasers and bill AngioDynamics based on an agreed upon hourly rate per unit plus materials. AngioDynamics will administer the service (take service

calls, document calls and/or contacts, sell extended factory warranties) for the Territory.

4.2 BIOLITEC will provide a product warranty from one year from the date of installation, except for promotional lasers, with AngioDynamics administering the warranty cards, namely having them completed, collected and sent to BIOLITEC, within ten (10) days of installation.

5. MARKETING AUTHORIZATIONS; OTHER REGULATORY COMPLIANCE ISSUES

5.1 Marketing Authorizations. BIOLITEC shall be responsible for applying for such Marketing Authorizations as may be necessary to market the Products in the Territory and in the Field. (including a 510K clearance to market the Products in the United States); provided, however, that AngioDynamics shall be free to apply for any such additional Marketing Authorization as it deems necessary in its sole judgment. AngioDynamics shall own all such additional Marketing Authorizations and agrees, for the term of this Agreement, to grant BIOLITEC the right to sell product under such additional Marketing Authorizations except in or to the Field, provided, however, that in the event BIOLITEC desires to sell product under such additional Marketing Authorizations, BIOLITEC agrees that AngioDynamics shall be its exclusive supplier for any finished kits containing the BIOLITEC optical fiber, provided that such kits are transferred at a reasonable price to BIOLITEC. BIOLITEC shall provide such assistance as may be requested by AngioDynamics in connection with obtaining such additional Marketing Authorizations, including, without limitation, providing (i) ordered Product for testing and (ii) requested documents and data for submission to the Competent Authorities. AngioDynamics shall be responsible for any sterility and biocompatibility testing of the Products as may be necessary in order to obtain such additional Marketing Authorizations.

5.2 Compliance. AngioDynamics and BIOLITEC shall comply with all Applicable Laws including the provision of information by AngioDynamics and BIOLITEC to each other necessary for BIOLITEC and AngioDynamics to comply with Applicable Laws (including reporting requirements). Each party shall retain all records concerning the Products as may be required under Applicable Laws.

5.3 Adverse Reaction Reporting. Each party shall advise the other party, by telephone or facsimile, within such time as is required to comply with Applicable Laws, after it becomes aware of any adverse reaction involving the Products. Such advising party shall provide the other party with a written report delivered by confirmed facsimile of any adverse reaction, stating the full facts known to it, including but not limited to customer name, address, telephone number, batch, lot and serial numbers, as required by Applicable Laws. To the extent permitted by Applicable Laws, AngioDynamics shall have full responsibility for monitoring such adverse reactions and making any reports to the Competent Authorities.

5.4 Product Recall. AngioDynamics and BIOLITEC each shall notify the other promptly if any Product is the subject of a recall, market withdrawal or correction, and the parties shall cooperate in the handling and disposition of such recall, market withdrawal or correction. BIOLITEC shall bear the cost of all recalls, market withdrawals or corrections of the Products; provided, however, that AngioDynamics shall pay for such recall, market withdrawal or correction if and to the extent caused by (i) the unlawful sale, promotion or distribution of the Products by AngioDynamics in the Territory, (ii) any unauthorized modification or alteration made by AngioDynamics to the Products, (iii) the improper sterilization or labeling of the Products, (iv) a breach of any representation made or warranty given in this Agreement by AngioDynamics, (v) mishandling of fibers during unpacking and repackaging of bulk fibers delivered to AngioDynamics for the purpose of putting into their kits, or (vi) the design of a product solely by AngioDynamics. AngioDynamics shall in all events be responsible for conducting any recalls, market withdrawals or corrections with respect to the Products.

6. CONFIDENTIALITY

6.1 Nondisclosure Obligations. During the term of this Agreement, and for a period of 5 years after termination hereof, each party will maintain all Confidential Information in trust and confidence and will not disclose any Confidential Information to any third party or use any Confidential Information for any unauthorized purpose. Each party may use such Confidential Information only to the extent required to accomplish the purposes of this Agreement. Confidential Information shall not be used for any purpose or in any manner that would constitute a violation of Applicable Laws. Confidential Information shall not be reproduced in any form except as required to accomplish the intent of this Agreement. Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information.

6.2 Exceptions. Confidential Information shall not include any information that:

(a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available;

(b) is known by the receiving party at the time of receiving such information, as evidenced by its written records;

(c) is hereafter furnished to the receiving party by a third party, as a matter of right and without restriction on disclosure;

(d) is independently developed by the receiving party without any breach of Section 6.1; .

(e) is the subject of a written permission to disclose provided by the disclosing party; or

The parties agree that the material financial terms of this Agreement will be considered Confidential Information of both parties. However, each party shall have the right to disclose the material financial terms of this Agreement to any potential acquirer, merger partner, or other bona fide potential financial partner, subject to a requirement to secure confidential treatment of such information or if it is prudent or proper to make such disclosure to comply with Applicable Laws or to meet Generally Accepted Accounting Principles.

6.3 Authorized Disclosure. Notwithstanding any other provision of this Agreement, each party may disclose Confidential Information if such disclosure:

(a) is in response to a valid order of a court or other governmental body of any jurisdiction in the Territory or of any political subdivision thereof; provided, however, that the responding party shall first have given notice to the other party hereto and shall have made a reasonable effort to obtain a protective or other appropriate form of order requiring that the Confidential Information so disclosed be used only for the purposes for which the order was issued;

(b) is otherwise required by Applicable Laws; or

(c) is otherwise necessary to file or prosecute patent applications, prosecute or defend litigation or comply with Applicable Laws or otherwise establish rights or enforce obligations under this Agreement, but only to the extent that any such disclosure is necessary.

7. INTELLECTUAL PROPERTY

7.1 Ownership of Intellectual Property. BIOLITEC shall retain all of its rights, title and interest in and to all BIOLITEC Technology.

7.2 Infringement of Third Party Patents and Rights. BIOLITEC represents that to the best of BIOLITEC's knowledge, the manufacture, marketing, sale, distribution and use of the Products does not and will not infringe any United States or foreign patent or other proprietary rights held by any third party. If a third party asserts that a patent or other proprietary right owned by it is infringed by the manufacture, marketing, sale, distribution or use of a Product, the party against whom such a claim was asserted shall provide the other party with notice of such claim within fifteen (15) days. BIOLITEC agrees to undertake the sole and complete defense, at its sole cost and expense, of any such claim -through counsel of its choice and control the settlement of any such claim. In case of any such claims, BIOLITEC shall promptly, at its sole discretion and own cost, either (i) procure for AngioDynamics the right to continue distributing and using such Product, or (ii) replace the same with a comparable non-infringing non-

violating Product, or modify the Product so that it becomes non-infringing and non-violating. If BIOLITEC fails to take such action, AngioDynamics shall be entitled to do so and BIOLITEC shall promptly reimburse AngioDynamics for pre-agreed upon expenses it incurs, including without limitation reasonable attorneys' fees and expenses.

8. TERM AND TERMINATION OF AGREEMENT; RENEWAL RIGHTS

8.1 Term. This Agreement shall commence on the Effective Date, and issuance of the Initial Purchase Order, as described in Exhibit C, and terminate on the fifth (5) anniversary thereafter, unless terminated sooner as provided in Section 8.

8.2 Termination For Material Breach. If either party is in material breach of any obligation hereunder, the party contending there is a breach (the charging party) may give written notice to the accused party of the nature of the breach and shall provide thirty (30) days after the giving of such notice for the breach to be cured to the reasonable satisfaction of the charging party. If such breach is not cured to the reasonable satisfaction of the charging party, the charging party by notice to the accused party shall have the right to immediately terminate this Agreement.

8.3 Termination for Insolvency. If either party (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its. winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets or has a distress, execution, attachment, sequestration, or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8)causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any

of the foregoing acts, than the other party shall have the right to immediately terminate this Agreement without giving prior notice or any right to cure.

8.4 Accrued Rights. Termination or expiration of this Agreement shall not affect any accrued rights of either party.

8.5 Effect Of Termination. Upon termination of this Agreement for any reason, other than for lack of payment of ordered and received Product, AngioDynamics shall be permitted to sell off existing inventory for one (1) year following the termination date, provided, however that BIOLITEC shall be given a right of first refusal to purchase the existing inventory on the same terms and conditions as to any third party bona fide purchaser. AngioDynamics shall in any event be entitled to continue to provide consumables to its customers of record for the lasers. In the event of a termination due to a material breach by AngioDynamics, AngioDynamics agrees not to sell lasers or fibers other than the existing inventory sell off for a period of one (1) year following said existing inventory sell off. In no event shall this period extend beyond two (2) years following the date of termination.

8.6 Surviving Obligations; Termination or expiration of this Agreement shall not relieve either party of its obligations under Sections 6,7,8 and 9.

8.7 Renewal Option. This Agreement may be renewed for additional five (5) year terms by the mutual written consent of the parties.

8.8 Remedies Not Exclusive. Except in the event of a Minimum Purchase Default, rights and remedies set forth herein shall not be exclusive and shall be in addition to any and all rights and remedies available to either party upon termination of this Agreement.

9. INDEMNIFICATION AND INSURANCE

9.1 Indemnification by BIOLITEC. BIOLITEC agrees to indemnify and hold AngioDynamics harmless from and against any and all Loss that AngioDynamics may incur to the extent that such Loss arises out of or results from (i) a breach of any representation or warranty or agreement given in this Agreement by BIOLITEC, or (ii) the injury, illness or death of any person which arises out of or relates to the manufacture or the design of Products.

9.2 Indemnification by AngioDynamics. AngioDynamics agrees to indemnify and hold BIOLITEC harmless from and against any and all Loss that BIOLITEC may incur to the extent that such Loss arises out of or results from (i) the unlawful sale, promotion and distribution of the Products by AngioDynamics in the Territory, (ii) any unauthorized modification or alteration made by AngioDynamics to the Products, (iii) the improper sterilization or labeling of the Products, (iv) a breach of any representation made or warranty given in this Agreement by AngioDynamics, (v) mishandling of fibers during unpacking and repackaging of bulk fibers

delivered to AngioDynamics for the purpose of putting into their kits, or (vi) the design of a product solely by AngioDynamics.

9.3 Indemnification Procedure. The party seeking indemnification (the "Indemnified Party") shall (i) give the other party (the "Indemnifying Party") notice of the relevant claim, (ii) cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the defense of such claim, and (iii) give the Indemnifying Party the right to control the defense and settlement of any such claim, provided however that the Indemnifying Party shall not enter into any settlement that affects the Indemnified Party's rights or interests without the Indemnified Party's prior written approval, such approval not to be unreasonably withheld, conditioned or delayed.

9.4 Insurance. Each party shall carry comprehensive general liability insurance of a type as may be necessary to protect their interests and fulfill their obligations under this Agreement in an amount of at least three million dollars (US $3,000,000) per occurrence during the term of this Agreement and for a period of three (3) years after the expiration or termination of this Agreement. Upon request, each party shall provide the other party with a certificate of insurance evidencing the minimum coverage required by this Section 9.4. For greater certainty, this Section 8.4 shall not limit the liability of either party pursuant to this Agreement.

10. REPRESENTATIONS AND WARRANTIES

10.1 Representation and Warranties of BIOLITEC. BIOLITEC hereby represents and warrants as follows:

(a) Corporate Power. BIOLITEC is duly organized and validly existing under the laws of the State of New Jersey and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) Due Authorization. BIOLITEC is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

(c) Binding Agreement, No Conflict. This Agreement is a legal and valid obligation binding upon BIOLITEC and is enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by BIOLITEC does not conflict with, violate or give any person or entity rights under, any agreement, instrument or understanding, oral or written, to which it is a party or by which it or its assets may be bound or affected, nor does it violate any Applicable Laws.

10.2 Representations and Warranties of AngioDynamics. AngioDynamics hereby represents and warrants as follows:

(a) Corporate Power. AngioDynamics is duly organized and validly existing under the laws of Delaware and has full corporate power and authority under Applicable Laws to enter into this Agreement and to carry out the provisions hereof.

(b) Due Authorization. AngioDynamics is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

(c) Binding Agreement, No Conflict. This Agreement is a legal and valid obligation binding upon AngioDynamics and is enforceable in accordance with its terms. The execution, delivery and performance of this Agreement by AngioDynamics does not conflict with, violate or give any person or entity rights under, any agreement, instrument or understanding, oral or written, to which it is a party or by which it or its assets may be bound or affected, nor does it violate any Applicable Laws.

11. ASSIGNMENT

11.1 Non-Assignment. Except as set forth in Section 11.2, neither party shall assign its rights or delegate its duties under this Agreement without the prior written consent of the other party.

11.2 Exception. Notwithstanding Section 11.1, each party may assign this Agreement to any successor by merger or sale of substantially all of its assets.

11.3 Assignment or Delegation Null and Void. Any attempted assignment or delegation in contravention of this Article shall be void and of no effect.

11.4 Benefits and Binding Nature of Agreement. In the case of any permitted assignment of this Agreement, this Agreement or the relevant provisions shall be binding upon, and inure to the benefit of, the successors, executors, heirs, representatives, administrators and assigns of the parties hereto.

12. MISCELLANEOUS

12.1 Entire Agreement and Amendments. This Agreement, together with any exhibits and schedules attached and referenced herein, embodies the final, complete and exclusive understanding between the parties, and replaces all previous agreements, understandings or arrangements between the parties with respect to its subject matter. No modification or waiver of any terms or conditions hereof, nor any representations or warranties shall be of any force or effect unless such modification or waiver is in writing and signed by an authorized officer of each party hereto.

12.2 Press Release. All press releases concerning the relationship between AngioDynamics and BIOLITEC are subject to the approval of both parties, not to be unreasonably withheld, provided that neither party is precluded by this Section 12.2 from taking any action to comply with Applicable Laws.

12.3 Notice. All notices concerning this Agreement shall be in writing and shall be deemed to have been received (a) two (2) days after being properly sent by commercial overnight courier, or (b) one (1) day after being transmitted by confirmed facsimile, in each case addressed to the address below:

If to BIOLITEC:

515 Shaker Road
East Longmeadow, MA 01028

Attention: Kelly Moran, COO

Telephone: (413) 525-0600
Facsimile: (413) 525-0611

If To AngioDynamics:

603 Queensbury Avenue
Queensbury, New York 12804

Attention: Eamonn Hobbs, President and CEO

Telephone: (518) 798-1215
Facsimile: (518) 798-3625

12.4 Waiver. Any waiver (express or implied) by either party of any default or breach of this Agreement shall not constitute a waiver of any other or subsequent default or breach.

12.5 Severability. In the event that any provision of this Agreement shall be unenforceable or invalid under any Applicable Laws or be so held by applicable court decision, such enforceability or invalidity shall not render this Agreement unenforceable or invalid as a whole, and, in such event, such provision shall be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision within the limits of Applicable Laws or applicable court decisions.

12.6 Rights and Remedies Cumulative. Except as expressly provided herein, the rights and remedies provided in this Agreement shall be cumulative and not exclusive of any other rights and remedies provided by law or otherwise.

12.7 Independent Contractors. Each party shall act as an independent contractor under the terms of this Agreement. Neither party is, nor shall it be deemed to be, an employee, agent, co-venturer, partner or legal representative of the other for any purpose. Neither party shall be entitled to enter into any contracts in the name of, or on behalf of the other, nor shall either party be entitled to pledge the credit of the other in any way or hold itself out as having authority to do so.

12.8 Captions and Section References. The section headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or extent of such section or in any way affect such section.

12.9 Counterparts. This Agreement may be executed in counterparts with the same force and effect as if each of the signatories had executed the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be signed and delivered by their duly authorized representatives as of the date first written above.

BIOLITEC, Inc.

By: /s/ [Illegible]

Title: COO

AngioDynamics Inc.

By: /s/ Eamonn P. Hobbs

Title: President & CEO

Supply and Distribution Agreement Schedules

Schedule A: Products

Schedule B: Product Specifications

Schedule C: Minimum Quantities (units)

Schedule D: Sales Forecast

Schedule E: Product Pricing

Schedule A: Products

1. Ceralas(R) D15 980 nm laser

2. Ceralas(R) D 810 nm laser

3. 600 micron optical fiber for laser transmission

Schedule B: Product Specifications

Product 1: Ceralas(R) D15 980 nm laser

PRODUCT DEFINITION

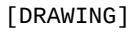
Laser Type	Integrated GaAIAs Semiconductor laser arrays
Wavelength	980nm
Output Power	15 Watts (must be minimum of 15 W)
Power Range	1-15W
Increments	1W
Operating modes	Continuous, Pulsed
Pulse Duration ON/OFF	0.01 to 99.9 seconds
Aiming Beam	635nm; 4mW
Cooling	Air cooled
Weight	15 lbs (9kg)
Dimensions	14" x 9" x 7"
Power Requirements	110/220v

PRODUCT 1 DRAWING

Product 2: Ceralas(R) D 810 nm laser

PRODUCT DEFINITION	
Laser Type	Integrated GaAIAs Semiconductor laser arrays
Wavelength	810nm
Output Power	15 Watts (must be minimum of 15 W)
Power Range	1-15W
Increments	1W
Operating modes	Continuous, Pulsed
Pulse Duration ON/OFF	0.01 to 99.9 seconds
Aiming Beam	635nm; 4mW
Cooling	Air cooled
Weight	15 lbs (9kg)
Dimensions	14" x 9" x 7"
Power Requirements	110/220v

PRODUCT 2 DRAWING



Product 3: Optical Fiber

PRODUCT DEFINITION

Fiber Type	Fused Silica Optical Fiber
Core Diameter	600um
Tip Design	Bare fiber with polished open tip
Fiber Proximal Connector to laser	Standard SMA connector

PRODUCT 3 DRAWING

[DRAWING]

Schedule C: Minimum Quantities (Units)

Contract Year minimums are as follows:

Minimums- IR and VS combined

Optical Fiber	Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4	Contract Year 5
Minimums	*** units	*** units	*** units	*** units	*** units

Ceralas@ Laser	Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4	Contract Year 5
Minimums	*** Units	*** Units	*** Units	*** Units	*** Units

Upon signing of this Agreement an Initial Purchase order shall be placed for sixteen (16) lasers and two thousand twelve (2012) disposable fiber packages of which ten (10) lasers are for promotional use and six (6) are against the contract Year 1 Minimum Quantity. Of the 2012 disposable fiber packages, six hundred (600) disposable fiber packages will be delivered within six (6) weeks, seven hundred six (706) will be delivered on July 1, 2002, and seven hundred six (706) will be delivered on October 1, 2002 as required to warrant private labelled fiber packages.

_____

*** Confidential material redacted and filed separately with the Commission.

Schedule D: Sales Forecasts

Contract Year Sales Forecasts are as follows:

Sales Forecast - IR and VS combined

Optical Fiber	Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4	Contract Year 5
Forecast	*** Units	*** Units	*** Units	*** Units	*** Units

Ceralas(R)Laser	Contract Year 1	Contract Year 2	Contract Year 3	Contract Year 4	Contract Year 5
Forecast ***	*** Units	*** Units	*** Units	*** Units	*** Units

_____

*** Confidential material redacted and filed separately with the Commission.

Schedule E: Product Pricing

F.O.B. East Longmeadow, MA

The pricing will be as follows:

(a) Pricing for the Ceralas D15 980 nm laser or Ceralas D15 810 nm laser for the initial 30 units will be $*** each. This reflects a reduction in price to-cover the 10 promotional lasers purchased within this initial group.

(b) After the initial 30 units are purchased, pricing for the Ceralas D 980 nm laser or Ceralas D 810 nm laser will be based on quantity tiered levels for a given order:

1 - 50 units	$ ***
51 - 99 units	$ ***
100 - 199 units	$ ***
200 + units	$ ***

(c) Pricing for the laser fibers: $*** each.

(d) Pricing for sterilized laser fibers: $*** each. This requires purchase and delivery of the minimum *** fibers before December 30, 2002. AngioDynamics to provide labeling for the sterilized packaging.

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*** Confidential material redacted and filed separately with the Commission.

EXHIBIT 10.2

As amended by the Board and Shareholders February 27, 2004

ANGIODYNAMICS INC.

1997 STOCK OPTION PLAN

1. PURPOSE OF PLAN

The purpose of this 1997 Stock Option Plan (the "Plan") is to assist AngioDynamics Inc. (the "Company") and its subsidiaries in the continued employment of key employees, consultants and directors by offering them a greater stake in the Company's success and a closer identity with it, and to aid in gaining the services of individuals who would be helpful to the Company and would contribute to its success.

2. DEFINITIONS

(a) "Board" means the board of directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Committee" means the committee described in Paragraph 5.

(d) "Date of Grant" means the date on which an Option is granted.

(e) "Exercise Price" means the price per Share that an Optionee must pay in order to exercise an Option.

(f) "Incentive Stock Option" shall mean an Option granted under the Plan, designated at the time of such grant as an Incentive Stock Option (and qualifying as such under Section 422 of the Code) and containing the terms specified herein for Incentive Stock Options.

(g) "Non-Qualified Option" shall mean an Option granted under the Plan, As amended by the Board and Shareholders February 27, 2004 designated at the time of such grant as a Non-Qualified Option and containing the terms

specified herein for Non-Qualified Options.

(h) "Option" means any stock Option granted under the Plan and described either in Paragraph 3(a) or 3(b).

(i) "Option Agreement" shall have the meaning set forth in Paragraph 7.

(j) "Optionee" means a person to whom an Option has been granted under the Plan, which Option has not been exercised and has not expired or terminated.

(k) "Shares" means shares of Class B Non-Voting Common Stock of the Company.

(l) "Ten Percent Shareholder" means a person who on the Date of the Grant owns, either directly or within the meaning of the attribution rules contained in Section 425(d) of the Code, stock possessing more than ten percent of the total combined voting power of all classes of stock of his or her employer corporation or of its parent or subsidiary corporations, as defined respectively in Sections 425(e) and (f) of the Code.

(m) "Value" means on any given date, the closing price of the Shares as reported by NASDAQ, or if listed on a national exchange, the closing price of the Shares on such exchange on such date, or if not so reported or listed, the fair market value of the Shares as determined by the Company in good faith.

3. RIGHTS TO BE GRANTED

Rights that may be granted under the Plan are:

(a) Incentive Stock Options, that give the Optionee the right for a specified time period to purchase a specified number of Shares at an Exercise Price not less than that specified in Paragraph 7(a).

(b) Non-Qualified Options, that give the Optionee the right for a specified time period to purchase a specified number of Shares at an Exercise Price not less than that specified in Paragraph 7(a).

4. STOCK SUBJECT TO PLAN

The maximum number of Shares that may be issued under the Plan is One-Hundred-Thirty-Six and Four-Tenths (136.4) Shares, subject to adjustment pursuant to the provisions of Paragraph 10. If an Option terminates without having been exercised in whole or part, other Options may be granted covering the Shares as to which the Option was not exercised. Notwithstanding anything contained in the Plan to the contrary, no recipient of Options may be granted Options to purchase in excess of thirty-five percent (35%) of the maximum number of Shares authorized to be issued under the Plan.

5. ADMINISTRATION OF PLAN

The grant of options under this Plan shall be approved by the Company's Board of Directors or a committee of the Board of Directors composed solely of two or more Non-Employee Directors (as that term is defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended) and any determination regarding the terms of such Options or any other determination regarding such Options shall be made by the Board of Directors or

such committee.

6. GRANTING OF OPTIONS

(a) Subject to Section 7, hereof the Company may, from time to time, designate: the key employees, consultants and directors of the Company to whom Options may be granted; the number of Shares covered by an Option; the relevant Exercise Price of an Option; the vesting provisions of the Option; and the term of an option.

(b) An Incentive Stock Option shall not be granted to a director of the Company unless, as of the Date of Grant, such director is also an officer or key employee of the Company.

(c) An Incentive Stock Option shall not be granted to a Ten Percent Shareholder except on such terms concerning the Exercise Price and period of exercise as are provided in Paragraph 7 with respect to such a person.

7. OPTIONS AGREEMENTS AND TERMS

Each Option shall be granted within 10 years of the date on which the Plan is adopted by the Board or the date the Plan is approved by the shareholders of the Company, whichever is earlier, and shall be evidenced by an option agreement that shall be executed on behalf of the Company and by the respective Optionee ("Option Agreement"). The terms of each Option Agreement shall be consistent with the following:

(a) Exercise Price. The Exercise Price per Share shall not be less than 100 percent of the Value of the Shares on the Date of Grant; provided that with respect to any

Incentive Stock Options granted to a Ten Percent Shareholder, the Exercise Price per Share shall not be less than 110 percent of the Value of the Shares on the Date of Grant.

(b) Restriction on Transferability. No Option granted hereunder shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Optionee, whether voluntarily or by operation of law, otherwise than by will or the laws of descent and distribution, and any attempt to do so will cause such Option to be null and void. During the lifetime of the Optionee, an Option shall be exercisable only by Optionee, and upon the death of an Optionee the person to whom the rights shall have passed by will or by the laws of descent and distribution may exercise any Option in accordance with the provisions of Paragraph 7(e).

(c) Payment. Full payment for Shares purchased upon the exercise of an Option shall be made in cash or by surrendering Shares that have been owned by the Optionee for at least six months and that have an aggregate Value equal to the aggregate Exercise Price, or by delivering a combination of such Shares and cash. Upon the exercise of an Option, the Company shall have the right to require the Optionee to remit to the Company, in cash and/or through the retention of Shares acquired upon the exercise, an amount sufficient to satisfy all federal, state and local withholding tax requirements prior to the delivery by the Company of any certificate for Shares. Upon the exercise of the Option, if the Company approves in its sole discretion or if a registered initial public offering of equity securities of the Company has occurred, the Optionee may elect to have the Company satisfy all or part of "the employer's minimum statutory withholding" obligation (within the meaning of Question 15(c) of FASB Interpretation No. 44) through the retention of whole

Shares acquired upon the exercise of such Option having a Value on the exercise date equal to the withholding obligation or part thereof in question.

(d) Issuance of Certificates. Upon payment of the Exercise Price, a certificate for the number of Shares shall be delivered to such Optionee by the Company. If listed on a national securities exchange, or reported on NASDAQ, the Company shall not be obligated to deliver any certificates for Shares until (A)(i) such Shares have been listed (or authorized for listing upon official notice of issuance) on each securities exchange upon which outstanding Shares of such class at the time are listed or (ii) if such outstanding Shares are quoted on NASDAQ, such Shares have been approved for quotation thereon and (B) there has been compliance with such laws or regulations as the Company may deem applicable. The Company shall use its reasonable efforts to effect such listing or reporting and compliance.

(e) Periods of Exercise of Options. An Option shall be exercisable in whole or in part at such time as may be stated in the Option Agreement, provided that:

(i) an Incentive Stock Option granted to a Ten Percent Shareholder shall in no event be exercisable after 5 years from the Date of Grant, and all other Options shall in no event be exercisable after 10 years from the Date of Grant;

(ii) Incentive Stock Options shall be subject to the limitation set forth in Paragraph 8;

(iii) if an Optionee ceases to be employed by the Company for any reason other than death or disability, an Incentive Stock Option or a Non-Qualified Option shall not be exercisable by such Optionee after three months from the date the Optionee ceases to be employed by the Company; provided, however, that if an Optionee's employment or other

relationship with the Company is terminated by the Company for cause, then an Incentive Stock Option or Non-Qualified Stock Option shall not be exercisable by such Optionee after the time of such termination;

(iv) if an Optionee ceases to be employed by the Company due to disability, an Incentive Stock Option or Non-Qualified Option shall not be exercisable by such Optionee after one year from the date the Optionee ceases to be employed by the Company, and;

(v) if an Optionee ceases to be employed by the Company due to death, an Incentive Stock Option or Non-Qualified Stock Option granted to such Optionee shall not be exercisable after one year from the date of death of such Optionee; provided that in such event, the person to whom the rights of the Optionee shall have passed by will or by the laws of descent and distribution may exercise any of the decedent's Options to the extent determined by the Company in its discretion, even if the date of exercise is within any time period prescribed by the Plan before or after which such Option shall not be exercisable.

(f) Date of Exercise. The date of exercise of an Option shall be the date
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on which written notice of exercise is hand delivered or telecopied to the Company, attention: Comptroller; provided that the Company shall not be obliged to deliver any certificates for Shares pursuant to the exercise of an Option until the Optionee shall have made full payment for such Shares in accordance with Section 7(c). Each such exercise shall be irrevocable when given. Each notice of exercise must state whether the Optionee is exercising an Incentive Stock Option or a Non-Qualified Option and must include a statement of preference or election as to the manner in which payment to the Company shall be made (Shares or cash or a combination of Shares and cash).

(g) Termination of Status and Related Matters. For the purposes of the Plan: (i) a transfer of an employee between two employers, each of which is a company considered to be either a parent of the Company within the meaning of Section 424(e) of the Code or a subsidiary of the Company within the meaning of Section 424(f) of the Code, shall not be deemed a termination of employment, (ii) employees of E-Z-EM, Inc. shall be deemed to be employees of the Company, and employment by E-Z-EM, Inc. shall be deemed to be employment by the Company, and (iii) service as a consultant or director of the Company shall be deemed to be employment by the Company; provided that the foregoing clauses (ii) and (iii) shall apply to Incentive Stock Options only if and to the extent permitted by the Code.

(h) No Relation Between Incentive Stock Options and Non-Qualified Options. The grant, exercise, termination or expiration of any Incentive Stock Option granted to an Optionee shall have no effect upon any Non-Qualified Option held by such Optionee, nor shall the grant, exercise, termination or expiration of any Non-Qualified Option granted to an Optionee have any effect upon any Incentive Stock Option held by such Optionee.

8. LIMITATION ON EXERCISE OF INCENTIVE STOCK OPTIONS

The aggregate fair market value (determined as of the time Incentive Stock Options are granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year under the Plan (and any other plan of his or her employer corporation and its parent and subsidiary corporations, as defined respectively in Sections 424(e) and (f) of the Code), shall not exceed $100,000.

9. RIGHTS AS STOCKHOLDERS

An Optionee shall have no rights as a stockholder with respect to any Shares covered by his or her Options until the date of issuance of a stock certificate to him or her for such Shares.

10. CHANGES IN CAPITALIZATION

In the event of a stock dividend, stock split, recapitalization, reclassification of shares, combination, subdivision, issuance of rights to all stockholders, or other similar corporate change, the Company shall make such adjustment in the aggregate number and class of Shares that may be issued under the Plan, and the number and class of Shares subject to, and the Exercise Price of, each then-outstanding Option, as it, in its sole and absolute discretion, deems appropriate.

11. MERGERS, DISPOSITIONS AND CERTAIN OTHER TRANSACTIONS

If during the term of any Option the Company shall be merged into or consolidated with or otherwise combined with another person or entity, or substantially all of the property or stock of the Company is acquired by another person or entity, or there is a divisive reorganization, spin-off or liquidation or partial liquidation of the Company, the Company may choose to take no action with regard to the Options outstanding or to take any of the following courses of action:

(a) The Company may provide in any agreement with respect to any such merger,

consolidation, combination or acquisition that the surviving, new or acquiring corporation shall grant Options to the Optionees to acquire shares in such corporation with respect to which the excess of the fair market value of the shares of such corporation immediately after the consummation of such merger, consolidation, combination or acquisition over the Exercise Price, shall not be greater than the excess of the Value of the Shares over the Exercise Price of the Options, immediately prior to the consummation of such merger, consolidation, combination or acquisition; or

(b) The Company may take such other action as the Board shall determine to be reasonable under the circumstances in order to permit Optionees to realize the value of rights granted to them under the Plan.

12. PLAN NOT TO AFFECT EMPLOYMENT

Neither the Plan nor any Option shall confer upon any employee of the Company any right to continue in the employment of the Company.

13. INTERPRETATION

The Company shall have the power to interpret the Plan and to make and amend rules for putting it into effect and administering it. It is intended that the Incentive Stock Options shall constitute incentive stock options within the meaning of Section 422 of the Code, that the Non-Qualified Options shall constitute property subject to U.S. Federal income tax at exercise pursuant to the provisions of Section 83 of the Code and that the Plan shall qualify for the exemption available under the Rule. The provisions of the Plan shall be interpreted and applied insofar as possible to carry out such intent.

14. AMENDMENTS

The Plan may be amended by the Board. No outstanding Option shall be affected by any such amendment that adversely affects the Option without the written consent of the Optionee or other person then entitled to exercise such Option.

15. SECURITIES LAWS

The Company shall have the power to make each grant under the Plan subject to such conditions as it deems necessary or appropriate to comply with the then existing rules and regulations of the Securities and Exchange Commission.

16. EFFECTIVE DATE AND TERM OF PLAN

The Plan shall become effective on the date the Plan is adopted by the Board, and shall expire on the date that is ten years after the date on which the Plan is adopted by the Board unless sooner terminated by the Board. No Options may be granted under the Plan on or after the date on which it expires or is terminated, but the Plan shall continue in effect on and after that date with respect to any Options that were granted under the Plan before that date and that remain outstanding after that date, until such Options are exercised, forfeited or expire.

17. GOVERNING LAW

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the State of Delaware.

By order of the Board of Directors

Exhibit 10.6

Confidential Treatment Requested.
Confidential portions of this document
have been redacted and have been
separately filed with the Commission.

DISTRIBUTION AGREEMENT

THIS AGREEMENT is effective as of the last date of signature set forth herein and is by and between ANGIODYNAMICS(R), Inc., (hereinafter "ANGIODYNAMICS"), a Delaware Corporation having a principal place of business at 603 Queensbury Avenue, Queensbury, New York 12804, and Medical Components Inc., (hereinafter "MEDCOMP"), a Pennsylvania corporation, having a principal place of business at 1499 Delp Drive, Harleysville, Pennsylvania 19438.

IN CONSIDERATION of the mutual promises contained herein, the parties agree as follows:

1. DEFINITIONS

1.1 "Territory" as used herein shall mean the entire world except where specifically indicated otherwise.

1.2 Products" as used herein shall mean those products as set forth in Exhibits A, B, C, D, E ("hereinafter Exhibits A-E") attached hereto. Exhibits A-E may be modified from time to time, during the effective period of this Agreement, by the mutual written consent of the parties.

1.3 "Know-how" as used herein shall include all technology and trade secrets necessary for the manufacture, sale, research and development, and marketing of the Products.

1.4 "Patent Rights" as used herein shall include any U.S. patent, reissued patent or patent re-examination certificate and any foreign counterparts which have a claim that covers the Products which are or will be licensed and/or assigned to MEDCOMP including pending U.S. Patent Applications, as well as any and all patent rights which are related thereto, and any patent rights acquired in the future by MEDCOMP for any improvements, adaptations, modifications or derivative inventions having a claim that covers the Products, provided that for any such rights which are licensed to or will be licensed to MEDCOMP, MEDCOMP has been granted or will be granted a right to sublicense under such license or a right to assign or otherwise convey the license agreement to third parties.

1.5 "Trademarks" as used herein includes all trademark(s) and trade name(s) pertaining to the Products and any related trade dress rights.

1.6 "Intellectual Property Right" as used herein shall include any and to all rights in and to the Products in the form of Know-how, Patent Rights, Trademarks, and copyrights which are owned, licensed or otherwise possessed by MEDCOMP.

1.7 "Specifications" shall mean the specifications for each of the Products and attached herewith in Exhibits A-E, as they are modified during the effective period of this Agreement by the mutual written consent of the parties.

2. APPOINTMENT

2.1 As designated on each of the Exhibits A, B, and E, MEDCOMP hereby grants to ANGIODYNAMICS the sole and exclusive distributorship, together with the. right to appoint others, for the Products in Exhibits A, B, and E throughout the Territory. MEDCOMP shall not sell, either directly or indirectly, any of the Products in Exhibits A, B, and E to any other person or entity.

2.2 As designated on Exhibit C, MEDCOMP hereby grants to ANGIODYNAMICS the sole and exclusive distributorship, together with the right to appoint others, for the Products listed in Exhibit C throughout the United States, and a non-exclusive distributorship for the Products listed in Exhibit C, together with the right to appoint others, throughout the Territory, except for the United States which shall remain exclusive. In the United States, MEDCOMP shall not sell, either directly or indirectly, any of the Products in Exhibit C to any other person or entity.

2.3 As designated on Exhibit D, MEDCOMP hereby grants to ANGIODYNAMICS a non-exclusive distributorship for the Products listed in Exhibit D throughout the Territory, together with the right to appoint others.

2.4 For each of the appointments in paragraphs 2.1-2.3, ANGIODYNAMICS shall inform MEDCOMP of its selection of any appointees and MEDCOMP shall have the right to reasonably object to any such appointment.

3. PRICE, PAYMENT, AND ORDERlNG

3.1 The price of the Products shall be as set forth in Exhibit A-E attached hereto, as such price is indicated next to each Product. This price includes the cost of sterilization and packaging. Such prices shall be firm for the initial Twelve (12) month period of this Agreement, and thereafter, such prices may be adjusted upon Thirty (3) days notice to ANGIODYNAMICS by no more than Two percent (2%) per year or the US. consumer price index which ever is greater. The price of the Products as set forth in Exhibit A-E does not include any applicable sales and use taxes, which MEDCOMP has the legal obligation to pay.

3.2 Orders for the Products shall be initiated by a written purchase order sent or faxed to MEDCOMP. To facilitate MEDCOMP's production schedule, ANGIODYNAMICS shall submit purchase orders to MEDCOMP at least Forty-five (45) days prior to the requested date of delivery.

3.3 ANGIODYNAMICS purchase orders, submitted to MEDCOMP with respect to the Products, shall be governed by the terms and conditions of this Agreement.

3.4 Full payment of the purchase price of the Products shall be net Forty-five (45) days and payment shall be made by check, or other instrument agreed to by both parties. Payment by ANGIODYNAMICS' rights under Paragraph 6 or as acceptance of the Products delivered.

4. MINIMUM SALES

4.1 ANGIODYNAMICS agrees to purchase from MEDCOMP the minimum yearly number of Product units for each set of Products as set forth in Exhibit A-E attached hereto. In the event that ANGIODYNAMICS fails to purchase at least 90% of the annual minimum as set forth on each Exhibit or the adjusted minimums if this contract is extended as set forth in Section 4.3, MEDCOMP, at its sole discretion, may convert the distributorship for those Products set forth as exclusive on that Exhibit for either the Territory or that portion of the Territory that was exclusive to a non-exclusive distributorship. Such remedy shall be MEDCOMP's sole and exclusive remedy in the event that ANGIODYNAMICS fails to purchase at least 90% of minimums as set forth above.

4.2 It shall not be considered a material breach by MEDCOMP if they supply at least 90% of the minimum requirements set forth herein.

4.3 If this Agreement is extended for an additional five-year term pursuant to Section 13.6, the minimum yearly number of Product units for each set of products will be 10% higher than the previous years' sales of each set of the Products:

5. PACKAGING AND SHIPPING

5.1 All Products shipped pursuant to this Agreement shall be packaged, labeled, and shipped in accordance with ANGIODYNAMICS' instructions. All freight, insurance, and other shipping expenses, as well as applicable taxes and duties, shall be borne by ANGIODYNAMICS. Each shipping container must be marked to show quantity, order, number, lot number, contents, and shipper's name. A packing slip showing this information shall be included with the shipment. A Certificate of Compliance shall accompany each lot within the shipment.

5.2 Title to and risk of loss of the Products shall pass to ANGIODYNAMICS from MEDCOMP at the point of destination, ANGIODYNAMICS' receiving dock.

5.3 MEDCOMP agrees to ship the Products with not less than three years remaining on its stated expiration date.

6. SPECIFICATIONS

6.1 The Products shall meet the Specifications attached herewith in Exhibits A-E. ANGIODYNAMICS reserves all right to return, at MEDCOMP's sole expense, any Product not meeting said Specifications. ANGIODYNAMICS must inform MEDCOMP within Forty Five (45) days of receipt of Product if it believes that any Product fails to meet the Specification. In the event that MEDCOMP is unable to replace such returned Product with an acceptable Product within Forty-Five (45) days, such failure shall be considered a material breach of this Agreement.

7. REGULATORY

7.1 MEDCOMP shall produce all Products in accordance with all applicable regulatory laws, rules, and regulations. MEDCOMP will permit ANGIODYNAMICS, or its designated representative, to perform vendor audits of MEDCOMP's facilities and procedures. MEDCOMP will notify ANGIODYNAMICS of any FDA inspections, observations, and/or'483's. Any observations/483's shall be given to ANGIODYNAMICS in writing within 30 days of the inspection. Further, MEDCOMP will provide ANGIODYNAMICS with a Certificate of Compliance, a Sterilization Certificate, and certification of non-pyrogenicity for each batch/lot of Products shipped. MEDCOMP will allow ANGIODYNAMICS, or its designated representative, subject to the confidentiality provisions herein, to inspect the Products' Design History Files and will also allow confidential access to all technical documentation necessary to demonstrate compliance with the European Medical Device Directive. Additionally, MEDCOMP will notify ANGIODYNAMICS of any proposed' changes in raw materials, components, processes, or labeling, at least Ninety (90) days prior to such action and must obtain ANGIODYNAMICS' written approval for such changes, which shall not be unreasonably withheld. MEDCOMP guarantees that no Products sold pursuant to this Agreement are adulterated or misbranded within the meaning of The Federal Food, Drug and Cosmetics Act (hereinafter the "Act"), and further guarantees that no Products sold pursuant to this Agreement are barred from introduction into inter-state commerce under the provisions in Sections 404, 505 or 512 of the Act.

7.2 All customer complaints for the Products will be processed through ANGIODYNAMICS' Customer Service Department. Once a complaint has been received, it is the responsibility of ANGIODYNAMICS to forward a copy of the complaint within five (5) working days to MEDCOMP. If MEDCOMP receives such a complaint, MEDCOMP will notify ANGIODYNAMICS within five (5) working days. MEDCOMP agrees to perform an investigation of each customer complaint and forward complaint results in writing to ANGIODYNAMICS within a reasonable time considering the nature of the complaint. ANGIODYNAMICS agrees to complete the complaint file and respond to the customer. MEDCOMP agrees to comply with all applicable regulatory laws, rules and regulations for reporting of customer complaints by manufacturers. ANGIODYNAMICS agrees to comply with all applicable regulatory laws, rules and regulations for the reporting of customer complaints by distributors.

7.3 Recalls. Each party agrees to notify the other party promptly if any of the Products are the subject of a recall, market withdrawal or correction and the parties shall cooperate in the handling and disposition of such recall, market withdrawal or correction. MEDCOMP shall be responsible for the costs of such recall, market withdrawal or correction, except to the extent that such recall, market withdrawal or correction is due to ANGIODYNAMICS' improper storage, handling, distribution or marketing of the Products in which case ANGIODYNAMICS shall be responsible for the costs of such recall, market withdrawal or correction.

8. LABELS AND LABELING

8.1 MEDCOMP shall have the obligation to design and produce all labels, labeling, and inserts for the Products, other than the pouch and box labels

8.2 ANGlODYNAMICS shall have the obligation to design and produce the pouch and box labels for the Products.

8.3 ANGIODYNAMICS may waive the obligation to design and produce the pouch and box labels for the Products, if both parties agree in writing that MEDCOMP labels are to be used.

8.4 Each party shall obtain the other party's prior written approval for the labels if they have designed, prior to production of the same.

8.5 MEDCOMP shall have the responsibility to apply all labels, including the pouch and box labels to the Products

8.6 MEDCOMP agrees that the labeling may include the ANGIODYNAMICS' trademark.

8.7 ANGIODYNAMICS agrees that the Products and/or their packaging shall bear, where appropriate, MEDCOMP's trademarks, and a statutory indication of the patent number or the legend "US. patent pending" or "U.S. pat. pending" in the U.S. and any required foreign patent marking where foreign patent rights exist.

8.8 MEDCOMP shall allow the addition of the ANGIODYNAMICS trademark to all currently published literature and educational materials associated with the Products.

9. WARRANTIES

9.1 MEDCOMP warrants that the (i) title to all Product conveyed hereunder is good, (ii) the Products delivered hereunder are free from any security interest or other lien or encumbrance, (iii) the Products shall be delivered free of the rightful claim of any third party by way of infringement of any patent or trademark, and (iv) the Products will be manufactured in accordance with the product specifications, (v) the Products are fit for the purposes described in the instructions for use and shall be free any defects that may effect the intended use, (vi) the Products shall be manufactured, produced, and delivered to ANGIODYNAMICS in accordance with all applicable laws, rules, and regulations, (vii) MEDCOMP agrees to indemnify, defend and hold harmless ANGIODYNAMICS, its customers, and users of the Products from all loss, damages, cost, or expense, including reasonable attorney's fees, arising from the breach by MEDCOMP of the aforementioned warranties.

10. OPTION FOR FUTURE LICENSE OR TECHNOLOGY TRANSFER

10.1 In the event that MEDCOMP elects not to continue manufacturing the Products, or in the event that this Agreement is terminated for a failure to supply as set forth in this Agreement, or due to MEDCOMP's insolvency or bankruptcy, MEDCOMP agrees to negotiate in good faith a royalty-bearing non-exclusive license or sublicense to make, use or sell Products under the Patent Rights to ANGIODYNAMICS, provided such ability and right to license or sublicense is available to MEDCOMP.

10.2 In the event that MEDCOMP ceases manufacturing the Products, to the extent such cessation is within MEDCOMP's control, MEDCOMP will provide ANGIODYNAMICS with written notice, Six (6) months in advance of the. anticipated date of cessation of manufacture.

10.3 In the event a license or sublicense is successfully negotiated in accordance with Paragraphs 10.1, MEDCOMP agrees to cooperate with ANGIODYNAMICS and to train ANGIODYNAMICS' personnel on manufacture, design, assembly, quality control and packaging of the Products for a period of Six (6) months at no cost to ANGIODYNAMICS, and to transfer any manufacturing Know-how.

11. IMPROVEMENTS

11.1 ANGIODYNAMICS shall have the right to develop design improvements for the Products, and if developed solely by ANGIODYNAMICS any associated Intellectual Property rights shall belong solely to ANGIODYNAMICS and such Products shall become part of this Agreement asset forth in paragraph 11.2.

11.2 In the event that such design improvements are developed by ANGIODYNAMICS, the parties agree to amend this Agreement to add such improvements to the Products as set forth on Exhibit A-E.

11.3 ANGIODYNAMICS and MEDCOMP shall have the right to cooperate in development of design improvements for the Products. In the event ANGIODYNAMICS and MEDCOMP jointly develop design improvements for the Products, any associated Intellectual Property rights shall belong to ANGIODYNAMICS and MEDCOMP jointly and shall become part of this Agreement and shall be added as improvements to the Products as set forth on Exhibit A-E.

11.4 MEDCOMP shall have the right to develop design improvements for the Products and in the event that such design improvements are developed solely by MEDCOMP, MEDCOMP shall solely own all Intellectual Property rights to such improvements. The parties agree to amend this Agreement to add such improvements to the Products on Exhibit A-E.

12. INTELLECTUAL PROPERTY

12.1 MEDCOMP shall retain all of its rights, title and interest in and to its patents, copyrights, trademarks, trade names, and all other industrial and intellectual property. Except as otherwise expressly provided in this Agreement, ANGIODYNAMICS shall have no right, title or interest in any industrial or intellectual property relating to the Products, except to marketing and promotional materials and reports and all marketing data and all intellectual property relating thereto. Nothing herein shall be construed as a license or other grant of rights in any of the Intellectual Property of either party.

12.2 Validity and Infringement of MEDCOMP's Patents:

12.2.1. In the event ANGIODYNAMICS or MEDCOMP become aware of any actual or threatened infringement of any MEDCOMP patents, that party shall promptly notify the other.

12.2.2. MEDCOMP shall have the first and exclusive right, but not the obligation, to bring and control any infringement action against any person or entity materially infringing any MEDCOMP Patent Rights directly or contributorily and shall have the first right, but not the obligation, to defend any MEDCOMP Patent Rights against any challenge to the validity and enforceability of that patent in the Courts of the United States or in the United States Patent and Trademark Office or in any foreign jurisdiction. At the request of MEDCOMP, ANGIODYNAMICS agrees to cooperate with MEDCOMP, at MEDCOMP's sole cost, in any lawsuit on any of the Patent Rights, including being named as a party, if necessary.

12.2.3. MEDCOMP shall bear the full cost of any action brought by MEDCOMP regarding its Patent Rights and shall be entitled to all recovery from such lawsuit.

13. TERM AND TERMINATION

13.1 Subject to earlier termination as provided in this Section 13, this Agreement shall be for a term of Five (5) years.

13.2 Either party shall have the right to terminate this Agreement by written notice to the other party immediately upon the occurrence of the following:

13.2.1. The bankruptcy or insolvency of the other party, or the commencement of any proceedings by or against the other party seeking receivership, trusteeship, bankruptcy, reorganization, assignments for the benefit of creditors or similar proceedings.

13.2.2. Failure of the other party to cure any material breach (a failure by AngioDynamics to purchase the minimum requirements of each Product shall not be deemed a material breach for purposes of this Agreement) of this Agreement within Sixty (60) days after written notice of such breach. In the event ANGIODYNAMICS purchases Sixty percent (60%) or less of its minimum requirement for any Product, ANGIODYNAMICS shall lose its exclusivity rights, if any, to that Product. Furthermore, in the event ANGIODYNAMICS purchases Forty percent (40%) or less of its minimum requirement for any product, MEDCOMP shall have the right, upon written notice to ANGIODYNAMICS, to cancel this Agreement as to such Product and make any arrangements MEDCOMP believes is appropriate, in its sole and absolute discretion, to sell such Product through other individuals or entities.

13.2.3. Upon the mutual written consent of both parties.

13.3 ANGIODYNAMICS may terminate this Agreement immediately, if MEDCOMP, for any reason, is unable to supply Products that meet the product Specifications to ANGIODYNAMICS for a period of Ninety (90) days.

13.4 Upon termination of this Agreement, for any reason other than ANGIODYNAMICS' failure to pay for the Products, MEDCOMP shall honor ANGIODYNAMICS' orders that were placed prior to the effective date of termination and ANGIODYNAMICS shall pay for such orders and make any other payments due to MEDCOMP pursuant to the terms of this Agreement. Notwithstanding that ANGIODYNAMICS' rights to purchase the product for distribution and sale have ceased, ANGIODYNAMICS shall be entitled to sell or otherwise dispose of the Products then remaining in its inventory.

13.5 Termination of the Agreement shall not relieve, nor be construed as relieving either party of any obligation or liability to the other party arising out of, or in connection with, such party's breach of, or failure to perform, any covenant, agreement or duty contained in or pursuant to this Agreement. It is expressly agreed that Paragraphs 7 and 9 shall survive until all products are sold from inventory by ANGIODYNAMICS, paragraph 15 shall survive in accordance with the terms of that paragraph, and paragraphs 14, 16 and 18 hereof shall survive the termination of this Agreement.

13.6 If all minimums are met per this Agreement the terms of this contract will be extended for an additional five-year term.

14. CONFIDENTIALITY

14.1 Each party acknowledges and agrees that information of a confidential nature ("Confidential Information") may be disclosed by one party ("disclosing party") to the other party ("receiving party") pursuant to this Agreement. The receiving party agrees that, except as required by law, it will retain such Confidential Information in confidence and will not disclose, publish or make use of all or any part of such Confidential Information given to it by the disclosing party for any purpose other than those specified in this Agreement, without first obtaining the disclosing party's written consent. Notwithstanding the foregoing, the obligations specified herein shall not apply to any Confidential Information that is demonstrated to fall within any of the following categories: (a) to any Confidential Information which now is or hereinafter becomes publicly known or available otherwise than through unauthorized disclosure by the receiving party, and (b) to any Confidential Information which the receiving party received in good faith from a third party who is not under a similar restriction of confidentiality and having a right to disclose the information, and (c) to any Confidential Information that was already in the receiving party's possession or can be proven to have been independently developed by the receiving party, after disclosure hereunder, without the aid, application or use in any way of the Confidential Information received from the disclosing party under this Agreement, and (d) to any Confidential Information which is required by law or judicial order should be disclosed.

14.2 The receiving party represents that it has procedures designed to protect Confidential Information and agrees that it shall impose upon its employees and agents the same obligations with respect to the other disclosing party's Confidential Information as it imposes upon them with respect to its own Confidential Information.

15. INSURANCE

15.1 MEDCOMP warrants that it has product liability insurance in the amount of at least $3,000,000. (Three Million Dollars). MEDCOMP shall provide ANGIODYNAMICS with a Certificate of Insurance indicating such coverage, and shall have ANGIODYNAMICS named as an additional insured under its policy. MEDCOMP agrees to provide said coverage for the duration of this Agreement and for a period of three years following the termination of this , contract as provided in Section 13.

16. INDEMNIFICATION

16.1 MEDCOMP agrees to indemnify and hold ANGIODYNAMICS harmless from and against any and all costs, losses, liability, damages and expense claims (including reasonable attorneys' fees) made by any person or entity arising out of the manufacturing, processing, marketing, distribution, sale and use of the - Products, where and to the extent such damages have been cause by the negligence, recklessness or willful misconduct of MEDCOMP or its employees or agents, or relate in any way to the Products as set forth in Exhibit A-E.

16.2 ANGIODYNAMICS agrees to indemnify MEDCOMP from and against any and all costs, losses, liability and expense claims (including reasonable attorneys' fees) made by any person or entity arising out of the marketing, distribution and sale of the Products, where and to the extent such damages have been caused by the negligence, recklessness or willful misconduct of ANGIODYNAMICS or its employees or agents.

16.3 The indemnifying party shall have the right to defend or, at its option, settle such claims, and if it chooses to exercise such right, it shall have control over any such claim or settlement negotiations. The indemnifying party shall be relieved of the foregoing obligations unless the indemnified party gives prompt notice in writing of any such claim, suit or proceeding and, at the indemnifying party's expense, gives the indemnifying party proper and full information and assistance to settle and/or defend any such claim, suit, or proceeding.

17. ARBITRATION

17.1 If any dispute or claim arising under this Agreement cannot be readily resolved by the parties, the parties agree to refer the matter to a panel consisting of one (1) senior executive from each party (or an affiliated company of the party) for review and resolution. The senior executive shall preferably not have been directly involved in the claim or dispute. A copy of the Agreement terms, relevant facts, areas of disagreement and a concise summary of basis of each side's contention will be provided to both executives who shall review the same, and attempt to reach a mutual resolution of the issue. The senior executives shall meet and attempt to resolve the dispute within thirty (30) days of their appointment. If the dispute or claim cannot be resolved by the senior executive panel within forty-five (45) days of the date of the senior executives' conference, a party may refer the matter to binding arbitration.

17.2 The parties agree that all disputes, controversies or claims arising out of or , relating to this Agreement, with the exception of any disputes concerning the terms governing enforcement of any of MEDCOMP Patent Rights, shall be finally resolved and/or otherwise settled by arbitration in accordance with the arbitration rules of the American Arbitration Association then in force. The parties will not be asked to take any action that is illegal in any country. Each party shall bear its own costs and shall jointly share the costs of the arbitration, except to the extent that either of the parties shall be found to have acted maliciously or without justification under the terms of the Agreement by the arbitrators in which case the losing party shall bear all expense and legal fees of the other. The award of the arbitrators shall be final and conclusive and binding on both parties.

17.3 The number of arbitrators for all arbitration in accordance with paragraph l7.2 of this Article shall be three (3): one shall be appointed by ANGIODYNAMICS, one shall be appointed by MEDCOMP, and a third arbitrator shall be selected jointly by those two arbitrators and who shall be president of the arbitration panel. The arbitrators shall be appointed within sixty (60) days following notification of a dispute requiring resolution by arbitration. If one party fails to appoint an arbitrator within such time period, the other party may abandon arbitration and seek resolution in a court of appropriate jurisdiction or seek appointment of two (2) objectives, court-approved arbitrators within thirty (30) days of the failure of the party to initially appoint an arbitrator, one of such court-approved arbitrators to act on behalf of the party failing to initially appoint an arbitrator, and one of whom will act as president of the arbitration panel. If the party failing to initially appoint an arbitrator has a reasonable objection for good cause to any such court-approved arbitrators selected by the other party, the objecting party shall suggest an alternative arbitrator within thirty (30) days, or forfeit its right to object to any of the chosen court-approved arbitrators.

17.4 In construing the rights and obligations of the parties to this Agreement and the other agreements associated herewith, the arbitrators shall apply the law of the state of New York and the place of arbitration shall be in the Commonwealth of Pennsylvania at a neutral location to be agreed to by the parties, but shall not be in the place of business of either party.

17.5 If insofar as the arbitration award is deemed not to have the force and validity of a legal judgment, the award nonetheless shall be binding on the Parties as if agreed between themselves.

17.6 When any dispute occurs and when any dispute is under arbitration, except for the matters under dispute, the parties shall, within reason and to the extent practical, continue to exercise their remaining respective rights, and fulfill their remaining respective obligations under this Agreement hereunder during the period of arbitration or dispute.

18. PROPERTY RIGHTS

18.1 If the parties agree that this Agreement shall not affect ownership of patents, trademarks, trade names, inventions, copyrights, know-how, and trade secrets, the use of the other party's aforementioned property rights is authorized only for the purposes herein set forth, and upon termination of the Agreement for any reason such authorization shall cease.

19. FORCE MAJEURE

19.1 No performance of either party shall be excused to the extent that performance is rendered impossible by strike, fire, flood, governmental acts, or orders, or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control of and is not caused by the negligence of the non-performing party.

20. ASSIGNMENT

20.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns; provided, however, that neither party shall assign, any of its rights or delegate any of its duties of performance hereunder without the prior written consent of the other party, which shall not be unreasonably withheld; provided that such consent shall not be necessary to make an assignment to an entity that is, (a) an organization of which more than fifty (50%) percent of the voting stock is controlled or owned directly or indirectly by either party to this Agreement; (b) an organization that directly or indirectly owns or controls more than fifty (50%) percent of the voting stock of either party to this Agreement; (c) an organization, the majority ownership of which is directly or indirectly common to the majority ownership of either party to this Agreement.

21. WAIVER

21.1 All waivers hereunder must be made in writing. Course of conduct between the parties, whether or not contrary to the terms of this Agreement, shall not be construed as a waiver of any of the terms of this Agreement. Failure by any party to require the other party's performance of any obligation under this Agreement shall not affect, limit, or waive the other party's right to require strict performance of that obligation any time thereafter. The waiver of any breach of a provision of this Agreement shall not be construed in any way as a waiver of any continuing or succeeding breach of such provision or modification of the provision.

22. CAPACITY

22.1 Both parties warrant that they have the legal capacity to enter into this Agreement and that they have not signed any other agreement which could conflict with the terms of this Agreement.

23. AGENCY

23.1 Nothing contained in this Agreement shall be construed as a license or create a joint venture or establish any other relationship of similar nature between the parties.

24. INVALIDITY

24.1 Should any provision of this Agreement be ruled invalid, the remaining provisions shall not be affected and shall remain in full force and effect. The parties shall in such an instance endeavor to replace the invalidated provision by a valid provision with similar intent

25. ENTIRE AGREEMENT

25.1 This Agreement constitutes the entire Agreement between the parties hereto, and all prior or other agreements or representations, whether written or oral, are of no force or validity and are hereby superseded. The parties specifically acknowledge and agree that upon the execution of this Agreement, this Agreement shall supercede and replace all prior agreements between the parties inc1udingwithout limitation the distribution agreements dated March 18, 1998, and August 27, 1996. The parties hereby confirm expressly that the Agreement was freely negotiated by them.

26. HEADINGS

26.1 The headings in this Agreement are inserted for convenience of reference only, and shall not affect the interpretation of this Agreement.

27. NOTICES

27.1 Any notice required by this Agreement shall be deemed to have been given when sent by certified mail, return receipt requested, or by receipted messenger service, or by Facsimile (with a confirmatory copy sent by receipted certified mail), to the party to be notified at the following addresses, or to such other addresses as is supplied by one party to the other:

If to ANGIODYNAMICS:
President & CEO
603 Queensbury Avenue
Queensbury, NY 12804
Facsimile#: (518) 798.3625

If to MEDCOMP:
President & CEO
1499 Delp Drive
Harleysville, PA 19438
Facsimile#: (215) 513.2203

28. GOVERNING LAW

28.1 The validity, construction, interpretation and enforcement of this Agreement, or any breach thereof, shall be governed by the laws of the State of New York. However, any arbitration conducted hereunder shall be conducted in the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties have by their duly authorized officers, executed this Agreement..

ANGIODYNAMICS, Inc.	MEDICAL COMPONENTS, INC.
By: /s/ Eamonn P. Hobbs	By: /s/ [Illegible]
Title: President and CEO	Title: President
Date: 22 March, 2002	Date: March 24, 2002

EXHIBIT A

SchonCath(R)Long Term Catheter
Exclusive World Wide Agreement*

PRODUCT NO.	PRODUCT DESCRIPTION	UNIT PRICE	ANNUAL MIN BY YEAR (1/2/3/4/5) 1	2	3	4	5
10800201	SchonCath 14cm	$***	***	***	***	***	***
10800202	SchonCath 16cm	$***					
10800203	SchonCath 18cm	$***					
10800204	SchonCath 20cm	$***					
10800205	SchonCath 22cm	$***					
10800206	SchonCath 24cm	$***					
10800208	SchonCath 45cm	$***					
10800209	SchonCath 55cm	$***					
10800301	Cutting Insertion Tray	$***					
10800302	Blunt Insertion Tray	$***					
10800401	Venous Adapters	$***					
10800402	Arterial Adapters	$***					
10800501	Peelaway sheaths	$***					
10800502	Peelaway sheaths-long	$***					
10800601	Tunnelers - Blunt	$***					
10800602	Tunnelers - Sharp	$***					

* AngioDynamics shall purchase the annual minimum number of products units referenced in the chart above for each respective year from the list of products on said chart.

Kit

1 - Appropriate Catheter
1 - 13ga Red Compression Collar
1 - 13ga Blue Compression Collar
1 - 10F Tesio Venous Catheter Extension
1 - 10F Tesio Arterial Catheter Extension
2 - Compression Ring
1 - CSR Wrap
1 - #11 Blade Scalpel
1 - 2-0 Silk Suture w/Curved Needle
1 - .038 x 70cm Marked GW (Schon)
1 - 3M Tegaderm Oval
2 - Modified Tunneler
1 - Oval Tearaway Sheath/Dilator
1 - Angio GW Direction Sheet
1 - Angio Adaptor Direction Sheet
1 - Angio Direction Sheet
1 - Oval Sheath Tearaway Clip
2 - Injection Port
1 - 18ga Introducer Needle
1 - Red Robert's Mini Clamp
1 - Blue Robert's Mini Clamp

Catheter

1 - Appropriate Schon Catheter
1 - 13ga Red Compression Collar

1 - 13ga Blue Compression Collar
1 - 10F Tesio Venous Catheter Extension
1 - 10F Tesio Arterial Catheter Extension
1 - CSR Wrap
1 - Angio Adaptor Direction Sheet
1 - Angio Direction Sheet
2 - Injection Port
1 - Blue Robert's Mini Clamp
1 - Red Robert's Mini Clamp
2 - Compression Ring

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*** Confidential material redacted and filed separately with the Commission.

Cutting Insertion Tray

1 - 13ga Red Compression Collar
1- 13ga Blue Compression Collar
1 - 10F Tesio Venous Catheter Extension
1 - 10F Tesio Arterial Catheter Extension
2 - Compression Ring
1 - CSR Wrap
1 - #11 Blade Scalpel
1 - 2-0 Silk Suture w/Curved Needle
1 - .038 x 70cm Marked GW (Schon)
1 - Tegaderm Oval
2 - Modified Tunneler
1 - Oval Tearaway Sheath/Dilator
1 - Angio GW Direction Sheet
1 - Angio Adaptor Direction Sheet
1 - Angio Direction Sheet
1 - Oval Sheath Tearaway Clip
2 - Injection Port
1 - 18ga x 2 3/4" Introducer Needle
1 - Red Robert's Mini Clamp
1 - Blue Robert's Mini Clamp

Venous Adapters

1 - 13ga Blue Compression Collar
1 - 10F Tesio Catheter Venous Extension
1 - Compression Ring.
1 - Angio Adaptor Direction Sheet

Tearaway Sheath

1 - Oval Tearaway Sheath/Dilator
1 - Oval Sheath Tearaway Clip

Blunt Tunnelers

1 - Blunt Tunneler for Tesio Catheter

Blunt Insertion Tray

1 - 13ga Red Compression Collar
1 - 13ga Blue Compression Collar
1 - 10F Tesio Venous Catheter Extension
1 - 10F Tesio Arterial Catheter Extension
2 - Compression Ring
1 - CSR Wrap
1 - #11 Blade Scalpel
1 - 2-0 Silk Suture w/Curved Needle
1 - .038 x 70cm Marked GW (Schon)
1 - Tegaderm Oval
2 - Blunt Tunneler for Tesio Catheter
1 - Oval Tearaway Sheath/Dilator
1 - Angio GW Direction Sheet
1 - Angio Adaptor Direction Sheet
1 - Angio Direction Sheet
1- Oval Sheath Tearaway Clip
2 - Injection Port
1 - 18ga x 2 3/4" Introducer Needle
1 - Red Robert's Mini Clamp
1 - Blue Robert's Mini Clamp

Arterial Adaptors

1 - 13ga Red Compression Collar
1 - 10F Tesio Catheter Arterial Extension
1 - Compression Ring
1 - Angio Adaptor Direction Sheet

Tearaway Sheath - Long

1 - 20cm Oval Tearaway Sheath/Dilator
1 - Oval Sheath Tearaway Clip

Sharp Tunnelers

1 - Modified Tunneler for Tesio Catheter

EXHIBIT B

Schon XL Acute Dialysis Catheters
Exclusive World Wide Agreement*

PRODUCT NO.	PRODUCT DESCRIPTION	UNIT PRICE	ANNUAL MIN BY YEAR (1/2/3/4/5) 1	2	3	4	5
10801701	Schon XL 15cm - Cath	$***	***	***	***	***	***
10801702	Schon XL 20cm - Cath	$***					
10801703	Schon XL 24cm - Cath	$***					
10800701	Schon XL 15cm - Set	$***					
10800702	Schon XL 20cm - Set	$***					
10800703	Schon XL 24cm - Set	$***					
10802701	Schon XL 15cm - Tray	$***					
10802702	Schon XL 20cm - Tray	$***					
10802703	Schon XL 24cm - Tray	$***					

* AngioDynamics shal1 purchase the annual minimum number of product units referenced in the chart above for each respective year from the list of products on said chart.

Catheter

1 - Appropriate Schon XL Catheter
1 - Hemocath Clip
1 - Angio Direction Sheet
2 - Injection Port

Set

1 - Appropriate Schon XL Catheter
1 - #11 Blade Scalpel
1 - .035 x 70cm J-Flex GW
1 - Tegaderm Oval
1 - Hemo-Cath Clip
1 - 2-0 Curved Monofilament Suture
1 - 12F x 6" Vessel Dilator
1 - 14F x 6" Vessel Dilator
1 - Angio GW Direction Sheet
1 - Angio Direction Sheet
2 - Injection Port
1 - 18ga x 2 3/4" Introducer Needle

Tray

1 - Appropriate Schon XL Catheter
2 - CSR Wrap
4 - 4" x 4" Gauze
2 - 5cc Luer Lock Syringe
1 - 25ga x 5/8" Needle
1 - 22ga x 1 1/2" Vessel Locating Needle
1 - #11 Blade Scalpel
1 - Povidone Iodine Swabsticks
1 - Surgical Gloves
1 - 5cc Ampule Lidocaine
2 - l0cc Luer Lock Syringe
1 - 18ga x 1 1/2" Aspirating Needle
1 - .035 x 70cm J-Flex GW
1 - Fenestrated Drape
1 - Hemostat
1 - Tegaderm Oval
1 - Hemocath Clip
1 - 2-0 curved Monofilament Suture
1 - 15F x 6" Vascu-Sheath
1 - 12F x 6" Vessel Dilator

1 - 14F x 6" Vessel Dilator
1 - Angio GW Direction Sheet
1 - Angio Direction Sheet
2 - Injection Port
1- 18ga x 2 3/4" Introducer Needle

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*** Confidential material redacted and filed separately with the Commission.

Dynamic Flow
USA Exclusive Agreement
Rest of World (ROW) Non-Exclusive Agreement*

PRODUCT NO.	PRODUCT DESCRIPTION	UNIT PRICE USA	ANNUAL ESTIMATES BY YEAR (Units) 1	2	3	4	5
10300701	D.F. 24cm - Set	$***	***	***	***	***	***
10300702	D.F. 28cm - Set	$***					
10300703	D.F. 32cm - Set	$***					
10300704	D.F. 36cm - Set	$***					
10300705	D.F. 55cm - Set	$***					
10300601	D.F. 24cm - Tray	$***					
10300602	D.F. 28cm - Tray	$***					
10300603	D.F. 32cm -Tray	$***					
10300604	D.F. 36cm -Tray	$***					
10300605	D.F. 55cm - Tray	$***					
	Tunnelers						
	Sheath/dilators						

ROW Pricing will be granted by MEDCOMP upon proof of sale to non-USA Market by AngioDynamics. ROW Pricing shall be USA Price less $***

* AngioDynamics shall purchase the annual minimum number of product units referenced in the chart above for each respective year from the list of products on said chart.

Set
1 - Catheter
1 - Introducer Needle
1 - Tunneling Tool
2 - Vessel Dilators
2 - Injection Caps
1 - Scalpel
1 - Tearaway Sheath Introducer
1 - J/Flex Guidewire
1 - Adhesive Wound Dressing

Catheter
1 - Catheter
1 - Tunneling Tool
2 - Injection Caps
1 - Tearaway Sheath Introducer

*** Confidential material redacted and filed separately with the Commission.

EXHIBIT D

MoreFlow Dialysis Catheters
Non-Exclusive Worldwide Agreement
NO MINIMUMS

PRODUCT NO.	PRODUCT DESCRIPTION	UNIT PRICE
10300501	M.F. 24cm - Basic Kit - Straight	$***
10300502	M.F. 28cm - Basic Kit - Straight	$***
10800503	M.F. 32cm - Basic Kit - Straight	$***
10800504	M.F. 36cm - Basic Kit - Straight	$***
10800505	M.F. 55cm - Basic Kit - Straight	$***
10800506	M.F. 24cm - Basic Kit - Pre-Curve	$***
10800507	M.F. 28cm - Basic Kit - Pre-Curve	$***
10800508	M.F. 32cm - Basic Kit - Pre-Curve	$***
10800509	M.F. 36cm - Basic Kit - Pre-Curve	$***

ROW Pricing will be granted by MEDCOMP upon proof of sale to non-USA market by AngioDynamics. ROW Pricing shall be USA Price less $***.

Tray
1 - Appropriate MoreFlow Catheter
1 - Raulerson Bulb Syringe
2 - CSR Wrap
4 - 4x4 Gauze Sponge
1 - Povidone Iodine Ointment
2 - 5cc Luer Lock Syringe
1 - 25ga x 5/8" Syringe
1 - 22ga x 1/2" Syringe
1 - #11 Blade Scalpel
1 - Povidone Iodine Swabsticks
1 - Surgical Gloves
1 - 5cc Ampule Lidocaine
2 - 10cc Luer Lock Syringe
1 - 18ga x 1 1/2" Aspirating Needle

MoreFlow Kit
1 - Appropriate More-Flow Catheter
1 - Raulerson Bulb Syringe
1 - # 11 Blade Scalpel
1 - .038 x 70cm J-Flex GuideWire
1 - Tegaderm Oval
1 - 15F x 6" Vascu-Sheath
I - 12F x 6" Vessel Dilator
1 - 14F x 6" Vessel Dilator
1 - Angio GW Direction Sheet
1 - Angio More-Flow IFU
1 - Sheath Dilator
1 - Tunneler w/Tri-Ball Tip
2 - Injection Ports
1 - 18ga x 2 3/4" Introducer Needle
1 - .038 x 70cm J-Flex GuideWire
1 - 2-0 Silk Suture w/Curved Needle
1 - Fenestrated Drape
1 - Hemostat
1 - Tegaderm Oval
1 - 15F x 6" Vascu-Sheath
1 - 12F x 6" Vessel Dilator
1 - 14F x 6" Vessel Dilator
1 - Angio GW Direction Sheet
1 - Angio MoreFlow IFU
1 - Sheath Dilator
1 - Tunneler w/Tri-Ball Tip
2 - Injection Ports
1 - 18ga x 2 3/4" Introducer Needle

EXHIBIT E

DuraFlow Dialysis Catheters
Exclusive Worldwide Agreement
NO MINIMUMS

PRODUCT NO.	PRODUCT DESCRIPTION	UNIT PRICE	7,000	11,000	14,000	16,000	18,000
	D.F. 24cm - Full Tray - Straight	$***					
	D.F. 28cm - Full Tray- Straight	$***					
	D.F. 32cm - Full Tray - Straight	$***					
	D.F. 36cm - Full Tray - Straight	$***					
	D.F. 55cm - Full Tray - Straight	$***					
	D.F. 24cm - Full Tray - Pre-Curve	$***					
	D.F. 28cm - Full Tray - Pre-Curve	$***					
	D.F. 32cm - Full Tray - Pre-Curve	$***					
	D.F. 36cm - Full Tray - Pre-Curve	$***					
	D.F. 24cm - Basic Kit - Straight	$***					
	D.F. 28cm - Basic Kit - Straight	$***					
	D.F. 32cm - Basis Kit - Straight	$***					
	D.F. 36cm - Basic Kit - Straight	$***					
	D.F. 55cm - Basic Kit - Straight	$***					
	D.F. 24cm - Basic Kit - Pre-Curve	$***					
	D.F. 28cm - Basic Kit - Pre-Curve	$***					
	D.F. 32cm - Basic Kit - Pre-Curve	$***					
	D.F. 36cm - Basic Kit - Pre-Curve	$***					

ROW pricing will be granted by MEDCOMP upon proof of sale to non-USA market by AngioDynamics. ROW Pricing shall be USA Price less $***.

Tray

1 - Appropriate Dura Flow catheter
1 - Raulerson Bulb Syringe
2 - CSR Wrap
4 - 4x4 Gauze Sponge
1 - Povidone Iodine Ointment
2 - 5cc Luer Lock Syringe
1 - 25ga x 5/8" Syringe
1 - 22ga 1/2" Syringe
1 - #11 Blade Scalpel
1 - Povidone Iodine Swabsticks
1 - Surgical Gloves
1 - 5cc Ampule Lidocaine
2 - 10cc Luer Lock Syringe
1 - 18ga x 1 1/2" Aspirating Needle
1 - .038 x 70cm J-Flex Guidewire
1 - 2-0 Silk Suture w/Curved Needle
1 - Fenestrated Drap
1 - Hemostat
1 - Tegaderm Oval
1 - 16F x 6" Vascu-Sheath
1 - 12F x 6" Vessel Dilator

1 - 14F x 6" Vessel Dilator
1 - Angio GW Direction Sheet
1 - Angio MoreFlow IFU
1 - Sheath Dilator
1 - Tunneler w/Tri-Ball Tip
2 - Injection Ports
1 - 18ga x 2 3/4" Introducer Needle

_____

*** Confidential material redacted and filed separately with the Commission.

More-Flow Kit

1 - Appropriate More-Flow Catheter
1 - Raulerson Bulb Syringe
1 - #11 Blade Scalpel
1 - .038 x 70cm J-Flex Guidewire
1 - Tegaderm Oval
1 - 16F x 6" Vascu-Sheath
1 - 12F x 6" Vessel Dilator
1 - 14Fx 6" Vessel Dilator
1 - Angio GW Direction Sheet
1 - Angio More-Flow IFU
1 - Sheath Dilator
1 - Tunneler w/Tri-Ball Tip
2 - Injection Ports
1 - 18ga x 2 3/4" Introducer Needle

EXHIBIT F

HemoCath
Exclusive Worldwide Agreement
NO MINIMUMS

PRODUCT NO.	PRODUCT DESCRIPTION	UNIT PRICE
10300301	Hemo*Cath(R)	$***

Catheter

1 - Appropriate HemoCath Catheter
1 - Angio IFU

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*** Confidential material redacted and filed separately with the Commission.

Exhibit 10.7

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ANGIODYNAMICS, INC.

AND

KEYBANK NATIONAL ASSOCIATION

==========

LOAN AND SECURITY AGREEMENT

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DATED AUGUST 28, 2002

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THIS AGREEMENT (A) AFFECTS TANGIBLE AND INTANGIBLE PERSONAL PROPERTY, (B) CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, (C) IS INTENDED TO CONSTITUTE A SECURITY AGREEMENT UNDER THE UNIFORM COMMERCIAL CODE AND (D) SECURES AN OBLIGATION UNDER WHICH THE INTEREST RATE MAY VARY FROM TIME TO TIME.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (the "Security Agreement") dated August ___, 2002 by and between ANGIODYNAMICS, INC., a Delaware corporation; with its principal place of business at 603 Queensbury Avenue,. Queensbury, New York 12804 (the "Borrower"), to KEYBANK NATIONAL ASSOCIATION, a national banking association, having an office at 66 South Pearl Street, Albany, New York 12207 (the "Holder");

WITNESSETH:

WHEREAS, the Holder will make the Loan (as herein defined) to the Borrower, the repayment of which is evidenced the Note (as herein defined) from the Borrower in favor of the Holder; and

WHEREAS, the Loan will be made upon the terms, conditions and provisions hereinafter set forth; and

WHEREAS, as security for the payment of principal, premium, if any and interest on the Note, the Borrower intends to grant the Holder a security interest in certain of the assets of the Borrower as hereinafter set forth;

NOW, THEREFORE, THIS SECURITY AGREEMENT FURTHER WITNESSETH:

ARTICLE I

DEFINITIONS

SECTION 1.01. DEFINITIONS OF TERMS. The following words and terms if used in this document shall have the following meanings unless the context or use indicates another or different meaning or intent and the singular shall include the plural and the plural shall include the singular, as the context may require:

"AFFILIATE" shall mean, with respect to any Person, any other Person directly controlling, controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control a second Person if such first Person possesses, directly or indirectly, the power to (i) vote 10% or more of the securities having ordinary voting power for the directors or managers of such second Person or (ii) direct or cause the direction of the management and policies of such second Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, (x) a director, officer, or employee of a Person shall not, solely by reason of such status, be considered an Affiliate of such Person and (y) the Holder shall not be considered an Affiliate of the Borrower.

"AMORTIZATION EXPENSE" shall mean, for any period, all amortization expenses of the Borrower, calculated in accordance with GAAP.

"APPRAISAL" means an appraisal of the Collateral in form and substance satisfactory to the Holder, prepared by an Appraiser, indicating a value with respect to the Collateral.

"APPRAISER" means an appraiser satisfactory to the Holder.

"BONDS" shall have the meaning assigned to such term in the Reimbursement Agreement.

"BORROWER" means Angiodynamics, Inc., a Delaware corporation having an address of 603 Queensbury Avenue, Queensbury, New York 12804 and its successors and permitted assigns.

"CASH INTEREST EXPENSE" shall mean for any period, Interest Expense, reduced by any amount included therein which is "paid-in-kind" through an increase to principal or the issuance of an additional debt security in a principal amount equal to such interest.

"CLOSING" means the closing with respect to the execution and delivery of the Note by the Borrower to the Holder.

"CLOSING DATE" means the date of the execution and delivery of the Note by the Borrower to the Holder.

"COLLATERAL" means all property which may from time to time be subject to the Lien of the Security Agreement.

"DEFAULT RATE" shall have the meaning assigned to such term in the Note.

"DEPRECIATION EXPENSE" shall mean, for any period, all depreciation expenses of the Borrower, calculated in accordance with GAAP.

"EBIT" shall mean, for any period, Net Income for such period, plus the sum of the amounts for such period included in determining such Net Income of (i) Interest Expense and (ii) Income Tax Expense, calculated in accordance with GAAP.

"EBITDA" shall mean, for any period, EBIT for such period, plus the sum (without duplication) of the amounts for such period included in determining EBIT of (i) Depreciation Expense, and (ii) Amortization Expense, calculated in accordance with GAAP.

"ERISA" means the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended or supplemented, and all regulations promulgated thereunder.

"EVENT OF DEFAULT" means any of those events defined as Events of Default by the terms of any of the Financing Documents.

"FINANCING DOCUMENTS" means the Note, this Security Agreement, and any other document now or hereafter executed by the Borrower by or in favor of the Holder which affects the rights of the Holder in or to the Collateral, in whole or in part, or which evidences, secures or guarantees any sum due under the Note or any of the other Financing Documents.

"FIXED CHARGE COVERAGE RATIO" shall mean the ratio of the Borrower's (i) EBITDA plus lease expense less other income less Unfunded Capital Expenditures less cash taxes paid less dividends and distributions to (ii) current maturities of long term debt plus current portion of long term leases plus Cash Interest Expense paid on loans and leases plus lease expense, calculated in accordance with GAAP.

"GAAP" means generally accepted accounting principles as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, consistently applied.

"GOVERNMENTAL AUTHORITY" means the United States, the State and any political subdivision thereof, and any agency, department, commission, court, board, bureau or instrumentality of any of them.

"HOLDER" means KeyBank National Association., as the original owner of the Note, and any subsequent owner at the time in question of the Note.

"INCOME TAX EXPENSE" shall mean, for any period, all provisions for taxes based upon Net Income (including, without limitation, any additions to such taxes, any penalties and interest with respect thereto), calculated in accordance with GAAP.

"INDEBTEDNESS" means, at a particular date, all indebtedness for money borrowed or for the deferred purchase price of property and lease obligations of the Borrower which have been, or which in accordance with Statement of Financial Accounting Standards No. 13, as from time to time amended, should be, capitalized.

"INTEREST COVERAGE RATIO" shall mean the ratio of the Borrower's (i) EBIT to (ii) Cash Interest Expense, calculated in accordance with GAAP.

"INTEREST EXPENSE" shall mean, for any period, total interest expense (including that which is capitalized, that which is attributable to capital leases and the pre-tax equivalent of dividends payable on redeemable stock) with respect to all outstanding Indebtedness including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and net costs under any hedging agreements.

"LETTER OF CREDIT FEES" shall have the meaning assigned to such term in the Reimbursement Agreement.

"LIEN" means any interest in Property securing an obligation owed to a Person whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmens', warehousemens' and carriers' liens and other similar encumbrances, affecting real property. For the purposes hereof, a Person shall be deemed to be the owner of Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"LOAN" means the loan in the principal amount of $800,000.00 from the Bank to the Borrower as evidenced by the Note.

"NET INCOME" shall mean, for any period, the net income (or loss), without deduction for minority interests, for such period taken as a single accounting period and calculated in accordance with GAAP.

"NET PROCEEDS" means so much of the gross proceeds with respect to which that term is used as remain after payment of all expenses, costs and taxes (including attorneys' fees) incurred in obtaining such gross proceeds.

"NOTE" means the promissory note dated the Closing Date in the principal amount of $800,000.00 from the Borrower in favor of the Holder as said promissory note may be amended, modified, supplemented, consolidated or extended from time to time.

"NOTE PAYMENT DATE" means each date on which interest or both principal and interest shall be payable on the Note according to its terms so long as such shall be outstanding.

"PERMITTED ENCUMBRANCES" means (i) Liens for taxes, assessments, or governmental charges or levies the payment of which is not at the time required by law; (ii) Liens imposed by law, such as Liens of landlords, carriers, warehousemen, mechanics, and materialmen arising in the ordinary course of business for sums not yet due or being contested by appropriate proceedings promptly initiated and diligently conducted, provided other appropriate provision, if any, as shall be required by GAAP shall have been made therefor; (iii) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, and other types of social security, or to secure the performance of tenders, statutory obligations, and surety and appeal bonds, or to secure the performance and return of money bonds and other similar obligations, excluding obligations for the payment of borrowed money; (iv) any judgment Lien, unless the judgment it secures shall, within thirty (30) days after the entry thereof, have been discharged or execution therefor stayed pending appeal, or shall have been discharged within thirty (30) days after the expiration of any such stay; (v) other Liens (other than mechanic's liens relating to the Project) incidental to the conduct of Borrower's business or ownership of properties and assets, which are not incurred nor granted in connection with the borrowing of money or the obtaining of advances or credits, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the ordinary course of business; provided the aggregate amount of all such Liens by Borrower shall not exceed $10,000.00; and (vi) Liens evidenced by the Security Agreement as well as any other Liens in favor of Bank or any affiliate of Bank.

"PERSON" means an individual, partnership, corporation, limited liability Borrower, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"PLAN" means any plan defined in Section 4021(a) of ERISA in respect of which the Borrower or any Subsidiary thereof is an "employer" or a "substantial employer" as defined in Sections 3(5) and 4001(a)(2) of ERISA, respectively.

"PRINCIPAL BALANCE" means the aggregate outstanding principal balance of the Note from time to time.

"PROPERTY" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"REIMBURSEMENT AGREEMENT" means the reimbursement agreement dated as of August 1,2002 by and between the Borrower and the Holder, as said reimbursement agreement may be amended or supplemented from time to time.

"REPORTABLE EVENT" means any reportable event as defined in ERISA.

"REQUIREMENT" or "LOCAL REQUIREMENT" means any law, ordinance, order, judgment, decree, rule, regulation, permit, license, authorization, certificate or approval of a Governmental Authority or a Local Authority respectively.

"SECURITY AGREEMENT" means this loan and security agreement dated the Closing Date from the Borrower in favor of the Holder and securing the Note, as said loan and security

agreement may be modified, amended, supplemented, consolidated, spread or assumed from time to time.

"STATE" means the State of New York.

"SUBSIDIARY" shall mean for any Person (i) any for-profit entity more than fifty percent (50%) of the capital stock of which is owned or controlled, directly or indirectly, by such Person or any Subsidiary and whose accounts are required to be consolidated with those of said Person in accordance with GAAP and (ii) any non-profit entity which is controlled, directly or indirectly, by such Person.

"SWAP AGREEMENT" shall have the meaning assigned to such term in the Reimbursement Agreement.

"TOTAL DEBT" shall mean the total of all items of Indebtedness or liability which in accordance with GAAP would be included in determining total liabilities on the liability side of the balance sheet as of the date of determination.

"UNFUNDED CAPITAL EXPENDITURES" shall mean total capital expenditures minus any corresponding increase in long-term debt or leases, calculated in accordance with GAAP.

ARTICLE II

MAKING OF THE LOAN: CONDITIONS PRECEDENT TO THE HOLDER'S OBLIGATIONS HEREUNDER

SECTION 201. MAKING OF THE LOAN.

Subject to the provisions of Section 202 hereof, the Holder shall make available to the Borrower the proceeds of the Loan from time to time in accordance with the terms, provisions and conditions of the Note. Provided that no Event of Default has occurred, as the Borrower repays principal under the Note, it shall be permitted to re-borrow until the Maturity Date provided, however, that at no time shall the Principal Balance exceed $800,000.00.

SECTION 202. CONDITIONS.

The Holder shall not be obligated hereunder to make the Loan unless the following conditions shall have been satisfied:

(A) The Holder shall have received on or before the Closing Date the following all, where applicable, in form and substance satisfactory to the Holder:

1. the executed Note,

2. an executed counterpart of this Security Agreement,

3. (a) the commitment fees of the Holder, if any and (b) the Holder's counsel fees,

4. an executed debt subordination agreement from E-Z-EM, Inc.;

5. the certificates and policies, if available, of insurance required by the Security Agreement accompanied by evidence of the payment of the premiums therefor,

6. Uniform Commercial Code financing statements or comparable security instruments to evidence or perfect the security interests created or purported to be created by the Security Agreement,

7. opinion of counsel for the Borrower in form and substance satisfactory to the Holder and its counsel; and

(B) The Holder's counsel shall have received (and approved as appropriate) on or before the Closing Date copies of:

(1) With respect to the Borrower, an executed closing certificate together with a certified copy of the articles of incorporation as filed with the New York Secretary of State together with all amendments thereto, a good standing certificate issued by the New York Secretary of State, a certified copy of the by-laws of the Borrower and an approval of the board of directors authorizing the execution and delivery and performance of the Financing Documents, and

(2) Judgment, Bankruptcy, Lien searches and UCC searches with respect to the Borrower.

ARTICLE III

GRANTING CLAUSES; GENERAL COVENANTS

SECTION 3.01. GRANTING CLAUSES. The Borrower, in consideration of the making of the Loan by the Holder and for other good and valuable consideration, receipt of which is hereby acknowledged, and in order to secure (1) the payment of the principal of, premium, if any, and interest on the Note, issued in the original amount of Eight Hundred and 00/100 Dollars ($800,000.00) according to its tenor and effect (2) the payment of all other sums required to be paid hereunder and under the other Financing Documents and (3) the performance and observance by the Borrower of all of the covenants, agreements, representations and warranties herein and in the other Financing Documents (collectively, the "Indebtedness"); and in order to secure the Indebtedness; hereby warrant, assign, mortgage, hypothecate, pledge, and grant a security interest in, set over and confirm unto the Holder and its respective successors and assigns forever, all of the estate, right, title and interest of the Borrower in, to and under any and all assets of the Borrower, including, but not limited to any and all of the following described property (the "Collateral") whether now owned or held or hereafter acquired:

(A) All office, trade, manufacturing and all other equipment and all goods, including, without limitation, machinery, tools, fixtures, computers, furniture, furnishings, chattels, motor vehicles and other tangible personal property that is not inventory, and all parts, components, attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the above (all of which is collectively called the "Equipment");

(B) All inventory, including, without limitation, goods acquired or held for sale or lease or furnished or to be furnished under contracts of rental or service, all new materials, work in process, finished goods, returned goods, repossessed goods, all livestock and their young after conception, all crops and timber, and all packaging materials, supplies and containers relating to or used or consumed in connection with any of the foregoing (all of which is collectively called the "Inventory");

(C) All debts, accounts, claims, demands, moneys and choses in action which now are, or which may at any time be, due or owing to or owned by the Borrower and all books, records, documents, papers and electronically recorded data recording, evidencing or relating to the debts, accounts, claims, demands, moneys and choses in action (all of which is collectively called the "Accounts");

(D) All documents of title, chattel paper, instruments, securities and money, and all other personal property, of the Borrower that is not Equipment, Inventory or Accounts;

(E) All patents, trade-marks, copyrights, industrial designs, plant breeder's rights, integrated circuit topographies, trade-names, goodwill, confidential information, trade secrets and know-how, including without limitation, environmental technology and bio-technology, software and any registrations and applications for registration of the foregoing and all other intellectual and industrial property of the Borrower (all of which is collectively called the "Intellectual Property");

(F) All the Borrower's contractual rights, licenses and all other choses in action of every kind which now are, or which may at any time be due or owing to or owned by the Borrower, and all other intangible property of the Borrower, that is not Accounts, chattel paper, instruments, documents of title, Intellectual Property, securities or money;

(G) Any and all moneys and securities from time to time held by the Holder under the terms of this Security Agreement, and any and all other Property of every name and nature, from time to time hereinafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Borrower or by anyone on its behalf or with its written consent in favor of the Holder;

(H) All proceeds of and any unearned premiums on any insurance policies covering the foregoing, including, without limitation, the right to receive and apply the proceeds of any insurance or judgments, or settlements made in lieu thereof, for damage to any of the foregoing;

(I) The right, in the name and on behalf of the Borrower, to appear in and defend any action or proceeding brought with respect to the above or any part thereof and to commence any action or proceeding to protect the interest of the Holder with respect thereto;

(J) All other proceeds of the conversion, whether voluntary or involuntary, of the above or any other Property or rights encumbered or conveyed hereby into cash or liquidated claims, including, without limitation, all title insurance, hazard insurance, Condemnation and other awards; and

(K) All extensions, additions, substitutions and accessions with respect to any of the foregoing.

TO HAVE AND TO HOLD the foregoing Collateral unto the Holder and its successors and assigns forever.

SECTION 3.02. SECURITY AGREEMENT. The Collateral includes all rights and interest, whether tangible or intangible in nature, of the Borrower in the Collateral. This Security Agreement shall constitute a security agreement under the Uniform Commercial Code of the State so that the Holder shall have and may enforce a security interest in any or all of the Collateral, such security interest to attach at the earliest moment permitted by law and also to include and attach to all additions and accessions thereto, all substitutions and replacements therefor, all proceeds thereof, including insurance and Condemnation proceeds, and all contract rights, rental or lease payments and general intangibles of the Borrower obtained in connection with or relating to the Collateral as well as any and all items of Property in the foregoing classifications which are hereafter acquired. The Borrower shall, at the request of the Holder, deliver to the Holder, any and all further instruments which the Holder shall require in order to further secure and perfect the Lien of the Security Agreement. Pursuant to the Uniform Commercial Code of the State, the Borrower hereby authorizes the Holder to execute and file UCC Financing Statements and continuation statements, at the expense of the Borrower, without the necessity of the Borrower's signature as debtor if the Holder shall determine that such are necessary or advisable in order to perfect its security interest in any of the Collateral covered by this Security Agreement, and shall pay to the Holder, on demand, any expenses incurred by the Holder in connection with the preparation, execution and filing of such statements and any continuation statements that may be filed by the Holder without the necessity of the Borrower's signature as debtor.

SECTION 3.03. PERFORMANCE OF COVENANTS. The Borrower hereby covenants that it will faithfully observe and perform, or cause to be observed and performed, at all times any and all covenants, undertakings, stipulations and provisions on their respective parts to be observed or performed contained in the Security Agreement and in the other Financing Documents, including, but not limited to, the obligation to make all payments due and owing under the Note at the time and in the manner set forth therein.

SECTION 3.04. PRIORITY OF LIEN OF SECURITY AGREEMENT; DISCHARGE OF LIENS AND ENCUMBRANCES. (A) The Borrower hereby covenants that the Borrower is lawfully seized of the estate conveyed hereby and has the right to grant a security interest in and

Lien on the Collateral, and Borrower will warrant and defend title to the Collateral against all claims and demands.

(B) The Borrower shall not permit or create or suffer to be permitted or created any Lien, except for Permitted Encumbrances, upon the Collateral or any part thereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants as follows:

(A) (1) The Borrower has good, marketable and insurable title to the Collateral, subject only to Permitted Encumbrances and (2) this Security Agreement is and will remain a valid and enforceable Lien on the Collateral;

(B) It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, possesses full power and authority to consummate the transactions contemplated hereby and is authorized to conduct business in the State of New York and in all other jurisdictions wherein the nature of its activities requires such;

(C) No approval or other action by any Governmental Authority is required in connection with the execution or performance by the Borrower of the Financing Documents;

(D) The financial statements of the Borrower, if any, heretofore delivered to the Holder are true and correct in all respects, have been prepared in accordance with GAAP, and fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof;

(E) The Financing Documents and all other documents to be executed by the Borrower in connection therewith, when executed and delivered by the respective parties thereto, will constitute valid and binding obligations of the Borrower. The execution and delivery by the Borrower of the Financing Documents and the performance of the Financing Documents by the Borrower (1) have been authorized by all necessary corporate action and (2) do not and will not conflict with, or result in any breach of, or constitute a default under the Borrower's articles of incorporation or by-laws or any indenture, mortgage, deed of trust, bank loan or credit agreement or any other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its Property may be bound or affected for which a valid consent has not been secured, or result in the creation of any Lien (other than that created by the Financing Documents) upon or with respect to any Property of the Borrower,

(F) There has been no material adverse change in the business, Property or financial condition, taken as a whole, of the Borrower from that shown on the financial statements delivered heretofore to the Holder;

(G) There are no actions, suits or proceedings at law or in equity, or before or by any Governmental Authority, pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or the Collateral or which may materially adversely affect the financial condition of the Borrower or involving the validity or enforceability of the Financing Documents or the priority of the Liens thereof, and to the Borrower's knowledge it is not in default with respect to any order, writ, judgment, decree or demand of any court or any Governmental Authority;

(H) There is no default under the Financing Documents and no event has occurred and is continuing which with notice or the passage of time or either would constitute a default under any thereof;

(I) All Federal, state, county, municipal and city income and other tax returns and other reports and documents required to have been filed by the Borrower have been filed or alternatively the Borrower has procured lawful extensions to file such and the Borrower has paid all fees and taxes which have become due pursuant to such returns, reports and documents or pursuant to any assessments received by the Borrower, and the Borrower knows of no basis for any additional assessment in respect of any such taxes; and

(J) No Reportable Event or Prohibited Transaction (as defined in Section 4975 of the Internal Revenue Code) has occurred and is continuing with respect to any Plan and the Borrower has not incurred any "accumulated funding deficiency" (as such term is defined in Section 302 of ERISA).

ARTICLE IV

COVENANTS OF THE BORROWER

SECTION 401. AFFIRMATIVE COVENANTS OF THE BORROWER WITH THE HOLDER.

The Borrower covenants with the Holder as follows:

(A) It will pay to the Holder the Holder's commitment fee and its counsel fees and expenses promptly upon receipt of bills therefor submitted by the Holder at the Closing and will pay all costs and expenses required to satisfy the conditions of this Security Agreement; without limiting the generality of the foregoing, the Borrower will pay (from moneys advanced hereunder or otherwise):

(1) all taxes (other than the Holder's income taxes), filing and recording expenses, including documentary stamp and intangible taxes, if any;

(2) the fees and commissions, if any, lawfully due to brokers in connection with this transaction; and

(3) Appraisal fees, if any;

(B) It will cause all conditions to the Closing set forth herein to be satisfied;

(C) It will indemnify the Holder from claims of brokers arising by reason of the Borrower's acts in connection with the execution and delivery hereof and of the other Financing Documents executed by it or the consummation of the transactions contemplated hereby or thereby and from expenses incurred by the Holder in connection with any such claims (including reasonable attorneys' fees) and each of the Holder and the Borrower represent that it has not dealt with any broker in connection with the Loan nor is aware of such claims of brokers;

(D) It will deliver to the Holder on demand, certified copies of any contracts, bills of sale, statements, receipted vouchers or agreements, under which the Borrower claims title to any materials, fixtures or articles subject to the Lien of the Security Agreement;

(E) The Holder may apply amounts due hereunder in accordance with the terms hereof and amounts so applied shall be deemed part of the Loan and shall be secured by the Security Agreement;

(F) It will transmit to the Holder, immediately upon receipt thereof, any material communication adversely affecting the Holder's security and will promptly respond fully to any inquiry of the Holder made with respect thereto;

(G) It will promptly respond fully to any inquiry made by the Holder with respect to the Note or the other Financing Documents or the transactions contemplated thereby;

(H) It will notify the Holder of any material adverse change in the financial condition or business of the Borrower and furnish such other information concerning its financial condition and business as may be reasonably requested by the Holder from time to time;

(I) It will inspect the Collateral including the right to conduct field examinations thereof at such times as the Holder may determine in its discretion, the cost of which inspections and examinations should be borne by the Borrower;

(J) It will give written notice to the Holder within ten (10) days of becoming aware of any condition or event which constitutes an event of default beyond any applicable grace or cure period with respect to other outstanding debt of the Borrower;

(K) It will at all times keep adequate books and records, in accordance with GAAP so that at any time, and from time to time, its financial condition may be readily determined in all material respects; and, at Holder's request, make and take away copies thereof;

(L) It will as soon as practicable after the end of each fiscal quarter in each fiscal year, except the last, commencing with the fiscal quarter ended August 31, 2002 and in any event within forty five (45) days thereafter, furnish to the Holder financial statements of the Borrower for such quarter, certified as complete and correct by the principal financial officer of the Borrower, subject to changes resulting from year-end adjustments;

(M) It will as soon as practicable after the end of each fiscal year, commencing with the fiscal year ending on or about May 31, 2003 and in any event within one hundred twenty (120) days thereafter, furnish to the Holder (i) annual revenue and expense budget for the current fiscal year including the assumptions underlying the forecasts forming the basis thereof, and

accounts receivable aging report, each prepared by the Borrower, together with copies of filed federal income tax returns including all schedules and (ii) annual statement of condition of the Borrower as of the end of such year, and statements of cash flows and changes in financial position and/or changes in fund balances as applicable of the Borrower for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and certified as complete and correct by the principal financial officer of the Borrower, accompanied by a report and an unqualified opinion of independent certified public accountants of recognized standing, selected by the Borrower and satisfactory to the Holder, which report and opinion shall be audited and prepared in accordance with GAAP

(N) It will not later than August 15th of each calendar year, furnish to the Holder a certificate on behalf of the Borrower of the chief financial officer to the effect that, to the best knowledge of the Borrower, no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and the actions the Borrower proposes to take with respect thereto, which certificate shall set forth the calculation of the calculations required to establish compliance with the provisions of subsection (O) of this Section 401;

(O) It will maintain (1) a minimum Fixed Charge Coverage Ratio of 1.25 to 1.00 calculated as of each May 31st and November 30th based upon the most recently concluded four fiscal quarters of the Borrower and (2) a minimum Interest Coverage Ratio of 2.00 to 1.00 calculated as of each May 31st and November 30th based upon the most recently concluded four fiscal quarters of the Borrower.

In calculating the foregoing ratios for the periods ending November 30th, 2002 and May 31st, 2003, (i) principal shall be determined using the current maturities of long term debt (in accordance with GAAP) on a pro-forma basis for the twelve months following the Closing Date, (ii) Cash Interest Expense shall be calculated as the pro-forma Cash Interest Expense for the twelve months following the Closing Date (utilizing the appropriate amortization schedules and interest rates for the Indebtedness, including the fixed rate achieved under the SWAP Agreement and all Letter of Credit Fees and related fees) and (iii) thereafter both principal and Cash Interest Expense shall be calculated on the actual principal and Cash Interest Expense, respectively, for the period in question.

(P) It will promptly inform the Holder of any pending or threatened litigation against the Borrower or affecting any of the Borrower's property, if such litigation or potential litigation could reasonably be expected to have a material adverse effect on the Borrower's financial condition or to cause an event of default;

(Q) It will preserve and maintain its corporate existence, all rights, licenses, privileges, franchises, certificates and the like necessary for the operation of its business and the maintenance of its existence where the failure to maintain the same is reasonably expected to have a material adverse effect upon the Borrower, and promptly and properly comply with all laws, statutes, ordinances and governmental regulations applicable to it or to any of its property, business operations and transactions where the failure to comply with the same is reasonably expected to have a material adverse effect upon the Borrower;

(R) It will maintain, with financially sound and reputable insurance companies or associations, workmen's compensation insurance, liability insurance, and extended coverage and any other insurance of the kinds usually carried by companies engaged in business similar to that of the Borrower, in an amount not less than full replacement cost on its present and future properties normally covered by insurance (less reasonable deductibles), against such casualties, risks and contingencies as are customarily insured against, and at the Holder's request, deliver to the Holder evidence of the maintenance of such insurance;

(S) It will promptly pay when due any and all taxes, lawful claims (whether for labor, materials or otherwise), assessments and governmental charges upon the Borrower or against any of the Borrower's property, unless the same is being contested in good faith by appropriate proceedings and reserves consistent with GAAP have been established therefore;

(T) It will maintain all of its tangible property in good condition and repair, and make all necessary replacements thereof where the failure to do so would have a material adverse effect upon the Borrower or upon the value of the Collateral; and

(U) It will maintain with the Holder all of the Borrower's operating and cash management accounts.

SECTION 402. NEGATIVE COVENANTS OF THE BORROWER WITH THE HOLDER.

The Borrower covenants with the Holder as follows:

(A) It shall not mortgage, assign, hypothecate, grant a security interest in, or encumber any of the Collateral, except for Permitted Encumbrances;

(B) It shall not endorse, guarantee, or otherwise become surety for or contingently liable upon the obligations of any Person (provided, however, that the foregoing shall not apply to endorsements of negotiable instruments by the Borrower in the ordinary course of business);

(C) It shall not sell, assign, lease, exchange or otherwise dispose of any of its assets used or useful in its business, except inventory or obsolete or unused equipment in the ordinary course of business;

(D) It shall not sell any of its assets to any other Person with the understanding or agreement that such assets shall be leased back to the Borrower;

(E) It shall not make any loans or advances except for advances to employees in the ordinary course of business, or sell any of its accounts receivables with or without recourse;

(F) It shall not change its fiscal year or methods of accounting;

(G) It shall not assign or transfer, or attempt to so do, any of its rights, powers, duties or obligations arising pursuant to this Security Agreement;

(H) It shall not make any distributions or payments of dividends;

(I) It shall not reorganize, merge or consolidate with, or acquire, directly or indirectly, all or substantially all of the assets, property or stock of any Borrower, person or other entity, sell all or substantially all of its assets or approve a sale of all or substantially all of its stock or make any other substantial change in its capitalization or character of its business, without the express written consent of the Holder,

(J) It shall not directly or indirectly, engage in any business other than that currently engaged in by the Borrower, discontinue any of its existing lines of business which materially contribute to the Borrower's operations, or substantially alter its method of doing business;

(K) It shall not suffer any change in the management or ownership of the Borrower; and

(L) It shall not, directly or indirectly, create, incur, or assume Indebtedness, or otherwise become, be, or remain liable with respect to, any Indebtedness in excess of $100,000.00 in the aggregate during any fiscal year, provided that the foregoing restrictions shall not apply to:

(1) the Indebtedness evidenced hereunder and any other Indebtedness now or hereafter payable by the Borrower to the Holder or any affiliate of the Holder;

(2) existing Indebtedness which is reflected on the Borrower's financial statements referred to in Section 3.01 (F) hereof; or

(3) Indebtedness of the Borrower evidenced by the Bonds; or

(M) It shall not make any payments of any kind to any other Person, including any Affiliate of the Borrower, except for payments in the ordinary course of business. Any Indebtedness due and owing E Z-EM, Inc. from the Borrower (hereinafter the "Subordinated Indebtedness") shall be fully subordinated to the repayment by the Borrower of all amounts due and owing to the Holder hereunder and under the other Financing Documents. Provided that no Event of Default has occurred, the Borrower may make payments of principal and interest with respect to the Subordinated Indebtedness on a semi-annual basis provided that after giving effect to such payment on a pro-forma basis, the Borrower shall be in full compliance with all of the terms, provisions and conditions set forth herein and in the other Financing Documents.

ARTICLE V

MAINTENANCE, MODIFICATION, TAXES AND INSURANCE

SECTION 5.01. MAINTENANCE AND MODIFICATIONS OF COLLATERAL. The Borrower agrees that during the period that the Note are outstanding it will (1) keep that portion of the Collateral constituting tangible property in good condition and repair and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted, and (2) make all necessary repairs and replacements to such portions of the Collateral or any part thereof (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen).

SECTION 5.02. TAXES, ASSESSMENTS AND UTILITY CHARGES. (A) The Borrower shall pay or cause to be paid, as the same respectively become due, (1) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Collateral, (2) all utility and other charges, including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Collateral, and (3) all assessments and charges of any kind whatsoever lawfully made by any Governmental Authority for public improvements, provided that, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated hereunder to pay only such installments as are required to be paid during all periods that sums payable by the Borrower hereunder are due and owing.

(B) Notwithstanding the provisions of subsection (A) of this Section 5.02, the Borrower may in good faith actively contest any such taxes, assessments and other charges, provided that the Borrower shall have paid such taxes, assessments and other charges if required by law to do so or provided that (1) the Borrower first shall have notified the Holder in writing of such contest, (2) no Event of Default exists hereunder or under the other Financing Documents, (3) the Borrower shall have set aside adequate reserves for any such taxes, assessments and other charges and at the option of the Holder shall have pledged such reserves to the Holder, and (4) the Borrower demonstrates to the reasonable satisfaction of the Holder that the nonpayment of any such items will not materially endanger the Lien of the Security Agreement in any part of the Collateral. Otherwise, such taxes, assessments or other charges shall be paid promptly by the Borrower or, at the Borrower's option, secured by the Borrower's posting a bond in form and substance satisfactory to the Holder.

SECTION 5.03. INSURANCE REQUIRED. At all times that the Note are outstanding, the Borrower shall maintain insurance with respect to the Collateral against such risks and for such amounts as are customarily insured against by businesses of like size and type, paying, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:

(A) Insurance protecting the interests of the Borrower as insured and the Holder as loss payee, as their interests may appear, against loss or damage to the Collateral by fire, lightning, vandalism, malicious mischief and other perils and casualties normally insured against with a uniform extended coverage endorsement, such insurance at all times to be in an amount not less than the unpaid principal amount of the Note outstanding; provided, however, that the Borrower may, with the consent of the Holder (such consent not to be unreasonably withheld or delayed) insure all or a portion of the Collateral under a blanket insurance policy or policies covering not only the Collateral or portions thereof but other Property.

(B) To the extent applicable, workers' compensation insurance, disability benefits insurance and such other forms of insurance which the Borrower is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Borrower.

(C) Insurance protecting the Borrower and the Holder against loss or losses from liabilities imposed by law or assumed in any written contract and arising from personal injury or death or damage to the property of others caused by any accident or occurrence, with limits of

not less than $2,000,000 per person per accident or occurrence on account of personal injury, including death resulting therefrom, and $2,000,000 per accident or occurrence on account of damage to the property of others, excluding liability imposed upon the Borrower by any applicable workers' compensation law, and a separate commercial umbrella liability policy in excess of the basic coverage stated above protecting the Borrower and the Holder with a limit of not less than $5,000,000.

(D) If requested by the Holder, policies of insurance against loss or damage to any air conditioning, heating or ventilation system, steam boilers or other high pressure machinery, if any, as well as such other equipment as the Holder shall designate, in an amount satisfactory to the Holder.

(E) Other insurance coverage required by any Governmental Authority in connection with any Requirement.

SECTION 5.04. ADDITIONAL PROVISIONS RESPECTING INSURANCE. All insurance required by Section 5.03 hereof shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Borrower and authorized to write such insurance in the State and satisfactory to the Holder. The Borrower or companies issuing the policies required by Sections 5.03(A) shall be rated "A" or better by A.M. Best Co., Inc. in the most recent edition of Best's Key Rating Guide. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Borrower is engaged. All policies evidencing such insurance shall name the Borrower as insured and the Holder as mortgagee and loss payee under a lender's loss payable endorsement, as their interests may appear, and provide for at least thirty (30) days' written notice to the Borrower and the Holder prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof. The insurance required by Sections 5.03(A) and 5.03(D) hereof shall be fully paid for and shall contain a standard noncontributory mortgagee endorsement in favor of the Holder as mortgagee and loss payee. All insurance required hereunder shall be in form, content and coverage satisfactory to the Holder. Certificates satisfactory in form and substance to the Holder to evidence all insurance required hereby shall be delivered to the Holder on or before the Closing Date. The Borrower shall deliver to the Holder on or before the first Business Day of each calendar year thereafter a certificate dated not earlier than the immediately preceding December 1 reciting that there is in full force and effect, with a term covering at least the next succeeding calendar year, insurance in the amounts and of the types required by Sections 5.03 and 5.04 hereof. At least thirty (30) days prior to the expiration of any such policy, the Borrower shall furnish to the Holder evidence that the policy has been renewed or replaced or is no longer required hereby.

(B) All premiums with respect to the insurance required by Section 5.03 hereof shall be paid by the Borrower, provided, however, that if the premiums are not timely paid, the Holder may pay such premiums and the Borrower shall pay immediately upon demand all sums so expended by the Holder, together with interest, to the extent permitted by law, at the Default Rate from the date on which such payment was due until the date on which the payment is made.

(C) The Borrower shall give the Holder prompt notice of any loss covered by the insurance required in this Article, and any Net Proceeds of insurance claims received by the Borrower shall promptly be paid over to the Holder to be held by the Holder in accordance with the provisions of Section 5.05 hereof.

(D) (1) The Borrower shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under Section 5.03 unless the Holder is included therein as a named insured with loss payable to Holder under a standard non-contributory mortgage endorsement of the above described character. The Borrower shall immediately notify the Holder whenever any such separate insurance is taken out and shall promptly deliver to the Holder the policy or policies of such insurance.

(2) Each of the policies required pursuant to Section 5.03 hereof shall waive any right of subrogation against any Person insured under such policy, and shall waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Person insured under such policy.

SECTION 5.05. APPLICATION OF NET PROCEEDS OF INSURANCE. The Net Proceeds of the insurance carried pursuant to the provisions of Section 5.03 hereof shall be applied as follows: (A) the Net Proceeds of the insurance required by Section 5.03(A) and 5.03(D) hereof shall be paid to the Holder and applied toward payment of Debt Service Payments payable pursuant to the Note and the payment of the Borrower's obligations hereunder and (B) the Net Proceeds of the insurance required by Section 5.03(B), 5.03(C) and 5.03(F) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT DEFINED. The following shall be "Events of Default" under the Security Agreement and the terms "Event of Default" or "default" shall mean, whenever they are used in the Security Agreement, anyone or more of the following events:

(A) If the Borrower fails to comply with any of the covenants, conditions or agreements made, or to be observed, by it in the Security Agreement, other than a covenant, condition or agreement specified in subsection (B) below, and such failure shall have continued for a period of thirty (30) days following written notice thereof;

(B) Notwithstanding the foregoing subsection (A) above, the following shall be immediate Events of Default for which there shall be no cure period under this Section:

(1) if a default by the Borrower occurs in the due and punctual payment of any amounts specified to be paid herein or under any of the other Financing Documents (other than any amounts payable on the Maturity Date or any earlier date on which the entire Principal

Balance together with all accrued but unpaid interest and all other sums evidenced or secured by the Financing Documents shall be due and payable in full);

(2) if the Borrower fails to pay any amount due on the Maturity Date or any earlier date on which the entire Principal Balance together with all accrued but unpaid interest and all other sums evidenced or secured by the Financing Documents shall be due and payable in full;

(3) if the Borrower fails to comply with any of the covenants made by it in the Security Agreement for which a specific time period is set forth;

(4) if the Borrower should fail to comply with the provisions of Section 401 (O) or Section 402 hereof;

(5) if an Event of Default or a default beyond any applicable grace or cure period under any of the other Financing Documents shall occur;

(6) if at any time any material representation or warranty made by the Borrower herein or in any other instrument or document delivered by the Borrower to the Holder in connection with the Note shall be incorrect in a material manner;

(7) if at any time any insurance policy required to be maintained pursuant to any of the Financing Documents shall be canceled, terminated or lapse and shall not have been replaced prior to the effective date of such cancellation, termination or lapse by a policy covering the same matters as the lapsed policy, which new policy shall comply with all requirements in the Financing Documents relating to such type of insurance;

(8) if the Borrower shall assign or conveyor attempt to assign or convey any of its rights, duties or obligations under the Security Agreement or the other Financing Documents;

(9) if the Borrower shall mortgage, grant a security interest with respect to, encumber or otherwise transfer or convey all or any portion of the Collateral or any interest therein, except as permitted under the terms of this Security Agreement or the other Financing Documents;

(10) if by order of a court of competent jurisdiction a custodian, trustee, receiver or liquidator of the Collateral or any part thereof, or of the Borrower, shall be appointed and such order shall not be discharged or dismissed within sixty (60) days after such appointment;

(11) (1) the dissolution or winding-up of the Borrower; (2) the filing by the Borrower of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute; (3) the failure by the Borrower within ninety (90) days to lift any execution, garnishment or attachment of such consequence as will impair the Borrower's ability to carry out its obligations hereunder; (4) the commencement of a case under Title II of the United States Code against the Borrower as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against any of the foregoing and

continuation of such case, action or proceeding without dismissal for a period of ninety (90) days; (5) the filing, grant or entry of any order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Borrower; or (6) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Collateral or of the Borrower unless such order, judgment or decree is vacated, dismissed or dissolved within ninety (90) days of its issuance;

(12) if any final judgment or a series of final judgments for the payment of money in excess of $10,000 in the aggregate not covered by insurance shall be rendered against the Borrower and the Borrower shall not discharge the same or cause it to be discharged within sixty (60) days from the entry thereof, or shall not appeal therefrom or from the order, decree or process upon which or pursuant to which said judgment was granted, based or entered, and secure a stay of execution pending such appeal;

(13) if a notice of federal or state tax lien which affects title to the Collateral is filed and not discharged or removed from the record within sixty (60) days of such filing;

(14) if the Borrower shall default beyond any applicable grace or cure period under any other agreement or document now or hereafter in effect with the Holder; or

(15) if a material adverse change, in the sole judgment of the Holder reasonably exercised, in the identity, control, condition or operations, financial or otherwise, of the Borrower shall occur.

SECTION 6.02. ACCELERATION; ANNULMENT OF ACCELERATION. (A) Upon the occurrence of an Event of Default hereunder, the Holder may, by notice in writing delivered to the Borrower declare the whole of the Indebtedness immediately due and payable, whereupon the same shall become and be immediately due and payable, anything in the Security Agreement or any other Financing Documents to the contrary notwithstanding. In such event, there shall be due and payable the total amount of Indebtedness plus all accrued but unpaid interest thereon and all interest which will accrue thereon to the date of payment.

(B) At any time after the principal of the Note shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Security Agreement, the Holder may at its option annul such declaration and its consequences. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

SECTION 6.03. ENFORCEMENT OF REMEDIES. (A) Upon the occurrence and continuance of any Event of Default, the Holder may proceed forthwith to protect and enforce its rights under the Security Agreement, and the other Financing Documents by such suits, actions or proceedings as it shall deem appropriate, including, without limitation, an action to foreclose the Lien of the Security Agreement, in which case the Collateral or any interest therein may be sold for cash or credit in one or more interests and in any order or manner.

(B) The Holder may sue for, enforce payment of and receive any amounts due or becoming due from the Borrower for principal, premium, if any, interest or otherwise under any of the provisions of the Security Agreement or the other Financing Documents, without prejudice to any other right or remedy of the Holder.

(C) Regardless of the happening of an Event of Default, the Ho1der may institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Security Agreement by any acts which may be unlawful or in violation of the Security Agreement, or to preserve or protect the interests of the Holder.

(D) The Holder shall have the right to appear in and defend any action or proceeding brought with respect to the Collateral and to bring any action or proceeding, in the name and on behalf of the Borrower, which the Holder, in its discretion, determines should be brought to protect their interests in the Collateral.

(E) Upon the occurrence and continuance of any Event of Default hereunder, the Borrower, upon demand of the Holder, shall forthwith surrender the possession of, and it shall be lawful for the Holder, to take possession of, all or any part of the Collateral, together with the books, papers and accounts of the Borrower pertaining thereto, and to hold, operate and manage the same, and from time to time to make all needed repairs and improvements as the Holder shall deem wise; and the Holder may sell the Collateral or any part thereof, or lease the Collateral or any part thereof in the name and for the account of the Borrower, collect, receive and sequester the rents, revenues, earnings, income, products and profits therefrom, and pay out of the same all proper costs and expenses of taking, holding leasing, selling and managing the Collateral, including reimbursement for expenses reasonably and actually incurred by the Holder and its agents and counsel, and any charges of the Holder hereunder, and any taxes and other charges prior to the Lien of the Security Agreement which the Holder may deem it wise to pay, and any expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 5.05 hereof.

Whenever all that is due under the Note shall have been paid and all defaults made good, the Holder shall surrender possession to the Borrower; the same right of entry, however, to exist upon any subsequent Event of Default.

(F) The Holder may exercise any and/or all of the rights and remedies available to a secured party under the New York Uniform Commercial Code in such order and in such manner as the Holder, in its sole discretion, may determine; provided, however, that the expenses of retaking, holding, preparing for sale or the like as provided thereunder shall include reasonable attorneys' fees and other actual expenses of the Holder and shall be additionally secured by this Security Agreement.

(G) Notwithstanding anything herein contained to the contrary, the Borrower or anyone claiming through or under either of them (1) will not (a) at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, any exemption from execution or sale of the Collateral or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and

terms of performance of the Security Agreement, (b) claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Collateral, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision hereof, or pursuant to the decree, judgment or order of any court of competent jurisdiction, or (c) after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the Property so sold or any part thereof, (2) hereby expressly waive all benefit or advantage of any such law or laws, and (3) covenant not to hinder, delay or impede the execution of any power herein granted or delegated to the Holder, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. The Borrower for itself and all who may claim under it, waives, to the extent that it lawfully may, all right to have the Collateral marshaled upon any foreclosure hereof.

SECTION 6.04. APPOINTMENT OF RECEIVERS. Upon the occurrence of an Event of Default hereunder and upon the filing of a suit or commencement of other judicial proceedings to enforce the rights of the Holder under the Security Agreement, the Holder shall be entitled, as a matter of right, without notice and without regard to the adequacy of any security for the debt secured hereby, to the appointment of a receiver or receivers of the Collateral and of the revenues and receipts thereof, pending the conclusion of such proceedings and any appeal therefrom, with such powers as the court making such appointment shall confer. The receiver shall be entitled to occupational rent from an owner/occupant and may upon nonpayment of said rent evict the owner/occupant.

SECTION 6.05. APPLICATION OF MONEYS. The Net Proceeds received by the Holder or pursuant to any right given or action taken under the provisions of this Article VI shall, during the continuance of an Event of Default hereunder, be applied (A) first, to the payment of the fees, costs and expenses reasonably incurred by the Holder to operate the Collateral and protect and enforce its rights hereunder and under the other Financing Documents, including reasonable attorney's fees; (B) second, to the payment of all installments of interest then due and payable on the Note; (C) third, to the payment of unpaid principal of and premium, if any, on the Note, whether or not then due and payable; (D) fourth, to the payment of any sum or charge (other than principal or interest) evidenced or secured by the Security Agreement and all interest payable thereon; (E) fifth, to the payment of interest on principal amounts then due and payable under any other Financing Document; and (F) sixth, the balance thereof to be applied in reduction of principal amounts then due and payable under or any other Financing Document, with any excess remaining to be paid to the Borrower. The Holder reserves the right to apply such Net Proceeds in any other fashion as is shall determine.

SECTION 6.06. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under the Security Agreement or under any other Financing Document now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Holder to exercise any remedy reserved to it of them in this Article VI, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Security Agreement.

SECTION 6.07. TERMINATION OF PROCEEDINGS. In case any proceeding taken by the Holder on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then the Holder and the Borrower shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Holder shall continue as if no such proceeding had been taken.

SECTION 6.08. WAIVER AND NON-WAIVER OF EVENT OF DEFAULT. (A) The Holder may, in its discretion, agree to waive, in writing, any Event of Default hereunder and its consequences and annul any acceleration in accordance with Section 6.02 hereof. No such waiver shall extend to or affect any other existing or any subsequent Event of Default.

(B) The failure of the Holder to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of the Security Agreement. The Borrower shall not be relieved of the Borrower's obligations hereunder by reason of (1) failure of the Holder to comply with any request of the Borrower to take any action to foreclose the Security Agreement or otherwise enforce any of the provisions hereof, (2) the release, regardless of consideration, of the whole or any part of the Collateral, or (3) any agreement or stipulation by the Holder extending the time of payment or otherwise modifying or supplementing the terms of the Security Agreement or any of the other Financing Documents. The Holder may resort for the payment of the Indebtedness to any other security held by the Holder pursuant to the Financing Documents in such order and manner as the Holder, in its discretion, may elect. The Holder may take action to recover the Indebtedness, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of the Holder thereafter to foreclose the Security Agreement. The rights of the Holder under the Security Agreement shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of the Holder shall be construed as an election to proceed under anyone provision herein to the exclusion of any other provision. No waiver of any right of the Holder shall be effective unless it is in a writing signed by an officer of the Holder.

SECTION 6.09. REPAYMENT AND SECURING OF EXPENSES PAID BY THE HOLDER. In the event the Holder shall pay any premiums on any policies of insurance required to be maintained or procured by Section 5.03 hereof, or in the event the Holder shall expend any funds for the payment of any unpaid taxes or assessments upon the Collateral, or expend any funds in payment of any unpaid installments under any applicable agreement for payments in lieu of taxes with any taxing entity or pay or perform any other obligation of the Borrower under any of the Financing Documents, then in any such event such payment shall be deemed to be secured by the Security Agreement and shall be payable to the Holder in the manner provided and with interest as provided herein, or if not so provided therein, shall be payable on demand as an additional payment under the other Financing Documents with interest at the rate of the Default Rate or the minimum amount permitted by law, whichever is less.

SECTION 6.10. OTHER ACTIONS BY THE HOLDER. Regardless of the happening of an Event of Default, the Holder may institute and maintain such suits and proceedings as it shall deem necessary or expedient to prevent any impairment of the security under the Security Agreement by any acts which may be unlawful or in violation of the Security Agreement, or to preserve or protect the interests of the Holder.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from the Security Agreement or the other Financing Documents is intended or shall be construed to give to any Person, other than the parties hereto or thereto, and their successors and assigns, any right, remedy or claim under or with respect to the Security Agreement or any covenants, conditions and provisions herein contained. The Security Agreement and all of the covenants, conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their successors and assigns as herein provided.

SECTION 7.02. LAWS. If any law or ordinance is enacted or adopted which imposes a tax, either directly or indirectly, on the Security Agreement, the Borrower will pay, or cause to be paid, such tax, with interest and penalties thereon, if any.

SECTION 7.03. REVENUE STAMPS. If at any time any Governmental Authority shall require revenue or other stamps to be affixed to the Security Agreement, the Borrower will pay, or cause to be paid, the same, with interest and penalties thereon, if any.

SECTION 7.04. FURTHER ASSURANCE. The Borrower will execute and procure for the Holder and cause to be done any further conveyances, instruments or acts of further assurance as the Holder shall reasonably require to perfect the security of the Holder in the Collateral intended now or hereafter to be covered by the Security Agreement or otherwise for carrying out the intention of facilitating the performance of the terms of the Security Agreement.

SECTION 7.05. SATISFACTION OF SECURITY AGREEMENT. Upon the payment in full of all of the amounts due under the Note, if the Borrower has performed and observed all the covenants to be performed and observed hereunder and have performed all obligations under the other Financing Documents to which they are parties, the Holder by acceptance of the Security Agreement, agrees to execute and deliver, any and all instruments necessary and/or appropriate to discharge the Lien of the Security Agreement of record and to terminate UCC Financing Statements.

SECTION 7.06. SEVERABILITY. (A) If any provision of the Security Agreement shall, for any reason, be held or shall, in fact, be inoperative or unenforceable in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance or render any other provision herein contained inoperative or unenforceable.

(B) The invalidity of anyone or more phrases, sentences, clauses, paragraphs or sections in the Security Agreement shall not affect the remaining portions of the Security Agreement or any part thereof.

SECTION 7.07. NOTICES. An notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (A) sent to the

applicable address stated below by registered or certified mail, return receipt requested, postage prepaid, or by such other means (including, without limitation, overnight delivery) as shall provide the sender with documentary evidence of such delivery, or (B) delivery is refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery or such other evidence of such attempted delivery. The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

TO THE BORROWER:

Angiodynamics, Inc.
603 Queensbury Avenue
Queensbury, New York 12804
Fax Number: 518-798-3625
Attention: Eamonn P. Hobbs and Joseph Gerardi

WITH A COPY TO:

Bond Schoeneck & King PLLC
111 Washington Avenue
Albany, New York 12210
Fax Number: (518) 462-7441
Attention: Kevin J. Kelley, Esq.

TO THE HOLDER:

KeyBank National Association
66 South Pearl Street
Albany, New York 12207
Fax Number: (518) 257-8587
Attention: Bryant J. Cassella, Vice President

WITH A COPY TO:

Lemery Greisler LLC
10 Railroad Place
Saratoga Springs, New York 12866
Fax Number: (518) 581-8823
Attention: James A. Canninucci, Esq.

The Borrower and the Holder may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

SECTION 7.08. COUNTERPARTS. The Security Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.09. TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING The table of contents and the headings of the several articles and sections of the Security Agreement have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of the Security Agreement.

SECTION 7.10. AMENDMENT, ETC. Neither the Security Agreement nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

SECTION 7.11. WAIVER OF NOTICE. Whenever in the Security Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person or Persons entitled to receive such notice.

SECTION 7.12. INDEMNIFICATION; SUBROGATION; WAIVER OF OFFSET.

(A) The Borrower shall indemnify, defend and hold the Holder harmless against: (i) any and all claims for brokerage, leasing, finders or similar fees which may be made relating to the Loan claiming to have dealt with the Borrower, and (ii) against any and all liability, obligations, losses, damages, penalties, claims, actions, suits, costs, and expenses (including its reasonable attorneys' fees, together with reasonable appellate counsel fees, if any) of whatever kind or nature which may be imposed on or incurred by the Holder at any time pursuant either to a judgment or decree or other order entered into by a court or administrative agency or to a settlement reasonably approved by the Borrower, which judgment, decree, order or settlement relates in any way to or arises out of the offer, sale or lease of the Collateral and/or the ownership, use, or operation of any portion of the Collateral.

(B) If the Holder is made a party defendant to any litigation concerning the loan which is the subject of the Note, this Security Agreement, the Collateral, or any part thereof, or any interest therein, or the occupancy thereof, then the Borrower shall indemnify, defend and hold the Holder harmless from all liability by reason of said litigation, including reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses incurred by the Holder in any such litigation, whether or not any such litigation is prosecuted to judgment. If the Holder commences an action against the Borrower to enforce any of the terms hereof or to prosecute any breach by the Borrower of any of the terms hereof or to recover any sum secured hereby, the Borrower shall pay to the Holder such reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses. The right to such attorneys fees (together with reasonable appellate counsel fees, if any) and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If an Event of Default occurs hereunder, the Holder may employ an attorney or attorneys to protect its rights hereunder, and in the event of such employment following any such Event of Default, the Borrower shall pay the Holder reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses incurred by the Holder, whether or not an action is actually commenced against the Borrower by reason of such breach.

(C) A waiver of subrogation shall be obtained by the Borrower from its insurance carrier and, consequently, the Borrower waives any and all right to claim or recover against the Holder, its officers, employees, agents and representatives, for loss of or damage to the Borrower, the Collateral, the Borrower's property or the property of others under the Borrower's control from any cause insured against or required to be insured against by the provisions of this Security Agreement

(D) All sums payable by the Borrower hereunder shall be paid without notice (except as may otherwise be provided herein), demand, counterclaim, set-off, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of the Borrower hereunder shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Collateral or any part thereof; (ii) any restriction or prevention of or interference with any use of the Collateral or any part thereof; (iii) any title defect or encumbrance or any eviction from the Collateral or any part thereof by title superior or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, or other like proceeding relating to the Holder, or any action taken with respect to this Security Agreement by any trustee or receiver of the Holder, or by any court, in such proceeding; (v) any claim which the Borrower has, or might have, against the Holder; (vi) any default or failure on the part of the Holder to perform or comply with any of the terms hereof or of any other agreement with the Borrower; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not the Borrower shall have notice or knowledge of any of the foregoing. The Borrower waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution, or reduction of any sum secured hereby and payable by the Borrower.

SECTION 7.13. JURY TRIAL WAIVER. THE BORROWER AND THE HOLDER (BY ACCEPTANCE OF THIS SECURITY AGREEMENT) MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE HOLDER RELATING TO THE ADMINISTRATION OF THE LOAN OR ENFORCEMENT OF THIS SECURITY AGREEMENT, AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. EXCEPT AS PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE HOLDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE HOLDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A

MATERIAL INDUCEMENT FOR THE HOLDER TO ACCEPT THE NOTE AND MAKE THE LOAN.

SECTION 7.14. RIGHT OF SET OFF. The Borrower hereby grants to the Holder, a continuing lien, security interest and right of setoff as security for all liabilities and obligations to the Holder, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Holder or any entity under the control of Charter One Financial Inc. and its successors and assigns, or in transit to any of them. At any time, without demand or notice (any such notice being expressly waived by the Borrower), the Holder may set off the same or any part thereof and apply the same to any liability or obligation of the Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Note. ANY AND ALL RIGHTS TO REQUIRE THE HOLDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE NOTE, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

SECTION 7.15. EXPENSES INCURRED IN CONNECTION WITH ENFORCEMENT. The Borrower shall pay on demand all expenses of the Holder in connection with the preparation, administration, default, collection, waiver or amendment of loan terms, or in connection with the Holder's exercise, preservation or enforcement of any of its rights, remedies or options hereunder, including, without limitation, fees of outside legal counselor the allocated costs of in-house legal counsel, accounting, consulting, brokerage or other similar professional fees or expenses, and any fees or expenses associated with travel or other costs relating to any appraisals or examinations conducted in connection with the loan or any collateral therefor, and the amount of all such expenses shall, until paid, bear interest at the rate applicable to principal hereunder (including any default rate) and be an obligation secured by any collateral.

SECTION 7.16. CHOICE OF LAW. This Security Agreement and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the State of New York (the "Governing State") (excluding the laws applicable to conflicts or choice of law).

THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS SECURITY AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE GOVERNING STATE OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SET FORTH HEREIN. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT FORUM.

SECTION 7.17. MERGER. This Security Agreement is intended by the parties as the final, complete and exclusive statement of the transactions evidenced by this Security Agreement. All prior contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Security Agreement, and no party is relying on any promise,

agreement or understanding not set forth in this Security Agreement. This Security Agreement may not be amended or modified except by a written instrument describing such amendment or modification executed by the Borrower and the Holder.

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement as of the day and year first above written.

ANGIODYNAMICS, INC.

By: /s/ Eamonn P. Hobbs

Eamonn P. Hobbs, President and
Chief Executive Officer

KEYBANK NATIONAL ASSOCIATION

By: /s/ Bryant J. Cassela, V.P.

Bryant J. Cassela, Vice President

STATE OF NEW YORK)

) ss.:

COUNTY OF ALBANY)

On the 28/th/ day of August in the year 2002 before me, the undersigned, a Notary Public in and for said State, personally appeared EAMONN P. HOBBS, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

STATE OF NEW YORK)

) ss.:

COUNTY OF ALBANY)

On the 28/th/ day of August in the year 2002 before me, the undersigned, a Notary Public in and for said State, personally appeared BRYANT J. CASSELLA, personally known t() me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

[NOTARY STAMP]

Exhibit 10.8

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (the "Amendment") dated as of December 29, 2003 by and between ANGIODYNAMICS, INC., a Delaware corporation, with its principal place of business at 603 Queensbury Avenue, Queensbury, New York 12804 (the "Borrower"), to KEYBANK NATIONAL ASSOCIATION, a national banking association, having an office at 66 South Pearl Street, Albany, New York 12207 (the "Holder");

W I T N E S S E T H:

WHEREAS, in connection with the making of the Loan (as hereinafter defined), the Borrower executed and delivered in favor of the Holder a certain loan and security agreement dated August 28, 2002 (the "Security Agreement") (all terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Security Agreement); and

WHEREAS, the parties desire to modify the Security Agreement in the manner hereinafter set forth; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The following definitions set forth in Section 1.01 of the Security Agreement are hereby amended and restated in their entirety to read as follows:

> "LOAN" means the loan in the principal amount of $3,000,000.00 from the Bank to the Borrower as evidenced by the Note.
>
> "NOTE" means the amended and restated promissory note dated as of December 29, 2003 in the principal amount of $3,000,000.00 from the Borrower in favor of the Holder as said amended and restated promissory note may be further amended, modified, supplemented, consolidated or extended from time to time.

2. The definition of "Interest Coverage Ratio" set forth in Section 1.01 of the Security Agreement is hereby deleted.

3. Section 1.01 of the Security Agreement is hereby amended to include the following defined terms to appear in their proper alphabetical order with Section 1.01:

"SENIOR FUNDED INDEBTEDNESS" shall mean total Indebtedness less any subordinated Indebtedness.

"SENIOR LEVERAGE RATIO" shall mean the ratio of the Borrower's (i) Senior Funded Indebtedness to (ii) EBITDA less Unfunded Capital Expenditures, calculated in accordance with GAAP.

4. Section 2.01 of the Security Agreement is hereby amended and restated in its entirety to read as follows:

"SECTION 201. MAKING OF THE LOAN.

Subject to the provisions of Section 202 hereof, the Holder shall make available to the Borrower the proceeds of the Loan from time to time in accordance with the terms, provisions and conditions of the Note. Provided that no Event of Default has occurred, as the Borrower repays principal under the Note, it shall be permitted to re-borrow until the Maturity Date provided, however, that at no time shall the Principal Balance exceed $3,000,000.00."

5. Subsection (O) of Section 4.01 of the Security Agreement is hereby amended and restated in its entirety to read as follows:

"(O) It will (1) maintain a minimum Fixed Charge Coverage Ratio of 1.25 to 1.00 calculated as of each May 31st and November 30th based upon the most recently concluded four fiscal quarters of the Borrower and (2) not permit the Borrower's Senior Leverage Ratio to exceed 2.75 to 1.00 calculated as of each May 31st and November 30th based upon the most recently concluded four fiscal quarters of the Borrower.

In calculating the foregoing ratios for the periods ending November 30th, 2002 and May 31st, 2003, (i) principal shall be determined using the current maturities of long term debt (in accordance with GAAP) on a pro-forma basis for the twelve months following the Closing Date, (ii) Cash Interest Expense shall be calculated as the pro-forma Cash Interest Expense for the twelve months following the Closing Date (utilizing the appropriate amortization schedules and interest rates for the Indebtedness, including the fixed rate achieved under the SWAP Agreement and all Letter of Credit Fees and related fees) and (iii) thereafter both principal and Cash Interest Expense shall be calculated on the actual principal and Cash Interest Expense, respectively, for the period in question."

6. The Note is hereby amended and restated as set forth on Schedule "A" attached hereto.

7. The Borrower hereby represents and warrants as follows:

(i) as of the date hereof, there is outstanding under the Note the sum of $0.00 together with accrued and unpaid interest;

(ii) no Event of Default has occurred and no event has occurred with which the passage of time or the giving of notice or both would constitute an Event of Default;

(iii) there exist no defenses or offsets to the obligations of the Borrower under the Note and the Security Agreement; and

(iv) the execution and delivery of this Amendment have been approved by all necessary corporate action on the part of the Borrower.

8. As modified hereby, all of the terms, provisions and conditions of the Security Agreement are hereby ratified and confirmed.

9. The Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

ANGIODYNAMICS, INC.

By:/s/ Joseph G. Gerardi

Joseph G. Gerardi, Vice President and Controller

KEYBANK NATIONAL ASSOCIATION

By:/s/ Bryant J. Cassella

Bryant J. Cassella, Senior Vice President

SCHEDULE "A"

AMENDED AND RESTATED NOTE

Exhibit 10.9

AMENDED AND RESTATED PROMISSORY NOTE
(Revolving Line of Credit)

$3,000,000.00 As of December 29, 2003
Albany, New York

FOR VALUE RECEIVED, the undersigned, ANGIODYNAMICS, INC., a Delaware corporation, with its principal place of business at 603 Queensbury Avenue, Queensbury, New York 12804 (herein called the "Borrower"), hereby promises to pay to the order of KEYBANK NATIONAL ASSOCIATION, a national banking association, its successors and assigns (herein called the "Payee" or the "Bank"), at such Payee's main office at 66 South Pearl Street, Albany, New York 12207, or such other location as the Payee shall designate in writing from time to time, the unpaid amount of all sums that have been advanced to or for the benefit of the Borrower in accordance with the terms hereof in an amount not to exceed the principal sum of THREE MILLION AND NO/100 Dollars ($3,000,000.00), together with interest on the disbursed, unpaid principal, or, if less, the aggregate unpaid principal amount due hereunder as shown on records of Payee, together with interest at the applicable rate per annum set forth herein until paid in full. The records of the Payee maintained in the ordinary course of business shall be prima facie evidence of the existence and amounts of the Borrower's obligations recorded therein. All computations of interest under this Note shall be made on the basis of a three hundred sixty (360) day year and the actual number of days elapsed.

DEFINITIONS. As used herein, the following terms shall have the following meanings:

"Adjusted LIBOR Rate" - Means for any LIBOR Rate Interest Period, an interest rate per annum equal to the sum of (A) the rate obtained by dividing (x) the LIBOR Rate for such LIBOR Rate Interest Period by (y) a percentage equal to one hundred percent (100%) minus the Reserve Percentage for such LIBOR Rate Interest Period and (B) the LIBOR Rate Margin.

"Adjusted Prime Rate" - A rate per annum equal to the sum of (a) the Prime Rate Margin and (b) the greater of (i) the Prime Rate or (ii) one percent (1%) in excess of the Federal Funds Effective Rate. Any change in the Adjusted Prime Rate shall be effective immediately from and after such change in the Adjusted Prime Rate.

"Breakage Costs" - The cost to the Bank of re-employing funds bearing interest at an Adjusted LIBOR Rate, incurred (or expected to be incurred) in connection with (i) any payment of any portion of the Loan bearing interest at an Adjusted LIBOR Rate prior to the termination of any applicable LIBOR Rate Interest Period, (ii) the conversion of an Adjusted LIBOR Rate to any other applicable interest rate on a date other than the last day of the relevant interest period, or (iii) the failure of Borrower to draw down, on the first day of the applicable LIBOR Rate Interest Period, a Loan Portion.

"Business Day" - A day on which commercial banks settle payment in New York.

"Default Rate" - A per annum rate to four percent (4%) above the rate of interest otherwise applicable to the Note.

"Event Of Default" - Any of those events defined as an Event of Default under this Note or any other instrument or documents executed in connection herewith.

"Federal Funds Effective Rate" - Shall mean, for any day, the rate per annum (rounded upward to the nearest on one-hundredth of one percent (1/100 of 1%)) announced by the Federal Reserve Bank of Cleveland on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate."

"LIBOR Business Day" - A Business Day on which dealings in U.S. dollars are carried on in the London Interbank Market.

"LIBOR Rate" - For any LIBOR Rate Interest Period, the average rate (rounded upwards to the nearest 1/16th) as shown in Dow Jones Markets (formerly Telerate) (Page 3750) at which deposits in U.S. dollars are offered by first class banks in the London Interbank Market at approximately 11:00 a.m. (London time) on the day that is two (2) LIBOR Business Days prior to the first day of such LIBOR Rate Interest Period with a maturity approximately equal to such LIBOR Rate Interest Period and in an amount approximately equal to the amount to which such LIBOR Rate Interest Period relates, adjusted for reserves and taxes if required by future regulations. If Dow Jones Markets no longer reports such rate or Bank determines in good faith that the rate so reported no longer accurately reflects the rate available to Bank in the London Interbank Market, Bank may select a replacement index.

"LIBOR Rate Interest Period" - With respect to each amount bearing interest at a LIBOR based rate, a period of one month, to the extent deposits with such maturities are available to Bank, commencing on a LIBOR Business Day, as selected by Borrower provided, however, that (i) any LIBOR Rate Interest Period which would otherwise end on a day which is not a LIBOR Business Day shall continue to and end on the next succeeding LIBOR Business Day, unless the result would be that such LIBOR Rate Interest Period would be extended to the next succeeding calendar month, in which case such LIBOR Rate Interest Period shall end on the next preceding LIBOR Business Day and (ii) any LIBOR Rate Interest Period which begins on a day for which there is no numerically corresponding date in the calendar month in which such LIBOR Rate Interest Period would otherwise end shall instead end on the last LIBOR Business Day of such calendar month.

"LIBOR Rate Margin" - Two and eighty five one hundredths percent (2.85 %) per annum.

"Loan" - The Loan of up to $3,000,000.00 by the Bank to the Borrower that is the subject of this Note.

"Loan Portion" - Each advance of Loan proceeds by the Bank to the Borrower.

"Maturity Date" - November 30, 2004.

"Prime Rate" - That interest rate established from time to time by the Bank as the Bank's Prime Rate, whether or not such rate is publicly announced; the Prime Rate may not be the lowest interest rate charged by the Bank for commercial or other extensions of credit;

"Prime Rate Margin" - one half of one percent (.50%) per annum.

"Security Agreement" - Means the loan and security agreement dated August 28, 2002 from the Borrower in favor of the Bank, as amended by a first amendment thereto of even date herewith, as such loan and security agreement may be further amended or supplemented from time to time.

ADVANCES; INTEREST RATE. (A). Advances under this Note shall be reflected on the records of the Payee. In absence of default by the Borrower, as the Borrower makes repayments of principal, it shall be permitted to re-borrow hereunder until the Maturity Date.

(B) Except as set forth below and subject, however, to the provisions of the paragraph hereof entitled "Default", interest on the outstanding principal balance hereof shall accrue at the Adjusted LIBOR Rate. If Bank determines (which determination shall be conclusive and binding upon Borrower, absent manifest error) (i) that Dollar deposits in an amount approximately equal to a Loan Portion are not generally available at such time in the London interbank market for deposits in Dollars, (ii) that the rate at which such deposits are being offered will not adequately and fairly reflect the cost to Bank of maintaining a LIBOR Rate on such Loan Portion due to circumstances affecting the London interbank market generally, (iii) that reasonable means do not exist for ascertaining a LIBOR Rate, or (iv) that an Adjusted LIBOR Rate would be in excess of the maximum interest rate which Borrower may by law pay, then, in any such event, Bank shall so notify Borrower and all Loan Portions bearing interest at an Adjusted LIBOR Rate that are so affected shall, as of the date of such notification with respect to an event described in clause (ii) or (iv) above, or as of the expiration of the applicable LIBOR Rate Interest Period with respect to an event described in clause (i) or (iii) above, bear interest at the Adjusted Prime Rate until such time as the situations described above are no longer in effect

(C) If the introduction of or any change in any law, regulation or treaty, or in the interpretation thereof by any Governmental Authority (as described in the Security Agreement) charged with the administration or interpretation thereof, shall make it unlawful for Bank to maintain the interest rate applicable to a Loan Portion at an Adjusted LIBOR Rate with respect to the Loan Portion, or to fund a Loan Portion in Dollars in the London interbank market, then (1) Bank shall notify Borrower that Bank is no longer able to maintain the interest rate applicable to such Loan Portion at an Adjusted LIBOR Rate, (2) the applicable interest rate for any such Loan Portion shall automatically be converted to the Adjusted Prime Rate, and (3) Borrower shall pay to Bank the amount of Breakage Costs (if any) incurred in connection with such conversion.

PAYMENTS. In the event the entire amount of any payment due hereunder is not paid within five (5) days after the same is due a late fee equal to five percent (5%) of the required payment will be charged by the Payee.

Accrued interest shall be payable on the first day of the month immediately succeeding the date of this Note, and on the first day of each succeeding month thereafter during the term of this note and all disbursed unpaid principal together with accrued interest will be paid in full no later than the Maturity Date. All payments shall be applied first to the payment of all fees, expenses and other amounts due to the Payee (excluding principal and interest), then to accrued interest, and the balance on account of outstanding principal; provided, however that after the occurrence of an Event of Default, payments will be applied to the obligations of the Borrower to the Payee as the Payee determines in its sole discretion. All payments shall be in lawful money of the United States in immediately available funds, without counterclaim or set off and free and clear of and without any deduction or withholding for, any taxes or other payments.

Notwithstanding anything to the contrary contained herein, the Borrower shall be required to pay off in full the outstanding principal balance hereof and maintain a zero outstanding balance hereunder for at least thirty (30) consecutive days during the term hereof.

PREPAYMENT. The Borrower shall have the right to make prepayments of the Loan, in whole or in part, without prepayment penalty, upon not less than three (3) days' prior written notice to the Bank. No prepayment of all or part of the Loan shall be permitted unless same is made together with the payment of all interest accrued on the Loan through the date of prepayment and an amount equal to all Breakage Costs and attorneys' fees and disbursements incurred by the Bank as a result of the prepayment.

FEES. (A) On the date of execution and delivery of this Note and on each one-year anniversary thereof, the Borrower shall remit to the Bank a fee in the amount of $7,500.00.

(B) The Borrower recognizes that the cost to the Bank of maintaining the Loan or any Loan Portion may fluctuate and, the Borrower agrees to pay the Bank additional amounts to compensate the Bank for any increase in its actual costs incurred in maintaining the Loan or any Loan Portion outstanding or for the reduction of any amounts received or receivable from the Borrower as a result of:

(i) any change after the date hereof in any applicable law, regulation or treaty, or in the interpretation or administration thereof, or by any domestic or foreign court, (A) changing the basis of taxation of payments under this Note to the Bank (other than taxes imposed on all or any portion of the overall net income or receipts of the Bank), or (B) imposing, modifying or applying any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, credit extended by, or any other acquisition of funds for loans by the Bank (which includes the Loan or any Loan Portion) (provided, however, that the Borrower shall not be charged again the Reserve Percentage already accounted for in the definition of the Adjusted LIBOR Rate), or (C) imposing on the Bank, or the London interbank market generally, any other condition affecting the Loan, provided that the result of the foregoing is to increase the cost to the Bank of maintaining the Loan or any Loan Portion or to reduce the amount of any sum received or receivable from the Borrower by the Bank hereunder or under the other Financing Documents (as defined in the Security Agreement; or

(ii) the maintenance by Bank of reserves in accordance with reserve requirements promulgated by the Board of Governors of the Federal Reserve System of the United States with respect to "Eurocurrency Liabilities" of a similar term to that of the applicable Loan Portion (without duplication for reserves already accounted for in the calculation of a LIBOR Rate pursuant to the terms hereof).

(C) If the application of any law, rule, regulation or guideline adopted or arising out of the July, 1988 report of the Basle Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards", or the adoption after the date hereof of any other law, rule, regulation or guideline regarding capital adequacy, or any change after the date hereof in any of the foregoing, or in the interpretation or administration thereof by any domestic or foreign Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank, with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has the effect of reducing the rate of return on the Bank's capital to a level below that which the Bank would have achieved but for such

application, adoption, change or compliance (taking into consideration the policies of Bank with respect to capital adequacy), then, from time to time the Borrower shall pay to the Bank such additional amounts as will compensate the Bank for such reduction with respect to any Loan Portion outstanding.

Any amount payable by the Borrower under subsection (B) or subsection (C) of this Section shall be paid within five (5) days of receipt by the Borrower of a certificate signed by an authorized officer of the Bank setting forth the amount due and the basis for the determination of such amount, which statement shall be conclusive and binding upon the Borrower, absent manifest error. Failure on the part of the Bank to demand payment from the Borrower for any such amount attributable to any particular period shall not constitute a waiver of the Bank's right to demand payment of such amount for any subsequent or prior period. The Bank shall use reasonable efforts to deliver to the Borrower prompt notice of any event described in subsection (A) or (B) above, of the amount of the reserve and capital adequacy payments resulting therefrom and the reasons therefor and of the basis of calculation of such amount; provided, however, that any failure by the Bank to so notify the Borrower shall not affect the Borrower's obligation to pay the reserve and capital adequacy payment resulting therefrom.

DEFAULT. Upon the occurrence of one or more Events of Default, the entire principal and interest on this Note shall become immediately due and payable without presentment or protest or other notice of demand, all of which are expressly waived by the Borrower. If the Bank, in its sole and absolute discretion, elects not to demand payment by the Borrower, notwithstanding said failure to demand, the Bank shall be under no obligation to make advances pursuant to the terms of this Note unless and until the Event of Default is cured to the satisfaction of the Bank. Anyone or more of the following shall constitute an Event of Default:

(A) Upon the failure of the Borrower to pay any part of the principal of this Note on the Maturity Date or interest on this Note when due and payable; or

(B) The occurrence of an event of default under the Security Agreement

If an Event of Default should occur and be continuing or after the Maturity Date or after judgment has been rendered on this Note, all Loan Portions shall bear interest at the Default Rate until the earlier of (i) the Event of Default is cured, or (ii) all Loan Portions are paid in full.

The powers and remedies given hereby shall not be exclusive of any other powers and remedies available to the Payee. No course of dealings between the Borrower and the Payee and no delay on the part of the Payee in exercising any rights with respect to any default shall operate as a waiver of any rights of the Payee. Failure upon the part of the Payee to exercise any rights with respect to any default shall not operate as a waiver of any rights with respect to any other default.

PARTIAL INVALIDITY. If any provision of this Note or the application of it to any person or circumstance, shall be invalid or unenforceable, the remainder of this Note or the application of that provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected and every other provision of this Note shall be valid and fully enforceable.

WAIVER, CHANGE, MODIFICATION OR DISCHARGE. This Note may not be waived, changed, modified or discharged orally, but only by agreement in writing signed by the party against whom any enforcement of any waiver, change, modification or discharge is sought.

COVENANT AGAINST USURY. All agreements between the Borrower and the Bank are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Bank for the use or the forbearance of the indebtedness evidenced hereby exceed the maximum permissible under applicable law. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof provided, however that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such law as of its effective date. In this regard, it is expressly agreed that it is the intent of the Borrower and the Bank in the execution, delivery and acceptance of this Note to contract in strict compliance with the laws of the State of New York from time to time in effect. If, under or from any circumstances whatsoever, fulfillment of any provision hereof at the time of performance of such provision shall be due, shall involve transcending the limit of such validity prescribed by applicable law, then the obligation to be fulfilled shall automatically be reduced to the limits of such validity, and if under or from circumstances whatsoever the Bank should ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the principal balance evidenced hereby and not to the payment of interest. This provision shall control every other provision of all agreements between the Borrower and the Bank.

WAIVER OF DILIGENCE, PRESENTMENT, DEMAND, ETC. The Borrower hereby waives with respect to this Note: diligence, presentment, demand for payment, filing of claims with a court in the event of bankruptcy of the Borrower or any other person or entity liable in respect to this Note, any right to require a proceeding first against the Borrower or any other such person; protest, notice of dishonor or nonpayment of any such liabilities and any other notice and all demands whatsoever except as specifically set forth in this Note.

TRANSFER AND ASSIGNMENT OF NOTE; PLEDGE OF RIGHTS: PARTICIPATION. (A) The Bank shall have the right in its discretion to transfer ownership of this Note and the security therefor or to assign, as collateral or otherwise, its rights hereunder, including the right to receive payments of principal and interest, in all instances without prior notice to or the consent of the Borrower. Additionally, the Bank may at any time pledge all or any portion of its rights under this Note to any of the twelve (12) Federal Reserve Banks organized under Section 4 of the Federal Reserve Act, 12 U.S.C. Section 341. No such pledge or enforcement thereof shall release the Bank from its obligations hereunder.

(B) The Bank shall have the unrestricted right at any time and from time to time, and without the consent of or notice to the Borrower, to grant to one or more banks or other financial institutions (each, a "Participant") participating interests in the Bank's obligation to lend hereunder and/or any or all of the loans held by the Bank hereunder. In the event of any such grant by the Bank of a participating interest to a Participant, whether or not upon notice to the Borrower, the Bank shall remain responsible for the performance of its obligations hereunder and the Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations hereunder.

The Bank may furnish any information concerning the Borrower in its possession from time to time to prospective Assignees and Participants, provided that the Bank shall require any such

prospective Assignee or Participant to agree in writing to maintain the confidentiality of such information.

JURY TRIAL WAIVER. THE BORROWER AND THE BANK (BY ACCEPTANCE OF THIS NOTE) MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS OR ACTIONS OF THE BANK RELATING TO THE ADMINISTRATION OF THE LOAN OR ENFORCEMENT OF THIS NOTE, AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. EXCEPT AS PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. THE BORROWER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR THE BANK TO ACCEPT THIS NOTE AND MAKE THE LOAN.

RIGHT OF SET OFF. The Borrower hereby grants to the Bank, a continuing lien, security interest and right of setoff as security for all liabilities and obligations to the Bank, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Bank or any entity under the control of KeyCorp and its successors and assigns or in transit to any of them. At any time, without demand or notice (any such notice being expressly waived by the Borrower), the Bank may set off the same or any part thereof and apply the same to any liability or obligation of the Borrower even though unmatured and regardless of the adequacy of any other collateral securing this Note. ANY AND ALL RIGHTS TO REQUIRE THE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THIS NOTE, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

EXPENSES INCURRED IN CONNECTION WITH ENFORCEMENT. The Borrower shall pay on demand all expenses of the Payee in connection with the preparation, administration, default, collection, waiver or amendment of loan terms, or in connection with the Payee's exercise, preservation or enforcement of any of its rights, remedies or options hereunder, including, without limitation, fees of outside legal counsel or the allocated costs of in-house legal counsel, accounting, consulting, brokerage or other similar professional fees or expenses, and any fees or expenses associated with travel or other costs relating to any appraisals or examinations conducted in connection with the loan or any collateral therefor, and the amount of all such expenses shall, until paid, bear interest at the rate applicable to principal hereunder (including any default rate) and be an obligation secured by any collateral.

CHOICE OF LAW. This Note and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the State of New York (the "Governing State") (excluding the laws applicable to conflicts or choice of law).

THE BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE GOVERNING STATE OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT AND SERVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER BY MAIL AT THE ADDRESS SET FORTH HEREIN. THE BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT FORUM.

MERGER. This Note is intended by the parties as the final, complete and exclusive statement of the transactions evidenced by this Note. All prior contemporaneous promises, agreements and understandings, whether oral or written, are deemed to be superceded by this Note, and no party is relying on any promise, agreement or understanding not set forth in this Note. This Note may not be amended or modified except by a written instrument describing such amendment or modification executed by the Borrower and the Bank.

USE OR PROCEEDS. No portion of the proceeds of this Note shall be used, in whole or in part, for the purpose of purchasing or carrying any "margin stock" as such term is described in Regulation U of the Board of Governors of the Federal Reserve System.

LOST OR DAMAGED NOTE. Upon receipt of an affidavit of an officer of the Holder as to the loss, theft, destruction or mutilation of this Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction or mutilation, upon surrender and cancellation of such Note or other security document, the Holder will issue, in lieu thereof, a replacement Note or other security document in the same principal amount thereof and otherwise of like tenor.

AMENDMENT AND RESTATEMENT. This Amended and Restated Note amends and restates that certain promissory note dated August 28, 2002 in the principal amount of $800,000.00 from the Borrower in favor of the Holder.

ANGIODYNAMICS, INC.

By: /s/ Joseph G. Gerardi

Joseph G. Gerardi, Vice President
and Controller

EXHIBIT 10.10

BUILDING LOAN AGREEMENT

THIS BUILDING LOAN AGREEMENT dated as of August 1, 2002 (the "Building Loan Agreement") by and between ANGIODYNAMICS, INC., a corporation organized and existing under the laws of the State of Delaware, having a place of business at 603 Queensbury Avenue, Queensbury, New York 12804 (the "Company"), and KEYBANK NATIONAL ASSOCIATION, a national banking association having an office for the transaction of business at 66 South Pearl Street, Albany, New York 12207 (the "Bank").

W I T N E S S E T H:

WHEREAS, the Company has requested the COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York (the "State") having an office for the transaction of business located at 5 Warren Street, Glens Falls, New York 12801 (the "Issuer"), to undertake a project consisting of (A)(i) the acquisition of an interest in a certain parcel or parcels of land located at 603 Queensbury Avenue, Town of Queensbury, County of Warren, State of New York (the "Land"), (ii) the acquisition thereon of an approximately 32,000 square foot facility (the "Existing Facility"), together with equipment therein (the "Existing Equipment"), (iii) the making of certain renovations to the Existing Facility (as so renovated, the "Improvements") consistent with its present and authorized use, (iv) the construction of approximately 32,000 square feet of additions(s) to the Existing Facility, (v) the purchase of additional equipment (together with the Existing Equipment, the "Equipment" and, together with the Land and the Facility, the "Project") and (B) the financing of a part of the cost of the foregoing by issuing its tax-exempt Industrial Development Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $4,500,000.00, all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act"), as amended, the proceeds of which may be applied to the costs of issuance, and, as necessary and appropriate, the provision of a debt service reserve fund, capitalized interest or other means of providing credit enhancement for the Bonds; and (C) to lease (with the option to purchase) and/or sell the Project to the Company, all pursuant to the Act; and

WHEREAS, the Issuer proposes to finance a portion of the costs of the Project by the issuance of its Tax-Exempt Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project), Series 2002, in the aggregate principal amount of $3,500,000 (the "Bonds"), which are to be issued under and secured by an Indenture of Trust dated as of August 1, 2002 (the "Indenture") by and between the Issuer and The Huntington National Bank, Cleveland, Ohio as trustee (the "Trustee"); and

WHEREAS, to secure the Bonds, the Company (sometimes referred to as the "Applicant") and the Bank have entered into a reimbursement agreement dated as of August 1, 2002 (the "Reimbursement Agreement") pursuant to which the Bank is to issue in favor of the Trustee its irrevocable transferable letter of credit (the "Letter of Credit"), and the Applicant agrees to reimburse the Bank for any amount drawn on the Letter of Credit; and

WHEREAS, the Issuer and the Company, as security for the performance of the Company's obligations under the Reimbursement Agreement will execute and deliver to the Bank a mortgage, dated as of August 1, 2002, on, and security interest in the Project (the "Mortgage"); and

WHEREAS, all things necessary to constitute the Mortgage as a valid lien on and pledge of the Mortgaged Property (as defined in the Mortgage) in accordance with the terms thereof have been or are to

be done and performed, and the creation, execution and delivery of the Mortgage, as security for the Company's obligations under the Reimbursement Agreement have in all respects been duly authorized;

WHEREAS, pursuant to the Indenture, the proceeds of the sale of the Bonds (the "Bond Proceeds") will be deposited into various trust funds held by the Trustee under the Indenture and will be disbursed by the Trustee from time to tome to pay the costs of the Project, but only upon satisfaction of the requirements for making such disbursements set forth in the Indenture, in the Installment Sale Agreement, in the Reimbursement Agreement and the Building Loan Agreement.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, THE PARTIES HERETO HEREBY FORMALLY COVENANT, AGREE AND BIND THEMSELVES AS FOLLOWS TO WIT:

ARTICLE 1

TERMS AND DEFINITIONS

In addition to the other terms hereinafter defined, the following terms shall have the meanings set forth in this Article. References to documents and other materials shall include those documents and materials as they may be revised, amended and modified, from time to time, with the prior written approval of Bank.

1.1 Advance. "Advance" means any disbursement of the proceeds of the Loan by Bank pursuant to the terms of this Agreement.

1.2 Approval. "Approval", "Approved", "approval" or "approved" means, as the context so determines, an approval in writing given to the party seeking approval after full and fair disclosure to the party giving approval of all material facts necessary in order to determine whether approval should be granted.

1.3 Architect. "Architect" means any architect who provides labor or services in connection with the construction of the Improvements pursuant to an Architect Contract.

1.4 Architect Contract. "Architect Contract(s)" means any contract entered into by Company and any Architect.

1.5 Building Loan Budget. "Building Loan Budget" means that portion of the Construction Budget being advanced pursuant to this Agreement.

1.6 Completion Date. "Completion Date" shall have the meaning assigned to such term in the Indenture.

1.7 Commitment. "Commitment" means the commitment letter dated May 6, 2002 from the Bank to the Company for issuance of the Letter of Credit.

1.8 Construction Budget. "Construction Budget" means the budget for total estimated Project Costs, submitted by Company, approved by Bank, as amended from time to time with the approval of Bank, which includes: (a) a line item cost breakdown for construction of the Improvements by trades, jobs and subcontractors (the "Direct Cost Breakdown"); (b) a line item cost breakdown for

Indirect Costs (the "Indirect Cost Breakdown"); and (c) a schedule of the sources of funds to pay Project Costs, indicating by item the portion of Project Costs to be funded through the Loan and Required Equity Funds (the "Source of Funds Schedule"), and which shall indicate which items are a part of the Building Loan Budget and which items are a part of the Project Loan Budget.

1.9 Construction Contract(s). "Construction Contract(s)" means any contract entered into by Company and any Contractor providing for the performance of work or the supplying of materials in connection with the construction of the Improvements.

1.10 Construction Inspector. "Construction Inspector" means at Bank's option, either an officer or employee of Bank or other consulting architects, engineers or inspectors appointed by Bank.

1.11 Construction Schedule. "Construction Schedule" means the schedule, broken down by trade, of the estimated dates of commencement and completion of the Improvements, submitted by Company and approved by Bank.

1.12 Intentionally Omitted.

1.13 Contractor. "Contractor" means any contractor who provides labor or materials in connection with the construction of the Improvements pursuant to a Construction Contract.

1.14 Costs of Improvement. "Costs of Improvement" means those items defined as such under Section 2(5) of Article 1 of the Lien Law, as such term applies to the portion of the Project being financed with that portion of the Loan being advanced hereunder.

1.15 Credit Documents. "Credit Documents" shall have the meaning set forth in the Reimbursement Agreement.

1.16 Disbursement Schedule. "Disbursement Schedule" means the schedule of the amounts of Advances anticipated to be requisitioned by Company each month during the term of construction of the Improvements (including an itemization of direct costs and Indirect Costs to be included in each such requisition), approved by Bank.

1.17 Draw Request. "Draw Request" means, with respect to each Advance, Company's request for such Advance, and documents required by this Agreement to be furnished to Bank as a condition to such Advance.

1.18 Event of Default. "Event of Default" means any condition or event described herein as such.

1.19 Governmental Approvals. "Governmental Approvals" means all approvals, consents, waivers, orders, acknowledgments, authorizations, permits and licenses required under applicable Requirements to be obtained from any Governmental Authority for the construction of the Improvements and the use, occupancy and operation of the Project following completion of construction of the Improvements.

1.20 Governmental Authority. "Governmental Authority" means the United States of America, the state(s) in which the Land is located and Company and Guarantor are located or organized, any political subdivision thereof, municipalities in which the Land is located, and any agency, authority, department, commission, board, bureau, or instrumentality of any of them.

1.21 Intentionally Omitted.

1.22 Intentionally Omitted. Guaranty means the guaranty by Guarantor of Company's obligations under the Credit Documents.

1.23 Improvements. "Improvements" shall have the meaning set forth in the first WHEREAS paragraph above, in accordance with the Plans and Specifications.

1.24 Indirect Costs. "Indirect Costs" mean and include title insurance premiums, survey charges, engineering fees, architectural fees, real estate taxes during the period of construction, commitment fees and interest payable to Bank under the Loan, premiums for insurance, legal fees and all other expenses which are, in accordance with sound accounting practices, capital expenditures relating to the Project.

1.25 Land. "Land" means the real property described in Exhibit A attached hereto.

1.26 Lien Law. "Lien Law" means the Lien Law of the State of New York.

1.27 Loan. "Loan" means the Bond issuance which is the subject of this Agreement.

1.28 Loan Amount. "Loan Amount" means $3,500,000.00 which is the amount of the Bonds.

1.29 Intentionally Omitted.

1.30 Payment and Performance Bonds. "Payment and Performance Bonds" mean dual-obligee payment and performance bonds relating to the Contractor and/or such major subcontractors, as Bank may require from time to time, issued by a surety company or companies acceptable to Bank, in each case in an amount not less than the full contract price.

1.31 Personal Property. "Personal Property" means materials, furnishings, fixtures, machinery, equipment including the Equipment and all items of tangible and intangible personal property now or hereafter owned by Company, wherever located, and either (i) to be incorporated into the Improvements, (ii) used in connection with the construction of the Improvements or (iii) to be used in connection with the operation of the Land or Improvements or both.

1.32 Phase I: "Phase I" means any environmental assessment report of the Land submitted by Company to Bank in connection with the issuance of the Letter of Credit.

1.33 Plans and Specifications. "Plans and Specifications" means the plans and specifications for the Improvements prepared by Architect and previously submitted to Bank.

1.34 Project. "Project" means the collective reference to (i) the Land; (ii) the Improvements; (iii) all of the Company's developmental rights and other rights, privileges, easements, hereditaments and appurtenances relating or appertaining thereto, and (iv) the Personal Property.

1.35 Project Costs. "Project Costs" means the costs of undertaking the construction and installation of the Project.

1.36 Project Loan Budget. "Project Loan Budget" means that portion of the Construction Budget being advanced to acquire the Land and for other non-allowable Costs of Improvements under the Lien Law.

1.37 Property. "Property" means the collective reference to the (i) Land; (ii) the Improvements; and (iii) the "Personal Property".

1.38 Required Equity Funds. "Required Equity Funds" means the sums, if any, required of Company by Bank, to be available to pay the difference between Project Costs and the amount of the Loan.

1.39 Requirements. "Requirements" means any law, ordinance, order, rule or regulation of any Governmental Authority relating in any way to the Project, Company or Guarantor.

1.40 Taking. "Taking" shall mean any condemnation for public use of, or damage by reason of, the action of any Governmental Authority, or any transfer by private sale in lieu thereof, either temporarily or permanently.

1.41 Termination Date. "Termination Date" means the earlier of August 29, 2005, or such other date as may be set forth herein which fixes the termination of Bank's obligations to make Advances.

ARTICLE 2

Intentionally deleted

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

3.1 Validity of Credit Documents. That the Credit Documents are in all respects valid and legally binding obligations, enforceable in accordance with their respective terms, subject to those exceptions in the legal opinions issued to Bank, and grant to Bank a direct, valid and enforceable first mortgage lien on and security interest in and to the Project, including any and all Personal Property acquired by Company after the date of this Agreement.

3.2 Title to Project. That based upon a review of the title insurance policy issued to Bank, Issuer has good clear record and marketable fee simple absolute title to the Land, subject to no liens, security interests, charges or encumbrances in favor of any person other than Bank other than those listed as exceptions in the Title Insurance Policy, as defined herein.

3.3 Absence of Conflicts. That the execution and delivery of the Credit Documents by Company and any Guarantor do not, and the performance and observance by Company and any Guarantor of their obligations thereunder will not, contravene or result in a breach of their corporate documents.

3.4 Pending Litigation. That there are no actions, suits, investigations or proceedings pending, or, to the knowledge of Company, threatened against or affecting Company, or involving the validity or enforceability of any of the Credit Documents or the priority of the lien thereof, or which will affect Company's ability to repay the Loan, at law or in equity or before or by any Governmental Authority.

3.5 Violations of Requirements. That Company has no knowledge of any violations or notices of violations of any Requirements.

3.6 Compliance with Requirements. That the Plans and Specifications and construction of the Improvements pursuant thereto and the use of the Project contemplated thereby will comply with all Requirements.

3.7 Organization, Status and Authority.

The Company (i) is duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) it is duly qualified to do business and is in good standing in the State of New York, (iii) it has the requisite power, authority and legal right to own and operate its properties and assets, carry on the business now being conducted and subject to the issuance of additional licenses, permits and other approvals which Company reasonably believes will be granted in due course, proposed to be conducted by it, and to engage in the transactions contemplated by the Credit Documents, and (iv) the execution and delivery of the Credit Documents to which it is a party and the performance and observance of the provisions thereof have been duly authorized by all necessary company actions.

3.8 Availability of Utilities. That all utility services necessary and sufficient for the construction, development and operation of the Project for its intended purposes are presently available to the boundaries of the Land through dedicated public rights of way or through perpetual private easements, approved by Bank, with respect to which the Mortgage creates a valid, binding and enforceable first lien, including, but not limited to, water supply, storm and sanitary sewer, gas, electric and telephone facilities, and drainage.

3.9 Condition of Project. That neither the Project nor any portion thereof is now damaged or injured as result of any fire, explosion, accident, flood or other casualty or has been the subject of any Taking, and to the knowledge of Company, no Taking is pending or contemplated.

3.10 Brokerage Commissions. That any brokerage commissions due in connection with the transactions contemplated hereby have been paid in full and that any such commissions coming due in the future will be promptly paid by Company. Company agrees to and shall indemnify Bank from any liability, claims or losses arising by reason of any such brokerage commissions. This provision shall survive the repayment of the Loan and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.

3.11 Financial Statements. That the financial statements of Company previously delivered to Bank are true and correct in all respects, have been prepared in accordance with generally accepted accounting principles consistently applied, and fairly present the respective financial conditions of Company as of the respective dates thereof and the results of their operations for the periods covered thereby; that no adverse change has occurred in the assets, liabilities, or financial conditions reflected therein since the respective dates thereof.

3.12 Taxes. That all federal, state and other tax returns of Company required by law to be filed have been filed or alternatively the Company has received a valid extension with respect to the filings thereof, that all federal, state and other taxes, assessments and other governmental charges upon Company and any Guarantor or their respective properties which are due and payable have been paid or extended as allowable by law, and that Company have set aside on their books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods for which such returns have been filed.

3.13 Other Contracts. That Company has made no contract or arrangement of any kind or type whatsoever (whether oral or written, formal or informal) other than title exceptions of record and permitted encumbrances, the performance of which by the other party thereto could give rise to a lien or encumbrance on the Project, except for contracts (all of which have been disclosed in writing to Bank) made by Company with parties who have executed and delivered lien waivers to Company, and which, in the opinion of Bank's counsel, will not create rights in existing or future lien claimants which may be superior to the lien of the Mortgage.

3.14 Construction Contract. That (i) all Construction Contract(s) are in full force and effect; (ii) both Company and Contractor are in full compliance with their respective obligations under any Construction Contract; (iii) the work to be performed by Contractor under the Construction Contract is the work called for by the Plans and Specifications and all work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Construction Contract(s); and (iv) all work on the Improvements shall be completed in accordance with the Plans and Specifications in a good and workmanlike manner and shall be free of any defects.

3.15 Access. That the rights of way for all roads necessary for the full utilization of the Improvements for their intended purposes have either been acquired by the Company, the appropriate Governmental Authority or have been dedicated to public use and accepted by such Governmental Authority, and all such roads shall have been completed, or all necessary steps shall have been taken by Company and such Governmental Authority to assure the complete construction and installation thereof prior to the date upon which access to the Property via such roads will be necessary. All curb cuts, driveway permits and traffic signals shown on the Plans and Specifications or otherwise necessary for access to the Property are existing or have been fully approved by the appropriate Governmental Authority.

3.16 No Default. That no Event of Default exists and no event which but for the passage of time, the giving of notice or both would constitute an Event of Default has occurred.

3.17 Architect's Contract. That (i) the Architect's Contract(s) are in full force and effect; and (ii) both Company and Architect are in full compliance with their respective obligations under the Architect's Contract(s). Company shall from time to time, upon request by Bank, cause Architect to provide Bank with reports in regard to the status of construction of the Improvements, in such form and detail as reasonably requested by Bank.

3.18 Plans and Specifications. That Company has furnished Bank true and complete sets of the Plans and Specifications which comply with all Requirements, all Governmental Approvals, and all restrictions, covenants and easements affecting the Project, and which have been approved by the Contractor, Architect, and such Governmental Authority as is required for construction of the Improvements.

3.19 Governmental Approvals. That Company has obtained all Governmental Approvals from, and has given all such notices to, and has taken all such other actions with respect to such Governmental Authority as may be required under applicable Requirements for the construction of the Improvements.

3.20 Building Loan Budget. That the Building Loan Budget accurately reflects those portions of the Construction Budget which are to be advanced pursuant to this Agreement.

3.21 Construction Budget. That the Construction Budget accurately reflects all Project Costs.

3.22 Feasibility. That each of the Construction Schedule and the Disbursement Schedule is realistic and feasible, and is accurate to date.

3.23 Effect of Draw Request. That each Draw Request submitted to Bank as provided in Article 6 hereof shall constitute an affirmation that the representations and warranties contained in Article 3 of this Agreement and in the other Credit Documents remain true and correct as of the date thereof; and unless Bank is notified to the contrary, in writing, prior to the disbursement of the requested Advance or any portion thereof, shall constitute an affirmation that the same remain true and correct on the date of such disbursement.

ARTICLE 4

COVENANTS OF COMPANY

Company hereby covenants and agrees with Bank as follows:

4.1 Commitment. To permit no default under the terms of the Commitment.

4.2 Construction Contract. (i) to enter into no Construction Contract that is not a fixed-price contract or a guaranteed maximum cost contract; (ii) to permit no default under the terms of any Construction Contract; (iii) to waive none of the material obligations of Contractor thereunder, (iv) to do no act which would relieve Contractor from its obligations to construct the Improvements according to the Plans and Specifications;(v) to make no material amendments to or change orders under any Construction Contract without the prior approval of Bank; provided, however, that the prior approval of Bank shall not be required for individual change orders of less than $15,000.00 so long as such change order, together with change orders previously made does not cause the aggregate amount of change orders under all Construction Contracts to exceed $15,000.00 and so long as such change order does not materially affect the quality of materials or work.

4.3 Architect's Contract. (i) To permit no default under the terms of any Architect's Contract, (ii) to waive none of the obligations of Architect thereunder, (iii) to do no act which would relieve Architect from its obligations under any Architect's Contract, and (iv) to make no amendments to any Architect's Contract without the prior approval of Bank.

4.4 Insurance. To obtain insurance or evidence of insurance as Bank may reasonably require, including, but not limited to, the following:

(a) Title Insurance. A mortgagee title insurance policy (the "Title Insurance Policy") in an amount, and issued by a title insurance company (the "Title Insurer") and through a

title agent as shall be approved by Bank, insuring a valid first lien upon and security interest in and to the Land and Improvements by virtue of the Mortgage, with such reinsurance or co-insurance agreements as may be required by Bank. The Title Insurance Policy shall contain no exceptions other than those specifically approved in writing by Bank, contain a pending disbursements clause or endorsement and such other endorsements as Bank may reasonably require, and such affirmative insurance as Bank may reasonably require. The Title Insurance Policy, together with evidence of payment of premiums thereon, shall be delivered to Bank on or before the date of this Agreement.

(b) Insurance Required by Mortgage. Such insurance as may be required by the Mortgage. If any hazard insurance required by the Mortgage is obtained as to all or part of the Project before completion of construction then such policy shall contain an endorsement recognizing that construction is in progress and agreeing that such shall not adversely affect the coverage or be asserted as a defense on any claim under such policy.

(c) Professional Liability Insurance. Evidence or certificates from insurance companies indicating that the Architect, the Contractor and all other architects, engineers, contractors and subcontractors responsible for the design or construction of the Improvements are covered by professional liability insurance to the satisfaction of Bank; such evidence or certificates to be delivered to Bank on or before the date of this Agreement.

4.5 Application of Bond Proceeds. To use the proceeds of the Bonds solely for the purpose of paying Project Costs in accordance with the terms of the Indenture, this Agreement and the Construction Budget.

4.6 Project Costs and Expenses. To pay all Project Costs, regardless of the amount, and to pay all costs and expenses of Bank with respect to the financing, acquisition and construction of the Project, including but not limited to, appraisal fees, inspection fees, surveying costs, legal fees(including legal fees incurred by Bank subsequent to the closing of the Loan in connection with the disbursement, administration, collection or transfer of the Loan), advances, recording expenses, surveys, intangible taxes, expenses of foreclosure (including attorney's fees) and similar items.

4.7 Commencement and Completion of Construction. To diligently pursue construction, which has commenced, to completion prior to the Completion Date in accordance with the Plans and Specifications, in full compliance with all restrictions, covenants and easements affecting the Land, all Requirements, and all Governmental Approvals, and with all terms and conditions of the Credit Documents without deviation from the Plans and Specifications unless with the prior approval of Bank to pay all sums and to perform such duties as may be necessary to complete such construction of the Improvements in accordance with the Plans and Specifications and in full compliance with all restrictions, covenants and easements affecting the Land, all Requirements and all Governmental Approvals, and with all terms and conditions of the Credit Documents, all of which shall be accomplished on or before the Completion Date, free from any liens, claims or assessments (actual or contingent) asserted against the Project for any material, labor or other items furnished in connection therewith. Evidence of satisfactory compliance with the foregoing shall be furnished by Company to Bank on or before the Completion Date.

4.8 Right of Bank to Inspect Project. Upon reasonable notice and at reasonable times (except where an Event of Default has occurred and is continuing, when no notice or time restriction will apply), to permit Bank and its representatives and agents to enter upon the Project and to inspect the Improvements and all materials to be used in the construction thereof and to cooperate and cause Contractor to cooperate with Bank and its representatives and agents during such inspections (including

making available to Bank working copies of the Plans and Specifications together with all related supplementary materials); provided, however, that this provision shall not be deemed to impose upon Bank any obligation to undertake such inspections.

4.9 Correction of Defects. Unless Company demonstrates to Bank that such corrective work is inappropriate or inconsistent with the Plans and Specifications, to promptly correct all defects in the Improvements or any departure from the Plans and Specifications not previously approved by Bank. Company agrees that the advance of any proceeds of the Loan whether before or after such defects or departures from the Plans and Specifications are discovered by, or brought to the attention, of Bank, shall not constitute a waiver of Bank's right to require compliance with this covenant.

4.10 (Intentionally Deleted)

4.11 Approval of Change Orders. To permit no deviations from the Plans and Specifications during construction without the prior approval of the Bank (except for change within the constraints of Section 4.2 above) and the surety company or companies issuing any Payment and Performance Bonds.

4.12 Notice of Occupancy. To notify Bank on the date of occupancy of each tenant of any portion of the Project, such notice upon occupancy to include the name of the tenant and the date of occupancy.

4.13 Books and Records. To keep and maintain complete proper and accurate books, records and accounts reflecting all items of income and expense of Company in connection with the Project and the construction of the Improvements and the results of the operation thereof; and, upon the request of Bank, to make such books, records and accounts immediately available to Bank for inspection or independent audit at reasonable times and upon reasonable notice.

4.14 Financial Statements and Other Information. To furnish to Bank such financial statements and information as Company has agreed to provide elsewhere in the Credit Documents.

4.15 Construction Inspector. To permit Bank to retain the Construction Inspector at the cost of Company to perform the following services on behalf of Bank:

(a) To review and advise Bank whether, in the opinion of the Construction Inspector, the Plans and Specifications are satisfactory;

(b) To review Draw Requests and change orders;

(c) To make periodic inspections (approximately at the date of each Draw Request) for the purpose of assuring that construction of the Improvements to date is in accordance with the Plans and Specifications and to approve Company's then current Draw Request as being consistent with Company's obligations under this Agreement, including inter alia, an opinion as to Company's continued compliance with the provisions of Section 6.1 (g) (4) hereof.

The fees of the Construction Inspector shall be paid by Company forthwith upon billing therefor and expenses incurred by Bank on account thereof shall be reimbursed to Bank forthwith upon request therefor, but neither Bank nor the Construction Inspector shall have any liability to Company on account of (i) the services performed by the Construction Inspector, (ii) any neglect or failure on the part of the Construction Inspector to properly perform its services, or (iii) any approval by the Construction Inspector of construction of the Improvements. Neither Bank nor the Construction Inspector assumes any

obligation to Company or any other person concerning the quality of construction of the Improvements or the absence therefrom of defects.

4.16 (Intentionally Deleted)

4.17 Insufficiency of Loan Proceeds. If at any time or from time to time during the terms of this Agreement, in Bank's judgment and opinion, the remaining undisbursed portion of the Loan, together with the undisbursed balances of other sums previously deposited by Company with Bank in connection with the Loan, is or will be insufficient to fully complete the Improvements in accordance with the Plans and Specifications, to operate and carry the Project after completion of the Improvements until payment in full of the Loan by Company, to pay all other Project Costs, to pay all interest accrued or to accrue on the Loan during the term of the Loan from and after the date hereof, and to pay all other sums due or to become due under the Credit Documents, regardless of how such condition may be caused, Company shall, within ten (10) Business Days after written notice thereof from Bank, provide Bank with evidence of availability of such sums of money in an amount sufficient to remedy such condition, and sufficient to pay any liens for services and materials alleged to be due and payable at that time in connection with the Improvements, and, at Bank's option, no further Advances of the Loan shall be made by Bank until the provisions of this Paragraph have been fully complied with.

4.18 Additional Documents. To perform hereunder as follows:

(a) Regarding Construction. To furnish to Bank all instruments, documents, boundary surveys, footing or foundation surveys, certificates, plans and specifications, appraisals, title and other insurance, reports and agreements and each and every other document and instrument required to be furnished by, the terms of the Commitment or this Agreement or the other Credit Documents, all at Company's expense.

(b) Regarding Preservation of Security. To execute and deliver to Bank such documents, instrument, assignments and other writings, and to do such other acts necessary or desirable, to preserve and protect the collateral at any time securing or intended to secure the Loan, as Bank may require.

(c) Regarding this Agreement. To do and execute all and such further lawful and reasonable acts, conveyances and assurances in the law for the better and more effective carrying out of the intents and purposes of this Agreement as Bank shall require from time to time.

4.19 Financing Publicity. To permit Bank to obtain publicity in connection with the construction of the Improvements through press releases and participation in such events as ground breaking and opening ceremonies; and to give Bank ample advance notice of such events and to give Bank as much assistance as possible in connection with obtaining such publicity as Bank may request.

4.20 Easements and Restrictions. To submit to Bank for Bank's approval prior to the execution thereof by Company all proposed easements, restrictions, covenants, permits, licenses, and other instruments which would or might affect the title to the Land, accompanied by a survey showing the exact proposed location thereof and such other information as Bank shall reasonably require. Company shall not subject the Project or any part thereof to any easement (other than utility and like easements granted in the ordinary cause of Company's business), restriction or covenant (including any restriction or exclusive use provision in any lease or other occupancy agreement) without the prior approval of Bank, which approval shall not be unreasonably withheld or delayed.

4.21 Compliance with Requirements. To comply promptly with all requirements and Governmental Approvals and to furnish Bank, on demand, with independent evidence of such compliance.

4.22 Leases. To enter into no leases or occupancy agreements affecting the Project without the prior approval of Bank. Company shall deliver to Bank executed counterparts of all leases and occupancy agreements affecting the Project whether executed before or after the date of this Agreement, and shall not amend any provision thereof or waive any obligations of tenants under any leases or occupancy agreements affecting the Project without the prior approval of Bank, which approval shall not be unreasonably withheld. In the event Bank fails to respond to Company's request for approval within five (5) Business Days such approval shall be deemed given.

4.23 Compliance With Restrictions, Covenants and Easements. To comply with all restrictions, covenants and easements affecting the Project.

4.24 Laborers, Subcontractors and Materialmen. In addition, Company will notify Bank immediately, and in writing, if Company receives any notice, written or oral, from any laborer, subcontractor or materialmen to the effect that said laborer, subcontractor or materialmen has not been paid when due for any labor or materials furnished in connection with the construction of the Improvements. Company will also furnish to Bank, at any time and from time to time upon demand by Bank, lien waivers bearing a then current date from Contractor and such subcontractors or materialmen as Bank may designate.

4.25 Further Assurance of Title. To further assure title as follows: If at any time Bank or Bank's counsel has reason to believe that any Advance is not secured or will or may not be secured by the Mortgage as a first lien or security interest on the Project, then Company shall, within ten (10) days after written notice from Bank, do all things and matters necessary, to assure to the satisfaction of Bank and Bank's counsel that any Advance previously made hereunder or to be made hereunder is secured or will be secured by the Mortgage as a first lien or first security interest on the Project, and Bank, at its option, may decline to make further Advances hereunder until Bank has received such assurance.

4.26 No Transfers or Encumbrances. To cause or permit no sale, conveyance, transfer, assignment or encumbering of the Project or any interest therein without the prior approval of Bank.

4.27 Compliance With Phase I. To comply with all of the recommendations set forth in the Phase I immediately and if compliance with those recommendations results in the need for further testing or environmental remediation, that said testing and remediation will be completed immediately in conformance with all applicable environmental laws, rules and regulations, unless such testing or remediation is the responsibility of the United States Government under its agreement with the Company and/or Guarantor, in which case Company will keep Bank fully informed of all such testing and remediation and will provide Bank with copies of all correspondence to and from the United States Government in connection therewith.

ARTICLE 5

AGREEMENT TO LEND

Subject to the terms and conditions set forth in this Agreement, Bank agrees to approve Advances of the Loan to Company from time to time during the period from the date hereof to the Termination Date in an aggregate principal amount of up to and including the amount reflected in the Building Loan Budget to pay Project Costs actually incurred in connection with the acquisition of the Land and construction of the Improvements (including Indirect Costs) if and to the extent such Project Costs are reflected in the Construction Budget as being funded by Bank.

5.1 Bonds. The obligation of Company to pay the principal amount of all Advances approved by Bank to Company under this Agreement, plus all interest accrued thereon at the rate or rates set forth in the Bonds, shall be evidenced by the Bonds.

5.2 Advances. The Construction Budget reflects, by category and line items, the purposes and the amounts for which Advances under this Agreement are to be used. Bank shall not be required to disburse for any category or line item more than the amount specified therefor in the Construction Budget as the same may be amended from time to time with Bank's written approval.

5.3 Cost Overruns. If Company becomes aware of any change in Project Costs which will increase or decrease a category or line item of Project Costs reflected on the Construction Budget (as the Construction Budget is revised from time to time and approved by Bank), Company shall immediately notify Bank in writing and, if the change exceeds the thresholds set forth in Section 4.2 above, will promptly submit to Bank for its approval a revised Construction Budget. No further Advances need be directed by Bank unless and until the revised Construction Budget so submitted by Company is approved by Bank, and Bank reserves the right to approve or disapprove any revised Construction Budget in its sole and reasonable discretion. If Bank approves the revised Construction Budget, and such revised Construction Budget reflects Project Costs to be funded by Bank in excess of the Loan Amount, the amount of such excess shall be added to the Loan Amount, and Company's obligation to repay the same, together with interest thereon at the rate or rates provided in the Note, shall be deemed to be evidenced by the Bonds and secured by the Credit Documents. Any actual savings realized on a line item (as confirmed by Bank after consultation with the Construction Inspector) in the Construction Budget may be reallocated by Company to other line items in the Construction Budget.

5.4 Contingency Reserve. Any amount allocated as Contingency Reserve is not intended to be disbursed and will only be directed by Bank to be disbursed upon the prior approval of Bank, which approval will not be unreasonably withheld. The disbursement of a portion of the Contingency Reserve shall in no way prejudice Bank from withholding disbursement of any further portion of the Contingency Reserve.

5.5 Stored Materials. Bank shall not be required to direct a disbursement of any funds for any materials, furnishings, fixtures, machinery or equipment not yet incorporated into Land or Improvements (the "Stored Materials"). Any disbursement for the cost of Stored Materials shall be contingent upon Bank receiving satisfactory evidence that:

(a) The Stored Materials are components in a form ready for incorporation into the Improvements;

(b) The Stored Materials are stored at the Land, in a bonded warehouse, at a site controlled by Company, or at such other site as Bank shall approve, and are protected against theft and damage;

(c) The Stored Materials have been paid for in full or will be paid for with the funds to be disbursed and all lien rights or claims of the supplier have been released or will be released upon payment with disbursed funds;

(d) Bank has or will have upon payment with disbursed funds a perfected, first priority security interest in the Stored Materials; and

(e) The Stored Materials are insured for an amount equal to their replacement costs.

5.6 Amount of Advances. In no event shall any Advance exceed the full amount of Indirect Costs approved by Bank and theretofore paid or to be paid with the proceeds of such Advance plus ninety percent (90%) of all costs for construction of Improvements approved by Bank and incurred by Company through the date of the Draw Request for such Advance less the aggregate amount of any Advances previously made by Bank. It is further understood that the retainage of ten percent (10%) described above (the "Retainage") is intended to provide a contingency fund protecting Bank against failure of Company to fulfill any obligations under the Credit Documents, and that Bank may charge amounts against such retainage in the event Bank is required or elects to expend its own funds to cure any default or Event of Default. No Retainage will be required for Advances for purchases of equipment used in connection with the Improvements and designated as such in the Construction Budget.

5.7 Quality of Work. No Advance shall be due unless all work done at the date the Draw Request for such Advance is submitted is done in a good and workmanlike manner and without defects, as confirmed by the report of the Construction Inspector, but Bank may disburse all or part of any Advance before the sum shall become due if Bank believes it advisable to do so, and all such Advances or parts thereof shall be deemed to have been made pursuant to this Agreement.

5.8 Release of Retainage. It is further understood that the Retainage will be released for the relevant trades upon expiration of the requisite lien period or the receipt of evidence as may be reasonably required by Bank that no claim may thereafter arise with respect to any work performed or labor or material supplied.

5.9 Developer Fees and Leasing Commissions. Notwithstanding anything herein to the contrary, all Developer Fees and Real Estate or Leasing Commissions set forth in the Construction Budget will be funded only when construction of the Improvements is complete, the Tenant under any Required Leases are in occupancy and paying rent.

ARTICLE 6

CONDITIONS PRECEDENT TO DISBURSEMENT OF LOAN PROCEEDS

6.1 Conditions of Initial Advance. The obligation of Bank to direct Trustee to make the initial Advance of the proceeds of the Bonds shall be subject to the following conditions precedent:

(a) Commitment. All items required by the Commitment regarding the Loan shall have been delivered to the proper parties as required therein, and all conditions set forth in the Commitment or such letter of instructions shall have been satisfied.

(b) Credit Documents. The Credit Documents, in form and substance satisfactory to Bank, shall have been duly executed and delivered by the parties thereto and shall be in full force and effect, there shall be no Event of Default thereunder and Bank shall have received the original or a fully executed counterpart thereof. All Credit Documents to be filed or recorded in the public records shall have been so filed or recorded in the appropriate public records.

(c) Construction Documents. The Architect's Contract, if any, and Construction Contract, in form and substance satisfactory to Bank, shall have been duly executed and delivered by the parties thereto, shall be in full force and effect, and Bank shall have received a certified or a fully executed counterpart thereof. The Architect, if any, and the Contractor shall have duly executed and delivered to Bank a consent to the assignment of the Architect's Contract, if any and Construction Contract, in form and substance satisfactory to Bank, and Bank shall have received the original or a fully executed counterpart thereof.

(d) Subcontracts. Bank shall have received a list of all subcontractors and materialmen who have been or, to the extent identified by Company, will be supplying labor or materials for the Project, and, if provided to Company, a copy of the standard form of subcontract to be used by the Contractor, and correct and complete photocopies of all executed subcontracts and contracts.

(e) Other Contracts. Company shall have delivered to Bank correct and complete photocopies of all other executed contracts with contractors, engineers or consultants for the Project, and of all development, management, brokerage, sales or leasing agreements for the Project.

(f) Deliveries. The following items or documents shall have been delivered to Bank:

(1) Plans and Specifications. Two complete sets of the Plans and Specifications and approval thereof by any necessary Governmental Authority, with a certification from Architect that the Improvements to be constructed comply with all Requirements and Governmental Approvals and that the Construction Contract satisfactorily provides for the construction of the Improvements.

(2) Title Insurance Policy. A paid title insurance policy or report (the "Title Insurance Policy") in all respects satisfactory to Bank and its counsel.

(3) Other Insurance. Policies (or, if permitted, certificates or other evidence of) all insurance required by this Agreement or any other Loan Document.

(4) Evidence of Sufficiency of Funds. Evidence satisfactory to Bank that the proceeds of the Loan, together with Required Equity Funds, will be sufficient to cover all Project Costs reasonably anticipated to be incurred, and to satisfy the obligations of Company to Bank under this Agreement.

(5) Evidence of Access, Availability of Utilities, Governmental Approvals. Evidence satisfactory to Bank as to:

(A) the methods of access to and egress from the Project, and nearby or adjoining public ways, meeting the reasonable requirements of Project of the type contemplated to be completed under this Agreement and the status of completion of any required improvements to such access;

(B) the availability of storm and sanitary sewer facilities meeting the reasonable requirements of the Project;

(C) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project; and

(D) the securing of all Governmental Approvals from the applicable Governmental Authority which are required under applicable Requirements for the construction of the Improvements, together with copies of all such Governmental Approvals.

(6) Environmental Report. An environmental assessment report or reports of one or more qualified environmental engineering or similar inspection firms approved by Bank in form, scope and substance satisfactory to Bank, which report or reports shall indicate a condition of the Land in all respects satisfactory to Bank in its sole discretion and upon which report or reports Bank is expressly entitled to rely. Bank will not require updates of the initial environmental assessment report unless it has reason to believe that there has been a change in the environmental condition of the Land since the initial report.

(7) Survey. A survey prepared in accordance with Bank's survey requirements, certified by a land surveyor registered as such in the state in which the Land is located, which survey shall be in form and substance satisfactory to Bank.

(8) Draw Request. A Draw Request complying with the provisions of this Agreement.

(h) Legal Opinions. Bank shall have received opinions in form and substance satisfactory to Bank and Bank's counsel from counsel satisfactory to Bank as to such matters as Bank shall reasonably request.

(i) Certification Regarding Chattels. Bank shall have received a certification from the Title Insurer or counsel satisfactory to Bank (which shall be updated from time to time at Company's expense upon request by Bank) that a search of the public records disclosed no conditional sales contracts, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the Project.

(j) Notices. All notices required by any Governmental Authority or by any applicable Requirement to be filed prior to commencement of construction of the Improvements shall have been filed.

(k) Appraisal. Any appraisal requirements set forth in the Commitment shall have been satisfied.

(l) Performance; No Default. Company shall have performed and complied with all terms and conditions herein required to be performed or complied with by it at or prior to the date of the initial Advance, and on the date of the initial Advance, there shall exist no default or Event of Default.

(m) Representations and Warranties. The representations and warranties made by Company in the Credit Documents or otherwise made by or on behalf of Company or any Guarantor in connection therewith or after the date thereof shall have been true and correct in all respects on the date on which made and shall also be true and correct in all respects on the date of the initial Advance.

(n) Other Documents. Such other documents, opinions and certificates as Bank or its counsel may reasonably require.

(o) Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory to Bank and Bank's counsel in form and substance, and Bank shall have received all information and such counterpart originals on certified copies of such documents and such other certificates, opinions or documents as Bank and Bank's counsel may reasonably require.

6.2 Conditions of Subsequent Advances. The obligation of Bank to make any Advance after the initial Advance shall be subject to the following conditions precedent:

(a) Prior Conditions Satisfied. All conditions precedent to the initial Advance and any prior Advance shall continue to be satisfied as of the date of such subsequent Advance.

(b) Performance; No Default. Company shall have performed and complied with all terms and conditions herein required to be performed or complied with by it at or prior to the date of such advance, and on the date of such Advance there shall exist no Default or Event of Default.

(c) Representations and Warranties. The representations and warranties made by Company in the Credit Documents or otherwise made by or on behalf of Company or any Guarantor in connection therewith after the date thereof shall have been true and correct in all respects on the date on which made and shall also be true and correct in all respects on the date of such Advance.

(d) No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty, unless Bank shall have received insurance proceeds sufficient in the judgment of Bank to effect the satisfactory restoration of the Improvements and to permit the completion thereof prior to the Completion Date.

(e) Receipt by Bank. Bank shall have received:

(1) Draw Request. A Draw Request complying with the requirements hereof;

(2) Endorsement to Title Insurance Policy. A "run down" endorsement to the Title Insurance Policy or report indicating no change in the state of title and containing no

survey exceptions not approved by Bank, which endorsement shall, expressly or by virtue of a proper "pending disbursements" clause or endorsement in the policy, increase the coverage of the policy to the aggregate amount of all proceeds of the Loan advanced on or before the effective date of such endorsement;

(3) Current Survey. An updated survey if required by the Bank;

(4) Certificates. Certificates from Company, Architect and the Construction Inspector to the effect that in their opinion, based upon on-site observations and submissions by the Contractor, the construction of the Improvements to the date thereof was performed in a good and workmanlike manner and in accordance with the Plans and Specifications, stating the estimated total cost of construction of the Improvements, stating the percentage of the in-place construction of the Improvements and stating that the remaining non-disbursed portion of the Loan allocated for such purpose is adequate, together with such Required Equity Funds as are held by Bank, to complete the construction of the Improvements;

(5) Contracts. Evidence that one hundred percent (100%) of the cost of the remaining construction work is covered by firm contracts or subcontracts, or orders for the supplying of materials, with contractors, subcontractors, materialmen or suppliers satisfactory to Bank, except for work in the Construction Budget to be performed by the company and identified as such.

(f) Other Documents. Such other documents, opinions and certificates as Bank or its counsel may reasonably require.

6.3 Conditions of Final Advance. In addition to the conditions set forth in Paragraph 6.2 above, Bank's obligation to approve the payments of funds advance sums retained by the Trustee pursuant to this Agreement shall be subject to receipt by Bank of the following:

(a) Approval of Improvements. Evidence of the approval by all appropriate Governmental Authority of the Improvements in their entirety for permanent occupancy to the extent any such approval is or will be a condition of lawful use and occupancy of the Improvements, and evidence of approval by all appropriate Governmental Authority of the contemplated uses thereof.

(b) Approval by Construction Inspector. Notification from the Construction Inspector to the effect that the Improvements have been completed in a good and workmanlike manner in accordance with the Plans and Specifications.

(c) Final Survey. A copy of the survey required under Section 6.1 above which is marked up by Company to show which buildings on the Land have been or will be demolished as contemplated by the Plans and Specifications.

(d) Certificate of Architect. Certificate of Architect that the Improvements have been completed in accordance with the Plans and Specifications and that the Improvements comply with all applicable Requirements and Governmental Approvals and are in all respects (except for work to be performed by tenants) ready for occupancy.

(e) Payment of Costs. Evidence satisfactory to Bank that all sums due in connection with the construction of the Improvements have been paid in full (or will be paid out

of the funds requested to be advanced) and that no party claims or has a right to claim any statutory or common law lien arising out of the construction of the Improvements or the supplying of labor, material, and/or services in connection therewith.

ARTICLE 7

METHOD OF DISBURSEMENT OF LOAN PROCEEDS

Bank agrees to direct Trustee to make Advances in accordance with the Construction Budget and subject to the following procedures.

7.1 Draw Request to be Submitted to Bank. At such time as Company shall desire to obtain an Advance, Company shall complete, execute and deliver to Bank a Company's Requisition in the form attached as Exhibit C to the Indenture (hereinafter referred to as "Company's Requisition"). Each Company's Requisition shall be accompanied by:

(a) if Company's Requisition includes amounts to be paid to the Contractor under the Construction Contract, it shall be accompanied by a completed and itemized Application and Certificate for Payment (AIA Document No. G702) or similar form approved by Bank, containing the certification of Contractor and Architect and the Construction Inspector as to the accuracy of same, together with invoices relating to all items of direct cost covered thereby. All such applications for payment shall show all subcontractors by name and trade, and the amount to be paid from the proceeds of the Advance to each subcontractor;

(b) if Company's Requisition includes payments for Indirect Costs, it shall be accompanied by a completed and itemized Indirect Cost statement executed by Company, together with invoices for all items of Indirect Costs covered thereby;

(c) written lien waivers from the Contractor and such laborers, subcontractors and materialmen for work done and materials supplied by them which were paid for pursuant to any prior Draw Request;

(d) a written request of Company for any necessary changes in the Plans and Specifications, the Construction Budget, the Building Loan Budget, the Disbursement Schedule or the Construction Schedule;

(e) copies of all change orders and subcontracts, and, to the extent requested by Bank, of all inspection or test reports and other documents relating to the construction of the Improvements, not previously delivered to Bank; and

(f) such other information, documentation and certification as Bank shall reasonably request.

7.2 Notice and Frequency of Advances. Each Draw Request shall be submitted to Bank at least seven (7) business days prior to the date of the requested Advance, and no more frequently than monthly.

7.3 Deposit of Funds Advanced. Company shall open and maintain a non-interest bearing loan checking account with Bank into which Bank shall deposit the proceeds of each Advance. Bank is

hereby irrevocably authorized to make an Advance to and/or charge any account of Company with Bank, including such loan checking account, without the further approval of Company, for (i) any installment of interest due under the Note, (ii) any expenses incurred by Bank (including without limiting the generality of the foregoing, reasonable attorneys' fees and other fees incurred by Bank), or (iii) any other sums due to Bank under the Note, this Agreement or any of the other Credit Documents, all to the extent that the same are not paid by the respective due dates thereof out of Advances of the Loan proceeds. Company shall at all times maintain and keep collected balances in such loan checking account sufficient to satisfy the foregoing obligations on the due date thereof.

7.4 Advances to Contractor. Upon five (5) Business Days prior written notice to Company and after an Event of Default, at its option, Bank may direct Trustee to make any or all Advances for construction expenses directly to Contractor for deposit in an appropriately designated special bank account, and the execution of this Agreement by Company shall, and hereby does, constitute an irrevocable authorization so to advance the proceeds of the Loan. No further authorization from Company shall be necessary to warrant such direct Advances to Contractor and all such Advances shall satisfy pro tanto the obligations of Bank hereunder and shall be secured by the Mortgage and the other Credit Documents as fully as if made directly to Company.

7.5 Advances to Title Insurer or to Others. Upon five (5) Business Days prior written notice to Company and after an Event of Default, at its option, Bank may direct Trustee to make any or all Advances through the Title Insurer and any portion of the Loan so disbursed by Bank shall be deemed disbursed as of the date on which such Title Insurer receives such disbursement. At its option, Bank may authorize Advances of portions of the proceeds of the Loan to any person to whom Bank in good faith determines payment is due and any portion of the Loan so disbursed by Bank shall be deemed disbursed as of the date on which the person to whom payment is made receives the same. The execution of this Agreement by Company shall, and hereby does, constitute an irrevocable authorization to Advance the proceeds of the Loan. No further authorization from Company shall be necessary to warrant such direct Advances and all such Advances shall satisfy pro tanto the obligations of Bank hereunder and shall be secured by the Mortgage and the other Credit Documents as fully as if made directly to Company.

7.6 Advances Do Not Constitute a Waiver. No Advance shall constitute a waiver of any of the conditions of Bank's obligation to authorize further Advances nor, in the event Company is unable to satisfy any such condition, shall any Advance have the effect of precluding Bank from thereafter declaring such inability to be an Event of Default hereunder.

7.7 Trust Fund Provisions. All proceeds advanced hereunder shall be subject to the trust fund provisions of Section 13 of the Lien Law. The affidavit attached hereto as Exhibit B is made pursuant to and in compliance with Section 22 of the Lien Law, and, if so indicated in said affidavit, Loan proceeds will be used, in part, for reimbursement for payments made by the Company prior to the initial Advance hereunder but subsequent to the commencement of the construction and equipping of the Improvements for items constituting Costs of Improvement.

7.8 Termination Date. Bank may, but shall not be obligated to make any Advance hereunder after the Termination Date.

ARTICLE 8

EVENTS OF DEFAULTS

The occurrence of any one or more of the following conditions or events (each an "Event of Default") shall constitute a default under and breach of this Agreement:

(a) any failure by Company to pay as and when due and payable any interest on or principal of or other sum payable under the Reimbursement Agreement; or

(b) any failure by Company to deposit with Bank any funds required by this Agreement to be deposited with Bank and continuation of such failure for a period of five (5) Business Days after written notice thereof from Bank;

(c) any failure by Company to pay as and when due and payable any other sums to be paid by Company to Bank under this Agreement and continuance of such failure for a period of five (5) days after written notice thereof from Bank; or

(d) title to the Project is or becomes unsatisfactory to Bank by reason of any lien, charge, encumbrance, title condition or exception (including without limitation, any mechanic's, materialman's or similar statutory or common law lien or notice thereof), and such matter causing title to be or become unsatisfactory is not cured or removed (including by bonding) within twenty (20) days after notice thereof from Bank to Company; or

(e) any refusal by the Title Insurer to insure any Advance as being secured by the Mortgage as a valid first lien on the Land and Improvements and continuance of such refusal for a period of twenty (20) days after notice thereof by Bank to Company; or

(f) subject to force majeure, the Improvements are not completed by the Completion Date or, in the reasonable estimation of Bank, construction of the Improvements will not be completed by the Completion Date; or

(g) the Project or any portion thereof is injured by fire, explosion, accident, flood or other casualty, unless Bank shall have received insurance proceeds sufficient in the reasonable estimation of Bank to effect the satisfactory restoration of the Project and to permit the completion of the Improvements prior to the Completion Date; or

(h) the Project is subject to any Taking, or the Project or any portion thereof is subject to any Taking which will prevent, in the reasonable estimation of Bank, the completion of the Improvements prior to the Completion Date; or

(i) any voucher or invoice is submitted at any time which Company knows has not been earned by the payee for services performed or for materials used in or furnished for the Project; or

(j) [intentionally omitted]

(k) Company confesses inability to continue or complete construction of the Improvements in accordance with this Agreement; or

(l) [intentionally omitted]

(m) any material representation or warranty made or deemed to be made by or on behalf of Company in this Agreement or in any other Credit Document, or in any report, certificate, financial statement, Draw Request or other instrument furnished in connection with this Agreement, any Advance or any other Loan Document, shall prove to have been false or incorrect in any material respect as at the date of which made or deemed to be made; or

(n) any dissolution, termination, partial or complete liquidation, merger or consolidation of Company, , or any sale, transfer or other disposition of all or substantially all of the assets of Company, , other than with the prior approval of Bank; or

(o) any suit or proceeding shall be filed against Company, or the Project which, if adversely determined, would have a materially adverse affect on the ability of Company to perform each and every one of its obligations under and by virtue of the Credit Documents; or

(p) any failure by Company to obtain any Governmental Approvals, or the revocation or other invalidation of any Governmental Approvals previously issued; or

(q) any change in the legal or beneficial ownership of Company, other than with the prior approval of Bank; or

(r) any one or more of the obligations of Company under the Credit Documents shall at any time and for any reason cease to be in full force and effect; or

(s) Company, any affiliate of Company shall be involved in financial difficulties as evidenced by: (1) its commencement of a voluntary case under Title 11 of the United States Code as from time to time in effect, or its authorizing, by appropriate proceedings of partners, directors or other governing body, the commencement of such a voluntary case; (2) its filing an answer or other pleading admitting or failing to deny the material allegations of a petition filed against it commencing an involuntary case under said Title 11, or seeking, consenting to or acquiescing in the relief therein provided, or by its failing to controvert timely the material allegations of any such petition; (3) the entry of an order for relief in any involuntary case commenced under said Title 11; (4) its seeking relief as a debtor under any applicable law, other than said Title 11, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or by its consenting to or acquiescing in such relief; (5) the entry of an order by a court of competent jurisdiction which is not withdrawn, reversed or rescinded within sixty (60) days after its entry (i) finding it to be bankrupt or insolvent, (ii) ordering or approving its liquidation, reorganization or any modification or alteration of the rights of its creditors, or (ii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial part of its property; (6) by its making an assignment for the benefit of, or entering into a composition with, its creditors, or appointing or consenting to the appointment of a receiver or other custodian for all or a substantial part of its property; or (7) generally, its failure to pay its debts as such debts become due; or

(t) any failure by Company to duly observe or perform any other term, covenant, condition or agreement under this Agreement and continuance of such failure for a period of thirty (30) days after written notice thereof from Bank; provided, however, that if such failure is not susceptible of cure during such thirty (30) day period (but is susceptible of cure) and Company promptly commences and diligently pursues cure of such failure during such thirty (30)

day period, then such thirty (30) day period shall be extended for an additional consecutive period of thirty (30) days before an Event of Default is deemed to have occurred; or

(u) any "default" or "Event of Default" shall occur under any of the other Credit Documents.

ARTICLE 9

RIGHTS AND REMEDIES OF BANK

9.1 Remedies. Upon the occurrence of any Event of Default, and so long as the Letter of Credit is in effect, the Bank may at any time thereafter refuse to consent to further Advances and at its option, and upon written notice to the Trustee, exercise any or all of the following rights and remedies:

(a) The Bank may, in its sole discretion, deliver to the Trustee, with a copy to the Issuer and the Company, notice of such occurrence and direct the Trustee to accelerate the Bonds; and

(b) The Bank may, in its sole discretion, by notice to the Trustee, the Issuer and the Company, declare all unpaid principal of and accrued interest due in accordance with the Reimbursement Agreement, together with all other sums payable under the Credit Documents, to be immediately due and payable, whereupon same shall become and be immediately due and payable, anything in the Reimbursement Agreement or other Credit Documents to the contrary notwithstanding, and without presentation, protest or further demand or notice of any kind, all of which are expressly hereby waived by the Company; provided, however, that the Bank may consent to Advance by the Trustee thereafter without thereby waving the right to demand payment of the sums owing under the Reimbursement Agreement, without being obligated to consent to-any other or further Advances, and without affecting the validity of or enforceability of the Reimbursement Agreement or other Credit Documents. Notwithstanding and without limiting the generality of the foregoing, upon the occurrence of an Event of Default under paragraph (u) of Article 8 of the Building Loan Agreement, or if any event has occurred which but for the passage of time, the giving of notice or both would constitute an Event of Default, at the sole option of the Bank, all obligations of the Trustee to make further Advances shall terminate, and all unpaid principal of and accrued interest on the Bonds, together with all sums payable under the Reimbursement Agreement, automatically shall become and be immediately so due and payable, without any declaration or other act; and

(c) At the discretion of the Bank and on behalf of the Trustee (but in its own behalf the event that the Trustee has drawn upon the Letter of Credit in accordance with Section 2.06 of the Indenture), the Bank may cause the Facility to be completed and may enter upon the Land and construct, equip and complete the Facility in accordance with the Plans and Specifications, with such changes therein as the Bank may, from time to time, and in its sole discretion, deem appropriate.

In connection with any construction of the Facility undertaken by the Bank pursuant to the provisions of this subparagraph, the Bank may:

(1) use any funds of the Company, including any balance which may be held by the Bank as security or in escrow, and any funds remaining unadvanced under the loan;

(2) employ existing contractors, subcontractors, agents, architects, engineers, and the like, or terminate the same and employ others;

(3) employ security watchmen to protect the Facility;

(4) make such additions, changes and corrections in the Plans and Specifications as shall, in the judgment of the Bank, be necessary or desirable;

(5) take over and use any and all Equipment contracted for or purchased by the Company, if appropriate, or dispose of the same as the Bank sees fit;

(6) execute all applications and certificates on behalf of the Company which may be required by the Governmental Authority or Requirement or contract documents or agreements;

(7) pay, settle or compromise all existing or future bills and claims which are or may be liens against the Facility, or may be necessary for the completion of the Facility or the clearance of title to the Facility;

(8) complete the marketing and leasing of leasable space in the Facility, enter into new leases and occupancy agreements, and modify or amend existing leases and occupancy agreements, all as the Bank shall deem to be necessary or desirable;

(9) prosecute and defend all actions and proceedings in connection with the construction of the Facility or in any other way affecting the Land or the Facility and take such action and require such performance as the Bank deems necessary under any payment and performance bonds; and

(10) take such action hereunder, or refrain from acting hereunder, as the Bank may, in its sole and absolute discretion, from time to time determine, and without any limitation whatsoever, to carry out the intent of this subparagraph. The Company shall be liable to the Bank for all costs paid or incurred for the construction, completion and equipping of the Facility, whether the same shall be paid or incurred pursuant to the provisions of this subparagraph or otherwise, and all payments made or liabilities incurred by the Bank hereunder of any kind whatsoever shall be deemed advances made to the Company under the Building Loan Agreement and shall be secured by the Mortgage or the Indenture, and other Credit Documents.

To the extent that any costs so paid or incurred by the Bank, together with all other Advances made by the Bank hereunder, exceed the Loan, such excess costs shall be paid by the Company to the Bank on demand, with interest thereon at the Default Interest Rate, if any, set forth in the Reimbursement Agreement or the Bonds or, in the absence of a Default Interest Rate, at the interest rate set forth in the Reimbursement Agreement, until paid; and the Company shall execute such notes or amendments to the Reimbursement Agreement as may be requested by the Bank to evidence the Company's obligation to pay such excess costs and until such notes or amendments are so executed by the Company, the Company's obligation to pay such excess costs shall be deemed to be evidenced by the Building Loan Agreement. In the event the Bank takes possession of the Facility and assumes control of such construction as aforesaid, it shall not be obligated to continue such construction longer than it shall see fit and may thereafter, at any time, change any course of action undertaken by it or abandon such construction and decline to make further payments for the account of the Company whether or not the Facility shall have been completed.

For the purpose of this subparagraph, the construction, equipping and completion of the Facility shall be deemed to include any action necessary to cure any Event of Default by the Company under any of the terms and provisions of any of the Credit Documents.

(d) the Bank may to the extent permitted by applicable law, at any time and from time to time, without notice (any such notice being expressly waived), without regard to the adequacy of any collateral, set off and apply any and all deposits (general or specific time or demand, provisional or final, regardless of currency, maturity, or the branch of the Bank where the deposits are held) at any time held or other sums credited by or due from the Bank to the Company against any and all liabilities, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising of the Company to the Bank.

(e) the Bank may exercise any or all of the rights and remedies set forth in the Reimbursement Agreement or the Mortgage, or other Documents, as appropriate.

9.2 Power of Attorney. Upon notice to the Company for the purposes of carrying out the provisions and exercising the rights, powers and privileges granted by or referred to in this Agreement, Company hereby irrevocably constitutes and appoints Bank its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts which are referred to in this Agreement, in the name and on behalf of Company. Bank shall provide copies of any instrument executed by such power within a reasonable period of time. The power vested in such attorney-in-fact is, and shall be deemed to be, coupled with an interest and irrevocable.

9.3 Remedies Cumulative. Upon the occurrence of any Event of Default, the rights, powers and privileges provided in this Article 9 and all other remedies available to Bank under this Agreement or under any of the other Credit Documents or at law or in equity may be exercised by Bank at any time and from time to time and shall not constitute a waiver of any of Bank's other rights or remedies thereunder, whether or not the Loan shall be due and payable, and whether or not Bank shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Credit Documents.

9.4 Annulment of Defaults. An Event of Default shall not be deemed to be in existence for any purpose of this Agreement or any Loan Document if Bank shall have waived such Event of Default in writing or stated that the same has been cured to its reasonable satisfaction, but no such waiver shall extend to or affect any subsequent Event of Default or impair any of the rights of Bank upon the occurrence thereof.

9.5 Waivers. Company hereby waives to the extent not prohibited by applicable law (a) all presentments, demands for payment or performance, notices of nonperformance (except to the extent required by the provisions hereof or of any other Credit Documents), protests and notices of dishonor, (b) any requirement of diligence or promptness on Bank's part in the enforcement of its rights (but not fulfillment of its obligations) under the provisions of this Agreement or any other Loan Document, and (c) any and all notices of every kind and description which may be required to be given by any statute or rule of law and any defense of any kind which Company may now or hereafter have with respect to its liability under this Agreement or under any other Loan Document.

9.6 Course of Dealing, Etc. No course of dealing between Company and Bank shall operate as a waiver of any of Bank's rights under this Agreement or any Loan Document. No delay or omission on Bank's part in exercising any right under this Agreement or any Loan Document shall operate as a waiver of such right or any other right hereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion No waiver or consent shall be binding

upon Bank unless it is in writing and signed by Bank. The making of an Advance hereunder during the existence of an Event of Default shall not constitute a waiver thereof.

ARTICLE 10

GENERAL CONDITIONS

The following conditions shall be applicable throughout the term of this Agreement:

10.1 Rights of Third Parties. All conditions of the obligations of Bank hereunder, including the obligation to authorize Advances, are imposed solely and exclusively for the benefit of Bank and its successors and assigns and no other person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Bank will make Advances in the absence of strict compliance with any or all thereof and no other person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by Bank at any time if in its sole discretion it deems it desirable to do so. In particular, Bank makes no representations and assumes no obligations as to third parties concerning the quality of the construction by Company of the Improvements or the absence therefrom of defects. In this connection Company agrees to and shall indemnify Bank from any liability, claims or losses resulting from the disbursement of the Loan proceeds or from the condition of the Project whether related to the quality of construction or otherwise and whether arising during or after the term of the Letter of Credit made by Bank to Company in connection herewith. This provision shall survive the repayment of the Loan and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.

10.2 Relationship. The relationship between Bank and Company is solely that of a Bank and Company, and nothing contained herein or in any of the other Credit Documents shall in any manner be construed as making the parties hereto partners, joint venturers or any other relationship other than Bank and Company.

10.3 Evidence of Satisfaction of Conditions. Any condition of this Agreement which requires the submission of evidence of the existence or non-existence of a specified fact or facts implies as a condition the existence or non-existence, as the case may be, of such fact of facts and Bank shall, at all times, be free independently to establish to its satisfaction and in its absolute discretion such existence or non-existence.

10.4 Notices. Any notices required or permitted to be given hereunder shall be: (i) personally delivered or (ii) given by registered or certified mail, postage prepaid, return receipt requested, or (iii) forwarded by overnight courier service, in each instance addressed to the addresses set forth in the Reimbursement Agreement, or such other addresses as the parties may for themselves designate in writing as provided herein for the purpose of receiving notices hereunder. All notices shall be in writing and shall be deemed given, in the case of notice by personal delivery, upon actual delivery, and in the case of appropriate mail or courier service, upon deposit with the U.S. Postal Service or delivery to the courier service.

10.5 Assignment. Company may not assign this Agreement or any of its rights or obligations hereunder without the prior approval of Bank.

10.6 Successors and Assigns Included in Parties. Whenever in this Agreement one of the parties hereto is named or referred to, the heirs, legal representatives, successors and assigns of such

parties shall be included and all covenants and agreements contained in this Agreement by or on behalf of Company or by or on behalf of Bank shall bind and inure to the benefit of their respective heirs, legal representatives, successors and assigns, whether so expressed or not.

10.7 Headings. The headings of the Articles, Paragraphs and subparagraphs of this Agreement are for the convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.

10.8 Invalid Provisions to Affect No Others. If fulfillment of any provision hereof or any transaction related hereto at the time performance of such provisions shall be due, shall involve transcending the limit of validity presently prescribed by law, with regard to obligations of like character and amount, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only shall be held for naught, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

10.9 Number and Gender. Whenever the singular or plural number, or the masculine, feminine or neuter gender is used herein, it shall equally include the other.

10.10 Governing Law. This Agreement shall be governed by and construed in accordance with laws of the State of New York.

10.11 Consent to Jurisdiction. Company hereby irrevocably and unconditionally (a) submits to personal jurisdiction in the State of New York over any suit, action or proceeding arising out of or relating to this Agreement, and (b) waives any and all personal rights under the laws of any state (i) to the right, if any, to trial by jury, or (ii) to object to jurisdiction within the State of New York or venue in any particular forum within the State of New York. Nothing contained herein, however, shall prevent Bank from bringing any suit, action or proceeding or exercising any rights against any security and against Company, and against any property of Company, in any other state. Initiating such suit, action or proceeding or taking such action in any state shall in no event constitute a waiver of the agreement contained herein that the laws of the State of New York shall govern the rights and obligations of Company and Bank hereunder or the submission herein by Company to personal jurisdiction within the State of New York.

10.12 Amendments. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

IN WITNESS WHEREOF, Company and Bank have executed this Agreement under seal on the date first above written.

ANGIODYNAMICS, INC.

By: /s/ Eamonn P. Hobbes

Eamonn P. Hobbs,
President and Chief Executive Officer

KEYBANK NATIONAL ASSOCIATION

By: /s/ Bryant J. Cassella, V.P.

Bryant J. Cassella, Vice President

STATE OF NEW YORK)
) ss.
COUNTY OF Albany)

On the 28 day of August in the year 2002 before me, the undersigned, a notary public in and for said state, personally appeared Eamonn P. Hobbs, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

STATE OF NEW YORK)
) ss.
COUNTY OF Albany)

On the 28 day of August in the year 2002 before me, the undersigned, a notary public in and for said state, personally appeared Bryant J. Cassella, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

[Notary Stamp]

SCHEDULE A

All that certain piece or parcel of land situate, lying and being in the Town of Queensbury, County of Warren and the State of New York, being lots 51, 52, 53 and 71 as shown on a map of Warren and Washington Counties Industrial Development Agency dated June 2, 1978, filed in the Warren County Clerk's Office on September 19, 1978, more particularly bounded and described as follows: BEGINNING at a point in the southerly bounds of Hicks Road at the northwest
- ---------
corner of said Lot 71 as shown on said map; thence running easterly along the southerly bounds of said Hicks Road, the following four courses and distances: (1) South 87 degrees, 16 minutes and 29 seconds East, a distance of 194.21 feet; (2) South 78 degrees, 21 minutes and 59 seconds East, a distance of 84.37 feet; (3) South 66 degrees, 51 minutes and 46 seconds East, a distance of 242.77 feet; (4) South 62 degrees, 21 minutes and 01 seconds East, a distance of 127.87 feet to the intersection with County Line Road at the northeast corner of Lot 51 as shown on said map; thence running South 05 degrees, 35 minutes and 54 seconds West, along the westerly bounds of said County Line Road and the easterly bounds of Lots 51, 52 & 53, a distance of 740.97 feet to the southeast corner of said Lot 53; thence running North 84 degrees, 24 minutes and 06 seconds West, along the southerly bounds of said Lot 53 and the southerly bounds of Lot 71 as shown on said map, a total distance of 726.66 feet to the southwest corner of said Lot 71; thence running North 12 degrees, 08 minutes and 30 seconds East, along the westerly bounds of said Lot 71 a distance of 866.92 feet to the point and place of beginning, containing 12.97 acres of land to be the same more or less.

Bearings given in the above description refer to magnetic North.

SUBJECT to easements of record.

Exhibit B
LIEN LAW, SECTION 22 AFFIDAVIT

STATE OF NEW YORK) ss.:
COUNTY OF _____)

Eamonn P. Hobbs, being duly sworn, deposes and says:

1. He is the President and Chief Executive Officer of Angiodynamics, Inc. described as the Company in the Building Loan Agreement to which this Affidavit is annexed.

2. The Company and the Bank have entered into a certain Building Loan Agreement relating to the construction and equipping of Improvements on Land which are more particularly described in Schedule A. The Building Loan Agreement is intended to be filed in the Onondaga County Clerk's Office in accordance with Section 22 of the Lien Law. All capitalized terms used herein and not otherwise defined shall have the same meanings assigned thereto in the Building Loan Agreement.

3. $3,500,000.00 of the proceeds of the Loan will be advanced in accordance with the terms of the Building Loan Agreement.

4. The consideration, if any, paid, or to be paid, for the Loan is set forth in item 5(a) below.

5. All other expenses paid or to be paid in connection with the Loan are as follows:

(a) Fair and reasonable sums paid for obtaining the Loan and subsequent financing:

(i) Origination or commitment fee for Loan

(ii) Private Placement Fee

(iii) First Year Letter of Credit Fee

(iv) Trustee Fee

(v) Appraisal fees

(vi) Construction supervisor fees

(vii) Fees and disbursements of Bank's counsel

(viii) Costs of title examination and UCC searches, title insurance premiums and title continuation charges

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(ix) Survey costs

(x) Recording and filing fees

(xi) Mortgage tax

Subtotal:

(b) Architectural and engineering fees

(c) Construction period interest

(d) Insurance premiums during construction of Improvements,

(e) Paid to Bank to repay sums previously loaned to pay costs of construction,

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(f) Payment and Performance Bond premiums

(g) Sums paid to take by assignment prior existing mortgages

(h) Sums paid to discharge or reduce the indebtedness under prior existing mortgages

---

(i) Taxes, assessments and other municipal charges existing prior to the commencement of construction of the Improvements

---

(j) Taxes, assessments and other municipal charges accruing during construction of the Improvements

---

Total

Certain of the foregoing amounts are based upon good faith estimates of costs or expenses not yet incurred and certain items listed above may cost more or less than such estimates. The Company reserves the right to use unexpended amounts from any of said items to defray increases incurred in any other item

or items listed above so long as the total amount expended on such items does not exceed the amount of the Loan.

6. That after payment of all the above fees and expenses, the amount of money which will be available to pay for the cost of making the improvements referred to in the Building Loan Agreement will be the sum of $_____ less all monies needed to pay insurance premiums, interest, taxes, assessments, water and sewer costs and rent becoming due while the improvements are being made.

7. All monies advanced by the Bank to the Company under the Agreement shall be subject to the Trust Fund provisions of Section 13 of the Lien Law. If an Event of Default occurs during construction of the Improvements, the Bank may refuse to advance additional funds and such unadvanced sums would not be available to the Company to pay the cost of constructing the Improvements.

8. This affidavit is made pursuant to and in compliance with Section 22 of the Lien Law by the Company, as the "Company" for the purposes of said Section.

9. The facts herein stated are true to the best of deponent's knowledge.

Eamonn P. Hobbs

Sworn to before me this
_____ day of _____, 2002.

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NOTARY PUBLIC-STATE OF NEW YORK

Exhibit C

REQUISITION FOR PAYMENT AND DISBURSEMENT

To: KeyBank National Association
66 South Pearl Street
Albany, New York 12207

Re: Counties of Warren and Washington Industrial Development Agency
Tax-Exempt Multi-Mode Variable Rate Demand
Industrial Development Revenue Bonds
(Angiodynamics, Inc. Project-Letter of Credit Secured), Series 2002

Requisition Number: 1
Date: _____

Gentlemen:

Pursuant to Section 4.02 of the Indenture of Trust, dated as of August 1, 2002 (the "Indenture"), by and between the Counties of Warren and Washington Industrial Development Agency (the "Issuer") and The Huntington National Bank, Cleveland, Ohio, as trustee (the "Trustee"), the undersigned Authorized Representative of the Company hereby requests and authorizes the trustee (the "Trustee"), as depository of the Project Fund created by the Indenture to pay to the Company or to the person(s) listed in items (i) and (ii) below, out of the money deposited in the Project Fund the aggregate sum of $_____ to pay such person(s) or to reimburse the Company in full, as indicated in items (i) and (ii) below, for the advance, payments and expenditures made by it in connection with the following:.

(i) Name(s) and address(es) of the person(s) to whom payment is to be made, and the amount to be paid to each:

Payee	Amount
- -----	------

(ii) General classification of the expenditure pursuant to Section 4.3 of the Installment Sale Agreement by and between the Issuer and the Company, dated as of August 1, 2002 (the "Installment Sale Agreement"):

Cost of Preparing Plans and Specifications

1.	Architect's, Engineer's and similar fees:	$
2.	Broker's fees and costs of constructing the Facility:	$
	a. Broker's Fees:	$
	b. Sitework Construction:	$
	c. Miscellaneous Construction:	$
3.	Fees and other expenses for recording and filing:	$
4.	Fees or expenses relating to actions to protect the Bank's security interest in the Facility:	$
5.	Insurance premiums:	$
6.	Construction period interest:	$
7.	Legal, accounting, investment banking, etc. fees:	$
	a. Borrower's Counsel:	$
	b. Letter of Credit Bank's Counsel:	$
	c. IDA Counsel:	$
	d. Bond Counsel:	$
	e. Commitment Fee:	$
	f. Placement Agent's Counsel	$
9.	Administrative fee of the Issuer:	$
10.	Taxes paid during installation:	$
11.	Title insurance and surveying fees:	$
12.	Reimbursement for payment by the Company of items in 1-11 above:	$

With respect to the obligation(s) referred to above, the undersigned, an Authorized Representative of the Company, hereby certifies that:

(A) each item for which disbursement is requested hereunder is properly payable out of the Project Fund in accordance with the terms and conditions of the Indenture and Lease Agreement and none of those items has formed the basis for any disbursement heretofore made from said Project Fund;

(B) each such item is or was necessary in connection with the construction, furnishing, equipment or improvement of the Project, as defined in the Indenture;

(C) with respect to items covered in this requisition, the undersigned has no knowledge of any vendors', mechanics' or other liens, bailment leases, conditional sale contracts, security interests or laborers' claims which should be satisfied or discharged before the payments as requisitioned are made or which will not be discharged by such payment;

(D) that such requested disbursement is consistent in all material aspects with the Tax Compliance Agreement;

(E) none of the items for which this requisition is made has been the basis for any prior disbursement of Bond Proceeds;

(F) this document shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto;

(G) the undisbursed Bond Proceeds are sufficient to complete the acquisition, construction, reconstruction and equipping of the Facility in accordance with the Plans and Specifications;

(H) the amount hereby requested has been paid or is to be paid or shall be paid from the moneys requested and that insofar as the payment if for work, materials, supplies, or equipment, the work has been performed and the materials, supplies or equipment have been installed in the Facility or have been delivered either at the Facility or at a proper place for fabrication and are covered by adequate insurance;

(I) there exists no Event of Default under any of the Bond Documents;

(J) this document constitutes the approval of the Company of each disbursement hereby requested and authorized;

The capitalized terms herein, unless otherwise defined, will have the meaning provided in the Indenture.

IN WITNESS WHEREOF, the party hereto has caused this document to be duly executed by its respective authorized officer as of the Closing Date.

ANGIODYNAMICS, INC.

By:

Name:
Title:

Approved by:

KEYBANK NATIONAL ASSOCIATION, as Issuer
of the Credit Facility

By:

Name:

EXHIBIT 10.11

- ---

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

AND

ANGIODYNAMICS, INC.

TO

KEYBANK NATIONAL ASSOCIATION

MORTGAGE AND SECURITY AGREEMENT

DATED AS OF AUGUST 1, 2002

THIS MORTGAGE AND SECURITY AGREEMENT (A) AFFECTS TANGIBLE AND INTANGIBLE PERSONAL PROPERTY AS WELL AS REAL PROPERTY, (B) CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, AND (C) IS INTENDED TO CONSTITUTE A SECURITY AGREEMENT UNDER THE UNIFORM COMMERCIAL CODE OF THE STATE OF NEW YORK.

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MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT dated as of August 1, 2002 (the "Mortgage") from the COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at 5 Warren Street, Glens Falls, New York 12801 (the "Issuer") and ANGIODYNAMICS, INC., a corporation organized and existing under the laws of the State of New York, having an office for the transaction of business located at 603 Queensbury Avenue, Queensbury, New York 12804 (the "Company") to KEYBANK NATIONAL ASSOCIATION, a banking corporation organized and existing under the laws of the State of New York, having an office for the transaction of business located at 66 South Pearl Street, Albany, New York 12207, as Bank (the "Bank") for the holders of the Issuer's Multimode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project), Series 2002 in the aggregate principal amount of $3,500,000 (the "Initial Bonds") and any Additional Bonds (as defined in the Indenture hereinafter referred to and collectively with the Initial Bonds, the "Bonds") issued pursuant to a certain trust indenture dated as of August 1, 2002 (the "Indenture") by and between the Issuer and the Bank;

WITNESSETH:

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, civic, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its facilities, to issue its bonds, for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and

receipts from the lease or sale thereof to secure the payment of such bonds and interest thereon; and

WHEREAS, the Issuer was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 862 of the Laws of 1971 of the State, as amended (collectively, with the Enabling Act, the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, the Company has presented an application (the "Application") to the Issuer which Application requested that the Issuer consider undertaking a project (the "Project") consisting of (A)(i) the acquisition of an interest in a certain parcel or parcels of land located at 603 Queensbury Avenue, Town of Queensbury, County of Warren, State of New York (the "Land"), (ii) the acquisition thereon of an approximately 32,000 square foot facility (the "Existing Facility"), together with equipment therein (the "Existing Equipment"), (iii) the making of certain renovations to the Existing Facility (as so renovated, the "Facility") consistent with its present and authorized use, (iv) the construction of approximately 32,000 square feet of additions(s) to the Existing Facility, (v) the purchase of additional equipment (together with the Existing Equipment, the "Equipment" and, together with the Land and the Facility, the "Project Facility") and (B) the financing of a part of the cost of the foregoing by issuing its tax-exempt Industrial Development Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $4,500,000.00, all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act"), as amended, the proceeds of which may be applied to the costs of issuance, and, as necessary and appropriate, the provision of a debt service reserve fund, capitalized interest or other means of providing credit enhancement for the Bonds; and (C) to lease (with the option to purchase) and/or sell the Project Facility to the Company, all pursuant to the Act;

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6 NYCRR Part 617, as amended (the "Regulations", and collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Issuer on June 24, 2002 (the "SEQR Resolution"), the Issuer (A) reviewed the application, (B) determined that the Project constitutes an "Unlisted Action," and (C) determined that the Project will not have a "significant effect" on the environment and issued a "negative declaration" with respect to the Project (as said quoted terms are used in SEQRA); and

WHEREAS, the Issuer (A) caused notice of a public hearing of the Issuer (the "Public Hearing") pursuant to Section 859-a of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to hear all persons interested in the Project and the financial assistance being contemplated by the Issuer with respect to the Project, mailed on May ___, 2002 to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is to be located, (B) caused notice of the Public Hearing to be

published on May ___, 2002 in The Post Star, a newspaper of general circulation available to residents of the City of Albany, (C) conducted the Public Hearing on June 17, 2002 at 3:00 o'clock, local time in the Board of Supervisors Chambers in the Warren County Municipal Center, Queensbury, New York 12804, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Issuer and to the Courts Legislatures of Warren and Washington County; and

WHEREAS, by certificates dated June 21, 2002 and July 17, 2002 (the "Public Approval"), the County Legislatures of Washington County and Warren County, respectively, approved the issuance of the Bonds for purposes of Section 147(f) of the Code; and

WHEREAS, by resolution adopted by the members of the Issuer on July 15, 2002 (the "Bond Resolution"), the Issuer determined to (A) issue the Initial Bonds pursuant to the provisions of the Indenture, (B) enter into this Mortgage and Security Agreement, and (C) enter into certain other documents related to the foregoing; and

WHEREAS, the Issuer proposes to undertake the Project, to appoint the Company as agent of the Issuer to undertake the acquisition, construction and installation of the Current Project, and to sell the Issuer's interest in the Project Facility to the Company, and the Company desires to act as agent of the Issuer to undertake the acquisition, construction and installation of the Current Project and to purchase the Issuer's interest in the Project Facility from the Issuer, all pursuant to the terms and conditions set forth in the installment sale agreement dated as of August 1, 2002 (the "Installment Sale Agreement") between the Issuer and the Company; and

WHEREAS, pursuant to the Deed to Issuer, the Company will convey to the Issuer the Land; and

WHEREAS, as security for the Bonds, the Issuer will assign to the Bank certain of the Issuer's rights and remedies under the Installment Sale Agreement, including the right to receive installment purchase payments and other amounts payable thereunder, but not including the Unassigned Rights (as hereinafter defined), pursuant to a pledge and assignment dated as of August 1, 2002 (the "Pledge and Assignment") from the Issuer to the Bank,

WHEREAS, the Company's obligation to make all installment purchase payments due under the Installment Sale Agreement, and to perform all obligations related thereto, and the Issuer's obligation to repay the Bonds, will be further secured by a guaranty dated as of August 1, 2002 (the "Guaranty") from the Company to the Bank; and

WHEREAS, as security for the Bonds and the Company's obligations under the Guaranty and the other Financing Documents (as hereinafter defined), the Issuer and the Company now intend to grant to the Bank a mortgage Lien (as hereinafter defined) on and security interest in the Project Facility pursuant to this Mortgage; and

WHEREAS, all things necessary to constitute this Mortgage a valid first Lien on and pledge of the Mortgaged Property (as hereinafter defined) herein described in accordance with the terms hereof, have been done and performed, and the creation, execution and delivery of this Mortgage, as security for the payment of the principal of, premium, if any, and interest on the Bonds and as security for the Company's obligations under the Reimbursement Agreement and the other Financing Documents (as hereinafter defined), have in all respects been duly authorized;

NOW THEREFORE, THIS MORTGAGE FURTHER WITNESSETH:

KNOW ALL MEN BY THESE PRESENTS, that the Company and the Issuer, in order to secure payment of the principal of, premium, if any, and interest on the Bonds, originally in the aggregate principal amount of $3,500,000 according to the tenor and effect of the Bonds, the payment of all other sums required to be paid hereunder and under the Indenture, the Reimbursement Agreement and the other Financing Documents, and the performance and observance by the Issuer and the Company of all of the covenants, agreements, representations and warranties herein and in the Indenture, and the other Financing Documents, do hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

SECTION 101. DEFINITIONS. The following words and terms used in this Indenture shall have the respective meanings set forth below unless the context or use indicates another or different meaning or intent:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected by the Company and acceptable to the Bank.

"Act" means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 862 of the Laws of 1971 of the State, as amended from time to time.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against the Bank, the Company or the Issuer under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Additional Bonds" means any bonds issued by the Issuer pursuant to Section 214 of the Indenture.

"Additional Facility" means any additional property financed with the proceeds of Additional Bonds.

"Additional Project" means the purposes for which any Additional Bonds may be issued.

"Affiliate" of any specified entity means any other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified entity and "control", when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Credit Facility" means any direct pay letter of credit or other credit enhancement or support facility that has terms which are the same in all material respects (except for the term and maximum interest rate but including coverage of accrued interest on the Bonds for 98 days if the Bonds bear interest at the Weekly Rate or for 183 days if the Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate) as the then current Credit Facility and (A) shall have a term of not less than one year, (except if the Long-Term Rate shall then be in

effect, the term of such Alternate Credit Facility shall not expire prior to (a) the first par redemption date plus 15 days or (b) the first redemption date plus 15 days if the Alternate Credit Facility covers the redemption premium) (B) shall be issued by a bank, a trust company or other financial institution or credit provider, and (C) with respect to which the Trustee shall have received the opinions required by Section 408(F) of the Indenture.

"Applicable Laws" means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Issuer were the owner of the Project Facility and as if the Company and not the Issuer were the owner of the Project Facility), including but not limited to (1)applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2)restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Arbitrage Certificate" means the certificate dated the Closing Date for the Initial Bonds executed by the Issuer and relating to certain requirements set forth in Section 148 of the Code.

"Authenticating Agent" means the Trustee and any agent so designated in and appointed pursuant to Section 204 of the Indenture.

"Authorized Investments" means any of the following: (A) Government Obligations; (B)obligations issued or guaranteed by any state or political subdivision thereof rated A or higher by Moody's and by S&P; (C) open market commercial or finance paper of any corporation having a net worth in excess of $100,000,000 and which is rated either P-1 or A-1 or an equivalent by Moody's and S&P; (D) bankers' acceptances drawn on and accepted by commercial banks including the Trustee or its affiliates; (E) investments due within 12 months in certificates of deposit issued by, or bankers' acceptances of, the Trustee or its affiliates, or of banks or trust companies organized under the laws of the United States of America or any state thereof, which must have a reported capital and surplus of at least $25,000,000 in dollars of the United States of America; (F) bank repurchase agreements, including the Trustee's or its affiliate's, fully secured by obligations of the type described in (A) above; (G) variable rate demand securities redeemable within 7 days or able to be tendered for remarketing or purchase upon no more than 7 days' notice and secured by a credit facility issued by a financial institution, which financial institution (or its corporate parent) maintains a long term debt rating assigned by Moody's and S&P which is not lower than the third highest long term debt category (without regard to numerical or other modifiers assigned within the category) by either Rating Service, or

by both Rating Services, if rated by both Rating Services; and (H)shares of any so called "money market mutual fund", including any "money market mutual fund" which the Trustee or any of its affiliates provide services for a fee, whether as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, manager or otherwise, which invests solely in obligations described in items (A) through (G) above; and further provided that any such investment or deposit is not prohibited by law.

"Authorized Newspaper" means a newspaper in English customarily published each Business Day and generally circulated in the Borough of Manhattan, City and State of New York.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer, the Bank or the Company, as the case may be, by written certificate furnished to the Issuer, the Company, the Bank and the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice Chairman, or such other person as may be authorized by resolution of the members of the Issuer to act on behalf of the Issuer, (B) the Bank by a Vice President or an Assistant Vice President, or such other person as may be authorized by the board of directors of the Bank to act on behalf of the Bank, and (C) the Company by its President or any Vice President, or such other person as may be authorized by the board of directors of the Company to act on behalf of the Company.

"Available Moneys" means, with respect to any date, (A) funds which (1) have been paid to the Trustee by the Issuer, the Company, any Affiliate of the Company, any Guarantor or any Insider of any of the foregoing and deposited into and held in a separate and segregated subaccount or subaccounts in the Redemption Premium Account of the Bond Fund in which no moneys not deposited on the same date were at any time held, (2) have been on deposit in the Redemption Premium Account of the Bond Fund for a period of at least one hundred twenty-three (123) consecutive days prior to such date, during and prior to which period no Event of Bankruptcy has occurred and (3) are represented by cash or its equivalent as of such date; (B) moneys drawn under the Letter of Credit and deposited directly into the Credit Facility Account of the Bond Fund; (C) the proceeds deposited directly into the Defeasance Account of the Bond Fund from the sale of refunding obligations other than, directly or indirectly, to the Issuer, the Company, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them or any entity who at the time of the purchase of the Bonds, is a secured creditor of the Company or any Guarantor; (D) proceeds deposited directly into the Remarketing Proceeds Account of the Bond Fund from the marketing or remarketing of Bonds to any purchaser other than, directly or indirectly, the Company, the Issuer, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them or any entity who at the time of the purchase of the Bonds, is a secured creditor of the Company or any Guarantor; (E) proceeds from investment of the foregoing, provided such proceeds are retained in the Account in which they were earned; and (F) any other funds or payments so long as, in the opinion of reputable bankruptcy counsel, such payments will not constitute an avoidable preference under the standards set forth in the Bankruptcy Code.

"Bank" means the Credit Facility Issuer.

"Bank Documents" means the Letter of Credit, the Reimbursement Agreement, the Mortgage, the Bond Pledge Agreement, the Security Agreement and any other document now or hereafter executed by the Issuer, the Company or any Guarantor in favor of the Bank which affects the rights of the Bank in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under any Bank Document.

"Bank Rate" means the rate of interest being charged to the Company by the Credit Facility Issuer under the Reimbursement Agreement.

"Bankruptcy Code" means Title 11 of the United States Code, as it is amended from time to time.

"Beneficial Owner" means, with respect to the Bonds, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by the Depository under a book entry system.

"Bill of Sale to Company" means the bill of sale from the Issuer to the Company conveying all of the Issuer's interest in the Project Facility to the Company, substantially in the form attached as Exhibit B to the Installment Sale Agreement.

"Bill of Sale to Issuer" means the bill of sale delivered on the Closing Date from the Company to the Issuer conveying all of the Company's interest in the Project Facility to the Issuer.

"Bond" or "Bonds" means, collectively, (A) the Initial Bonds and (B) any Additional Bonds.

"Bond Counsel" means the law firm of Bond, Schoeneck & King, LLP, Albany, New York or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

"Bond Fund" means the fund so designated established pursuant to Section 401 (A) (2) of the Indenture.

"Bond Payment Date" means each Interest Payment Date and each date on which principal, interest or premium, if any, shall be payable on the Bonds according to their terms and the Indenture, including without limitation, scheduled mandatory redemption dates, unscheduled

mandatory redemption dates, optional redemption dates and Stated Maturity, so long as any Bonds shall be Outstanding.

"Bond Pledge Agreement" means (A) the bond pledge agreement dated as of August 1, 2002 from the Company to the KeyBank National Association, as may be amended or supplemented from time to time, and (B) any similar bond pledge agreement by and between the Company and any Substitute Bank, as said bond pledge agreement may be amended or supplemented from time to time.

"Bond Proceeds" means (A) with respect to the Initial Bonds, the amount paid to the Issuer by the initial purchasers of the Initial Bonds as the purchase price for the Initial Bonds and (B) with respect to any Additional Bonds, the amount paid to the Issuer by the initial purchasers of the Additional Bonds as the purchase price for the Additional Bonds.

"Bond Purchase Agreement" means the bond purchase agreement dated August 28, 2002 among the Issuer, the Company and the Underwriter.

"Bond Rate" means with respect to any Bond, the applicable rate of interest on such Bond, as set forth in such Bond.

"Bond Register" means the register maintained by the Bond Registrar in which, subject to such reasonable regulations as it, the Trustee or the Bond Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and for the registration of transfers of the Bonds.

"Bond Registrar" means the Trustee, acting in its capacity as bond registrar under the Indenture, and its successors and assigns as bond registrar under the Indenture.

"Bond Resolution" means the resolution of the members of the Issuer duly adopted on July 15, 2002 authorizing the Issuer to undertake the Project, to issue and sell the Initial Bonds and to execute and deliver the Financing Documents to which the Issuer is a party.

"Bond Year" means each one (1) year period ending on the anniversary of the Closing Date, or such other annual period provided for the computation of arbitrage rebate selected by the Company in the manner allowed under Section 148 of the Code.

"Bondholder" or "Holder" or "Owner of the Bonds" means the registered owner of any Bond as indicated on the bond register maintained by the Bond Registrar, other than the registered owner of any Bond which has been purchased pursuant to Section 304 of the Indenture and not surrendered for payment of the purchase price thereof.

"Book Entry Bonds" means the Bonds held in Book Entry Form, with respect to which the provisions of Section 213 of the Indenture shall apply.

"Book Entry Form" or "Book Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (A) the Beneficial Ownership Interests may be transferred only through a book entry and (B) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical Bond certificates "immobilized" in the custody of the Depository. The Book Entry System maintained by and the responsibility of the Depository and not maintained by or the responsibility of the Issuer or the Trustee is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in the Bonds.

"Building Loan Agreement" means the Building Loan agreement dated as of August 1, 2002 by and between the Bank and the Company, as said building loan agreement may be amended or supplemented from time to time.

"Business Day" means any day other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) any day on which banks located in the city in which the principal corporate trust office of the Trustee is located, or city in which the office of the Credit Facility Issuer at which demands for payment are to be presented is located are required or authorized by applicable law to remain closed.

"Certificate of Authentication" means the certificate of authentication in substantially the form attached to the forms of the Initial Bonds attached as Schedule I to the Indenture.

"Closing Date" means (A) with respect to the Initial Bonds, the date on which authenticated Initial Bonds are delivered to or upon the order of the Placement Agent and payment is received therefor by the Trustee on behalf of the Issuer, and (B) with respect to any Additional Bonds, the date on which such Additional Bonds are authenticated and delivered to the purchaser thereof and payment therefor is received by the Trustee on behalf of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of said Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company" means Angiodynamics, Inc., a business corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, to the extent permitted by Section 8.4 of the Installment Sale Agreement.

"Completion Date" means the earlier of (A) August 1, 2005 or (B) the date of substantial completion of the Project Facility as evidenced in the manner provided in Section 4.4 of the Installment Sale Agreement.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"Construction Period" means the period (A) beginning on the Inducement Date and (B) ending on the Completion Date.

"Continuing Disclosure Agreement" means, if required by Section 516 of the Indenture, the continuing disclosure agreement by and between the Company and the Trustee, as said continuing disclosure agreement may be amended or supplemented from time to time.

"Conversion" means (A) any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode and (B) the end of any Long-Term Rate Period.

"Conversion Date" means the first date any Conversion becomes effective.

"Conveyance Documents" means the Bill of Sale to Issuer and the Deed to Issuer.

"Cost of the Project" means all those costs and items of expense enumerated in Section 4.3 of the Installment Sale Agreement.

"Credit Facility" means the Letter of Credit or any Alternate Credit Facility delivered to the Trustee pursuant to the provisions of the Indenture.

"Credit Facility Account" means the special account so named established within the Bond Fund pursuant to Section 401(A)(2)(a) of the Indenture.

"Credit Facility Issuer" means (A), initially, KeyBank National Association, a national banking association organized under the laws of the United States, as issuer of the initial Letter of Credit, and (B) in the event an Alternate Credit Facility is outstanding, the institution issuing such Alternate Credit Facility.

"Debt Service Payment" means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the purchase price, if any, payable on the Bonds on such Bond Payment Date.

"Deed to Issuer" means the deed dated as of August 1, 2002 from the Company to the Issuer.

"Default Interest Rate" means a per annum rate of interest equal to the lesser of (A) the Prime Rate plus one percent (1%) per annum, or (B) the maximum permitted by law.

"Defaulted Interest" shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

"Depository" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

"Determination of Taxability" means, with respect to the Initial Bonds, (A) the enactment of legislation or the adoption of final regulations or a final decision, ruling or technical advice by any federal judicial or administrative authority which has the effect of requiring interest on the Initial Bonds to be included in the gross income of the Bondholders for federal income tax purposes (other than a Bondholder who is a "substantial user" of the Project or a "related person", as said quoted terms are used in Section 144 and Section 147(a) of the Code), (B) the receipt by the Trustee of a written opinion of Bond Counsel to the effect that interest on the Initial Bonds must be included in the gross income of the Bondholders for federal income tax purposes (other than a Bondholder who is a "substantial user" of the Project or a "related person", as said quoted terms are used in Section 144 and Section 147(a) of the Code) or (C) the delivery to the Trustee of a written statement signed by an Authorized Representative of the Company to the effect that (1) the Company has exceeded or will exceed the maximum amount of capital expenditures permitted under Section 144(a)(4) of the Code or (2) the Company or another "test-period beneficiary" (as said quoted term is defined in Section 144(a)(10)(D) of the Code) has exceeded or will exceed the maximum amount of tax-exempt obligations permitted to be outstanding under Section 144(a)(10) of the Code; provided that no decision by any court or decision, ruling or technical advice by any administrative authority shall be considered final (A)unless the Bondholder involved in the proceeding or action giving rise to such decision, ruling or technical advice (1) gives the Company and the Trustee prompt notice of the commencement thereof and (2) offers the Company the opportunity to control the contest thereof, provided the Company shall have agreed to bear all expenses in connection therewith and to indemnify that Bondholder against all liabilities in connection therewith, and (B) until the expiration of all periods for judicial review or appeal.

"Direct Participant" means a Participant as defined in the Letter of Representations.

"Environmental Claim" shall mean, with respect to any person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or oral) by any other person (including any governmental authority, citizens group or employee or former employee of such person) alleging, asserting or claiming any actual or potential: (a) violation of any Environmental Law, (b) liability under any Environmental Law or (c) liability for investigatory costs, cleanup costs, governmental response

costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on, or resulting from, the presence or release into the environment of any Hazardous Materials at any location, whether or not owned by such person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Issuer, the Company, a Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them as debtor, under any applicable bankruptcy, reorganization, insolvency or other similar law as now or hereafter in effect applicable to the Issuer, the Company, any Guarantor, any Affiliate of the Issuer, the Company or of any Guarantor or Insider of any of them.

"Event of Default" means (A) with respect to the Indenture, any of those events defined as an Event of Default by the terms of Article VI of the Indenture, (B) with respect to the Installment Sale Agreement, any of those events defined as an Event of Default by the terms of Article X of the Installment Sale Agreement, and (C) with respect to any other Financing Document, any of those events defined as an Event of Default by the terms thereof.

"Excess Earnings" means an amount equal to the sum of (A) plus (B), where (A) is the excess of (1) the aggregate amount earned from the date of issuance of the Initial Bonds on all nonpurpose investments in which gross proceeds of the Bonds are invested (other than investments attributable to an excess described in this clause (1)), over (2) the amount that would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (1)) had been invested at a rate equal to the yield on the Bonds; and (B)is any income attributable to the excess described in clause (1) of this definition. The sum of (A) plus (B) shall be determined in accordance with Section 148(f) of the Code. As used herein, the terms "gross proceeds", "nonpurpose investments" and "yield" have the meanings assigned to them for purposes of Section 148 of the Code.

"Extraordinary Services" and "Extraordinary Expenses" means all reasonable services rendered and all reasonable expenses incurred by the Trustee or any paying agent under the Indenture, other than Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorneys fees and any services rendered and any expenses incurred with respect to an Event of Default or with respect to the occurrence of an event which upon the giving of notice or the passage of time would ripen into an Event of Default under any of the Financing Documents.

"Financing Documents" means the Bonds, the Indenture, the Installment Sale Agreement, the Mortgage, the Pledge and Assignment, the Building Loan Agreement, the Guaranty, the Tax Documents, the Conveyance Documents, the Bank Documents, the Remarketing Agreement and any other document now or hereafter executed by the Issuer, the Company, any Guarantor or the Bank in favor of the Bondholders, the Trustee or the Bank which affects the rights of the

Bondholders, the Trustee or the Bank in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under the Bonds or any other Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

"Financial Institution" means (A) any national bank, banking corporation, trust company or other banking institution, whether acting in its individual or fiduciary capacity, organized under the laws of the United States, any state, any territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the Comptroller of the Currency or a comparable state or territorial official or agency; (B) an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state, a territory or the District of Columbia; (C)an investment company registered under the Investment Company Act of 1940 or a business development company as described in Section 2(a)(48) of that Act; (D) an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company or registered investment company; or (E) institutional investors or other entities who customarily purchase commercial paper or tax-exempt securities in large denominations.

"Governmental Obligations" means (A) direct obligations of the United States of America, (B) obligations unconditionally guaranteed by the United States of America and (C)securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (A) or (B).

"Governmental Authority" means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance claim or Condemnation award.

"Guarantor" means the Company and any other guarantor of the obligations of the Company under the Reimbursement Agreement.

"Guaranty" means the guaranty dated as of August 1, 2002 from the Company to the Trustee, as said guaranty may be amended or supplemented from time to time.

"Hazardous Materials" means all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated byphenyls, petroleum, petroleum products, methane, hazardous materials,

hazardous wastes, hazardous or toxic substances, or related materials as set forth in or regulated under or defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S. C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

"Immediate Notice" means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, in writing or by telephone (promptly confirmed in writing).

"Indebtedness" means (A) the payment of the Debt Service Payments on the Bonds according to their tenor and effect, (B) all other payments due from the Issuer or the Company to the Trustee or the Bank pursuant to the Installment Sale Agreement or any other Financing Document, (C) the performance and observance by the Issuer and the Company of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee or the Bank pursuant to the Installment Sale Agreement or any other Financing Document, (D) the monetary obligations of the Company to the Issuer and its members, officers, agents, servants and employees under the Installment Sale Agreement and the other Financing Documents, and (E) all interest accrued on any of the foregoing.

"Indenture" means the trust indenture dated as of August 1, 2002 by and between the Issuer and the Trustee, as said trust indenture may be amended or supplemented from time to time.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and approved by the Bank and not a full-time employee of the Company or the Issuer.

"Indirect Participant" means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Insider" means any entity referred to or described in accordance with the standards set forth in Section 101(31) of the Bankruptcy Code, assuming for this purpose that the Issuer, the Company, any Guarantor, or any Affiliate of any of them, as applicable, is a debtor, and any limited partner or limited liability company member thereof.

"Inducement Date" means June 24, 2002.

"Initial Bonds" means the Issuer's Multi-Mode Variable Rate Industrial Development

Revenue Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002 in the aggregate principal amount of $3,500,000, issued pursuant to the Bond Resolution and Article II of the Indenture and sold by the Underwriter pursuant to the provisions of the Bond Purchase Agreement, and any Bonds issued in exchange or substitution thereof.

"Installment Sale Agreement" means the installment sale agreement dated as of August 1, 2002 by and between the Issuer and the Company, as said installment sale agreement may be amended or supplemented from time to time.

"Insurance and Condemnation Fund" means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

"Interest Payment Date" means, (A) with respect to any Additional Bonds, the Interest Payment Dates on said Additional Bonds, as established pursuant to the supplemental Indenture authorizing issuance of said Additional Bonds, and (B) with respect to the Initial Bonds, (1)while the Initial Bonds bear interest at the Weekly Rate, the first Thursday of each January, April, July and October, and (2) while the Initial Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate, April 1 and October 1 of each year. The first Interest Payment Date relating to the Initial Bonds shall be the Interest Payment Date in October, 2002. In any case, the final Interest Payment Date relating to the Initial Bonds shall be the Maturity Date of the Initial Bonds.

"Interest Period" means, for all Bonds, the period from and including each Interest Payment Date to and including the day next preceding the next Interest Payment Date. The first Interest Period for the Initial Bonds shall begin on (and include) the date of the initial delivery of the Initial Bonds. The final Interest Period for a Bond shall end on the Maturity Date (or redemption date) for such Bond.

"Interest Rate Mode" means the Weekly Rate, the Semi-Annual Rate or the Long-Term Rate.

"Issuer" means (A) Counties of Warren and Washington Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which Counties of Warren and Washington Industrial Development Agency or its successors or assigns may be a party.

"Letter of Credit" means the irrevocable transferable direct-pay letter of credit dated the Closing Date, issued by the Bank in favor of the Trustee pursuant to the Reimbursement Agreement as security for the Initial Bonds, in a maximum amount (which shall decline at fixed intervals) equal to $3,575,179, said sum representing the aggregate of (A) the principal of the Initial Bonds Outstanding, plus (B) 98 days' interest on all Outstanding Initial Bonds (computed at an assumed interest rate of 8%).

"Letter of Representations" means (A), with respect to the Initial Bonds, the letter of

representations by and among the Issuer and the Depository relating to the Initial Bonds and any amendments or supplements thereto entered into with respect thereto, and (B), with respect to any Additional Bonds, any letter of representations by and among the Issuer, the Trustee and the Depository relating to the Additional Bonds, and any amendments or supplements thereto entered into with respect thereto.

"Lien" means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Lien Law" means the Lien Law of the State.

"Long-Term Rate" means the Interest Rate Mode for the Initial Bonds in which the interest rate on the Initial Bonds is determined in accordance with Section 209(C)(3) of the Indenture.

"Long-Term Rate Period" means any period beginning on, and including, the Conversion Date to the Long-Term Rate and ending on, and including, the day preceding the Interest Payment Date selected by the Company in accordance with the requirements of Section 209(D) of the Indenture and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"Mandatory Tender" means the mandatory tender of Bonds by the owner thereof upon (A) a Conversion pursuant to Section 209(B)(2)(e) of the Indenture, or (B) the delivery by the Company of an Alternate Credit Facility pursuant to Section 304 of the Indenture.

"Maturity Date" means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the

Company.

"Mortgage" means the mortgage and security agreement dated as of August 1, 2002 from the Company and the Issuer to the Bank granting the Bank a lien on the Project Facility as additional security for the obligations of the Company to the Bank pursuant to the Reimbursement Agreement, as said mortgage may be amended to supplemented from time to time.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Non-Qualifying Alternate Credit Facility" means an Alternate Credit Facility which is not a Qualifying Alternate Credit Facility.

"Office of the Trustee" means the corporate trust office of the Trustee specified in Section 1103 of the Indenture, or such other address as the Trustee shall designate pursuant to Section 1103 of the Indenture.

"Optional Redemption Premium" means the maximum applicable premium payable upon an optional redemption of the Bonds after the Conversion Date, as determined by the Remarketing Agent pursuant to Section 301(B)(2) of the Indenture.

"Ordinary Services" and "Ordinary Expenses" means those reasonable services normally rendered with those reasonable expenses, including reasonable attorneys' fees, normally incurred by a trustee or a paying agent, as the case may be, under instruments similar to the Indenture.

"Outstanding" means, when used with reference to the Bonds as of any date, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(A) Bonds theretofore canceled or deemed cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(C) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Company (unless all of the outstanding Bonds are then owned by the Company) shall be disregarded for the purpose of any such determination. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee established to the satisfaction of the Bond Registrar the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company. If the Indenture shall be discharged pursuant to Article X thereof, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

"Participant" shall have the meaning assigned to such term in the Letter of Representations.

"Paying Agent" or "Co-Paying Agent" means any national banking association, federal savings bank, bank and trust company or trust company appointed by the Company and meeting the qualifications of, and subject to the obligations of, the Trustee in Article XI hereof. "Principal Office" of any Paying Agent shall mean the office thereof designated in writing to the Trustee.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B)mechanics', materialmen's, warehousemen's, carriers' and other similar Liens to the extent permitted by Section 8.8(B) of the Installment Sale Agreement, (C) Liens for taxes, assessments and utility charges (1) to the extent permitted by Section 6.2(B) of the Installment Sale Agreement, or (2) at the time not delinquent, (D) any Lien on the Project Facility obtained through any Financing Document, and (E) any Lien on the Project Facility in favor of the Trustee or the Bank, or (F) any lien on the Project Facility approved in writing by the Bank (or, if the Bank is in default under the then current Credit Facility, the Trustee).

"Person" means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means with respect to the Issuer, the description of the Project Facility appearing in the fifth recital clause to the Indenture and the Installment Sale Agreement.

"Pledge and Assignment" means the pledge and assignment dated as of August 1, 2002 from the Issuer to the Trustee, pursuant to which the Issuer has assigned to the Trustee its rights under the Installment Sale Agreement (except the Unassigned Rights), as said pledge and assignment may be amended or supplemented from time to time.

"Pledged Bonds" means any Bond at any time purchased, in whole or in part, with the proceeds of a draw on the Letter of Credit upon tender of such Bond and held by the Trustee as

nominee for the Bank pursuant to the provisions of Section 305 of the Indenture.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 205 of the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"Prime Rate" shall mean the KeyBank National Association Prime Rate, which is that per annum interest rate announced from time to time publicly by the Bank as a reference rate for determining interest rates charged on certain loans, but is not necessarily the lowest rate at which the Bank lends. Any change in the Prime Rate shall be effective on the date such rate is raised or lowered at the Bank, with or without notice to the Company.

"Principal Payment Date" means, the dates for the payment of principal on the Bonds in accordance with the Company's irrevocable notice of optional redemption delivered to the Trustee on the Closing Date, which shall occur quarterly in each year on the Interest Payment Date of the first day of February, May, August and November of each year in the manner as set forth in the Reimbursement Agreement.

"Project" shall have the meaning set forth in the fifth recital clause to the Indenture and the Installment Sale Agreement.

"Project Costs" means Costs of the Project.

"Project Facility" means all materials, machinery, equipment, fixtures or furnishings intended to be acquired with the proceeds of the Bonds or any payment made by the Company pursuant to Section 4.5 of the Installment Sale Agreement, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Installment Sale Agreement, including, without limitation, all of the Property described in Exhibit A attached to the Installment Sale Agreement.

"Project Fund" means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Purchase Date" means (A) if the Interest Rate Mode is the Weekly Rate, any Business Day as set forth in Section 304(A)(1) and Section 304(A)(4) of the Indenture, respectively, (B) if the Interest Rate Mode is the Semi-Annual Rate, any Interest Payment Date, (C) if the Interest Rate Mode is the Long-Term Rate, the final Interest Payment Date for each Long-Term Rate Period, and (D) each day that Bonds are subject to mandatory purchase pursuant to Section

304(B) of the Indenture.

"Purchase Price" means an amount equal to one hundred percent (100%) of the principal amount of any Bond tendered or deemed tendered pursuant to Section 304 or Section 305 of the Indenture, plus accrued and unpaid interest thereon to the Purchase Date.

"Qualifying Alternate Credit Facility" means an Alternate Credit Facility in connection with which the Trustee shall have received (A), if the Bonds are then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) from the Rating Service then rating the Bonds to the effect that such Rating Service has reviewed the proposed Alternate Credit Facility and that the substitution of the Alternate Credit Facility will not, by itself, result in (1) a permanent withdrawal of its rating of the Bonds or (2) the reduction of the current rating of the Bonds, or (B) if the Bonds are not then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) that the Alternate Credit Facility would be issued by a Credit Facility Issuer which, or the parent corporation of which, has a long-term debt rating assigned by a Rating Service which is equal to or better than the rating of the Credit Facility Issuer being replaced.

"Rate Period" means any period during which a single interest rate is in effect for a Bond.

"Rating Service" means Moody's, if the Bonds are rated by Moody's at the time, and/or S&P, if the Bonds are rated by S&P at the time, and their successors and assigns.

"Rebate Amount" as of any date means the Excess Earnings as of such date, or such other amount as may be due to the United States pursuant to Section 148(f) of the Code.

"Rebate Fund" means the fund so designated established pursuant to Section 401(A)(4) of the Indenture.

"Rebate Fund Earnings Subaccount" means the special account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(b) of the Indenture.

"Rebate Fund Principal Subaccount" means the account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(a) of the Indenture.

"Record Date" means, as the case may be, the applicable Regular Record Date or Special Record Date.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the provisions of the Indenture and such Bond.

"Redemption Premium Account" means the Redemption Premium Account created under

Section 405 of the Indenture.

"Regular Record Date" means, with respect to any Interest Period, the close of business on the last Business Day of such Interest Period.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of August 1, 2002 between the Company and KeyBank National Association, as the same may be amended from time to time and filed with the Trustee, and any agreement of the Company with a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purpose of the Indenture.

"Related Person" means any Person constituting a "related person" within the meaning ascribed to such quoted term in Section 144(a)(3) of the Code, except when used in connection with the phrase "substantial user", in which case the phrase "Related Person" shall have the meaning set forth in Section 147(a) of the Code.

"Remarketing Agent" means McDonald Investments Inc. and its successors as provided in Section 718 of the Indenture. "Principal Office" of the Remarketing Agent means the office designated as such in writing to the Company, the Trustee and the Tender Agent.

"Remarketing Agreement" means the remarketing agreement dated as of August 1, 2002 by and among the Company, the Issuer and the Remarketing Agent, as said remarketing agreement may be amended or supplemented from time to time, and any remarketing agreement between the Company and a successor Remarketing Agent.

"Remarketing Proceeds Account" means the Remarketing Proceeds Account created under Section 405 of the Indenture.

"Request for Disbursement" means a request from the Company, as agent of the Issuer, stating the amount of the disbursement sought and containing the statements, representations and other items required by Section 4.3 of the Installment Sale Agreement, the Reimbursement Agreement and the Indenture, in substantially the form of Exhibit C attached to the Indenture.

"Requirement" or "Local Requirement" means any law, ordinance, order, rule or regulation of a Governmental Authority or a local authority, respectively.

"Revenues" means (a) all amounts payable to the Trustee with respect to the principal or redemption price of, or interest on, the Bonds (i) by the Company as required under the Installment Sale Agreement, (ii) upon deposit in the Bond Fund from the proceeds of the Bonds, and (iii) by the Credit Facility Issuer under a Credit Facility, and (b) investment income with respect to any moneys held by the Trustee in the Bond Fund. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"Sales Tax Exemption Letter" shall have the meaning assigned to such term in Section 8.14 of the Installment Sale Agreement.

"Security Agreement" means the security agreement dated as of August 1, 2002 from the Company to the Bank, as paid security agreement may be amended or supplemented from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"Semi-Annual Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined in accordance with Section 209(C)(3).

"Semi-Annual Rate Period" means any period beginning on, and including, the Conversion Date to the Semi-Annual Rate and ending on, and including, the day preceding the next Interest Payment Date thereafter and each successive six (6) month period thereafter until the day preceding Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"SEQRA" means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

"Special Record Date" means a date for the payment of any Defaulted Interest on the Bonds fixed by the Trustee pursuant to Section 207(C) of the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Group, a New York corporation, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Company.

"State" means the State of New York.

"Stated Maturity" means, when used with respect to any Bond or any installment of interest or principal thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

"Substitute Bank" means the issuer of any Alternate Credit Facility.

"Tax Documents" means, collectively, (A) with respect to the Initial Bonds, the Arbitrage Certificate and the Tax Regulatory Agreement and (B) with respect to any Additional Bonds, any similar documents executed by the Issuer and/or the Company in connection with the issuance of such Additional Bonds.

"Tax Incidence Date" means, with respect to any recipient of interest paid or payable on

the Bonds, the first such date of the period for which any interest paid or payable on the Bonds was or is includable in the gross income of such recipient thereof for purposes of income taxation under the laws of the United States, without regard to whether or not any such recipient exercised any or all of the rights or remedies granted such recipient by the Financing Documents or by law.

"Tax Regulatory Agreement" means the tax regulatory agreement dated the Closing Date executed by the Company in favor of the Issuer and the Trustee, with a certificate of the Placement Agent attached thereto, regarding, among other things, the restrictions prescribed by the Code in order for interest on the Initial Bonds to remain excludable from gross income for federal income tax purposes.

"Tender Agent" means the initial and any successor tender agent appointed in accordance with Section 716 of the Indenture. "Principal Office" of the Tender Agent means the office thereof designated as such in writing to the Trustee, the Company and the Remarketing Agent.

"Tendered Bond" means any Bond or portion thereof which is the subject of (A) a demand from the Owner thereof that such Bond be purchased pursuant to Section 304(A) of the Indenture or (B) a mandatory purchase pursuant to Section 304(B) of the Indenture.

"Termination of Installment Sale Agreement" means a termination of the Installment Sale Agreement by and between the Company, as purchaser, and the Issuer, as seller, intended to evidence the termination of the Installment Sale Agreement, substantially in the form attached as Exhibit C to the Installment Sale Agreement.

"Trust Estate" means all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Financing Document.

"Trust Revenues" means (A) all payments of installment purchase payments made or to be made by or on behalf of the Company under the Installment Sale Agreement (except payments made with respect to the Unassigned Rights), (B) all other amounts pledged to the Trustee by the Issuer or the Company to secure the Bonds or performance of their respective obligations under the Installment Sale Agreement and the Indenture, (C) the Net Proceeds (except proceeds with respect to the Unassigned Rights) of insurance settlements and Condemnation awards with respect to the Project Facility, (D) all payments received by the Trustee under the Letter of Credit, (E) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1)moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of which has been duly given, (2) moneys deposited with the Trustee or the Tender Agent for the purchase of Tendered Bonds, and (3) as specifically otherwise provided, and (F) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and amounts

held therein shall not secure any amount payable on the Bonds.

"Trustee" means The Huntington National Bank, a national banking association organized and existing under the laws of the United States of America, or any successor trustee or co-trustee acting as trustee under the Indenture.

"Unassigned Rights" means (A) the rights of the Issuer granted pursuant to Sections 2.2, 3.2, 3.3, 4.1(B), 4.1(D), 4.1(E)(2), 4.1(F), 4.1(G), 5.2(A), 5.2(D), 5.3(B)(2), 5.3(B)(3), 5.4(A), 5.4(B), 6. 1(A), 6. 1(B), 6.3, 6.4, 6.5, 6.6, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.11, 8.15, 8.16, 9.1, 9.3, 9.4, 11.1, 11.4, 11.8 and 11.10 of the Installment Sale Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, officers, agents (other than the Company) and employees of the Issuer for their own account pursuant to Sections 2.2(F), 3.3, 4. 1(F), 5.3(B)(2), 5.3(C), 6.4(B), 8.2, 10.2 and 10.4 of the Installment Sale Agreement, (C) the rights of the Issuer under Section 6.6 of the Installment Sale Agreement, and (D) the right to enforce the foregoing pursuant to Article X of the Installment Sale Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Company under the Sections of the Installment Sale Agreement listed in (A), (B), (C) and (D) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Company) and employees of the Issuer for their own account, such obligations, upon assignment of the Installment Sale Agreement by the Issuer to the Trustee pursuant to the Pledge and Assignment, shall be deemed to and shall constitute obligations of the Company to the Issuer, the Trustee and the Bank, jointly and severally, and either the Issuer, the Trustee or the Bank may commence an action to enforce the Company's obligations under the Installment Sale Agreement.

"Underwriter" means McDonald Investments Inc., a Key Corp Company, as underwriter for the Initial Bonds.

"Weekly Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined weekly in accordance with Section 209(C)(3) of the Indenture.

"Weekly Rate Period" means the period beginning on, and including, the date of issuance of the Bonds, and ending on, and including, the next Wednesday (except if the date of issuance of the Bonds is a Wednesday then the first Weekly Rate Period shall begin and end on such Wednesday) and thereafter the period beginning on, and including, any Thursday and ending on, and including, the next Wednesday.

SECTION 1.02. INTERPRETATION. In this Mortgage, unless the context otherwise requires:

(A) the terms "hereby", "hereof","herein", "hereunder", and any similar terms as used in this Mortgage, refer to this Mortgage, and the term "heretofore" shall mean before the date of this Mortgage, and the term "hereafter" shall mean after the date of this Mortgage;

(B) words of masculine gender shall mean and include correlative words of feminine and neuter genders;

(C) words importing the singular number shall mean and include the plural number, and vice versa; and

(D) any certificates, letters or opinions required to be given pursuant to this Mortgage shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Mortgage.

ARTICLE II

LAND MORTGAGE; GRANTING CLAUSES;
SECURITY AGREEMENT; GENERAL COVENANTS

SECTION 2.01. GRANTING CLAUSES. The Issuer and the Company, in consideration of the execution and delivery by the Bank of the Indenture and the purchase and acceptance of the Bonds by the holders and owners thereof and for other good and valuable consideration, receipt of which is hereby acknowledged, and in order to secure (1) the payment of the principal of, premium, if any, and interest on the Bonds, issued in the original aggregate principal amount of $3,500,000 according to their tenor and effect, (2) the payment of all other sums required to be paid hereunder and under the Indenture, the Reimbursement Agreement and the other Financing Documents, and (3) the performance and observance by the Issuer and the Company of all of the covenants, agreements, representations and warranties herein and in the Indenture, the Guaranty and the other Financing Documents (all of the above in (1) through (3) being collectively referred to herein as the "Mortgage Indebtedness"); hereby warrant, assign, mortgage, hypothecate, pledge, grant a Lien on and security interest in, set over and confirm unto the Bank and their respective successors and assigns forever, all of the estate, right, title and interest of the Issuer and the Company in, to and under any and all of the following described property (the "Mortgaged Property"), whether now owned or held or hereafter acquired:

(A) The Land (as more particularly described in Exhibit A attached hereto), together with the appurtenances thereto and the title in and to any portion of the Land lying in the streets and roads in front of and adjoining said the Land;

(B) All buildings, structures, improvements and appurtenances now standing, or at any time hereafter constructed or placed, upon the Land or any part thereof, including all right, title and interest of the Issuer and the Company in and to all building materials and fixtures of every kind and nature whatsoever on the Land or in any building now or hereafter standing on the Land or any part thereof, including, without limitation, the Facility;

(C) The Equipment (as more particularly described in Exhibit B attached hereto), together with all repairs, replacements, improvements, substitutions and renewals thereof and therefor, and all parts, accessories and additions incorporated therein or affixed thereon;

(D) All easements, royalties, mineral, oil and gas rights and profits, water, water rights and water stock relating to the Land necessary for the ownership, operation, use and maintenance of the Facility;

(E) Any and all moneys and securities from time to time held by the Bank under the terms of this Mortgage and the Indenture (other than moneys and securities held in the Rebate Fund), and any and all other Property of every name and nature, from time to time hereinafter by

delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Issuer or by anyone on its behalf or with its written consent in favor of the Bank;

(F) All rights and interests of the Issuer in any and all moneys due or to become due to the Issuer and any and all other rights and remedies of the Issuer under or arising out of the Installment Sale Agreement (except the Unassigned Rights, and moneys payable pursuant to the Unassigned Rights); provided, that the assignment made by this clause shall not impair or diminish any obligation of the Issuer under the Installment Sale Agreement; provided, further, however, that the assignment made by this clause shall not give to the Bank the right to amend the Installment Sale Agreement without the prior written consent of the Issuer;

(G) All leases, subleases, licenses, contract rights, general intangibles and other agreements affecting the use, operation or occupancy of all or any portion of the Facilities or the other real property described above now or hereafter entered into, including, but not limited to, any and all rights therein under and pursuant to the Installment Sale Agreement (except the Unassigned Rights) and the right to receive and apply the rents, issues and profits of the Land or the Facility or the other real property described above to the payment of the Mortgage Indebtedness;

(H) All proceeds of and any unearned premiums on any insurance policies covering the Land, the Facility or the Equipment or the other real property described above, including, without limitation, the right to receive and apply the proceeds of any insurance or judgments, or settlements made in lieu thereof, for damage to any of the foregoing, subject to the Company's right to use such insurance proceeds or condemnation award for restoration of the Project Facility as provided in the Installment Sale Agreement;

(I) All other proceeds of the conversion, whether voluntary or involuntary, of the Land, the Facility or the Equipment, or any other Property or rights encumbered or conveyed hereby into cash or liquidated claims, including, without limitation, all title insurance, hazard insurance, Condemnation and other awards; and

(J) All extensions, additions, substitutions and accessions with respect to any of the foregoing.

TO HAVE AND TO HOLD the foregoing Mortgaged Property unto the Bank and its successors and assigns forever;

SUBJECT, HOWEVER, to the Permitted Encumbrances;

EXCEPTING, THEREFROM, the Unassigned Rights;

PROVIDED, HOWEVER, that, if (A) there shall be no Event of Default under the Indenture, (B) the Issuer and the Company shall perform and observe all the covenants to be performed and observed hereunder and perform all obligations under the Indenture, the Installment Sale Agreement and the other Financing Documents to which they are parties and (C) the Company has paid or caused to be paid to the Bank all sums or money due or to become due to it in accordance with the terms and provisions hereof and of the other Financing Documents to which it is a party, including, without limitation all amounts owed under all indemnification provisions, then upon such final payments and such performance and observance, this Mortgage and the rights hereby granted shall cease, terminate and be void; otherwise, this Mortgage to be and remain in full force and effect.

SECTION 2.02. SECURITY AGREEMENT. The Mortgaged Property includes both real and personal Property and all other rights and interest, whether tangible or intangible in nature, of the Issuer and the Company in the Mortgaged Property. This Mortgage shall also constitute a security agreement under the Uniform Commercial Code of the State so that the Bank shall have and may enforce a security interest in any or all of the Mortgaged Property, in addition to (but not in limitation of) the Lien upon that portion of the Mortgaged Property constituting part of the realty imposed by the foregoing provisions hereof, such security interest to attach at the earliest moment permitted by law and also to include and attach to all additions and accessions thereto, all substitutions and replacements therefor, all proceeds thereof, including insurance and Condemnation proceeds, and all contract rights, rental or lease payments and general intangibles of the Issuer and the Company obtained in connection with or relating to the Mortgaged Property (except for the Unassigned Rights and moneys received pursuant thereto) as well as any and all items of Property in the foregoing classifications which are hereafter acquired. The Issuer and the Company shall, at the request of the Bank, deliver to the Bank, as the case may be, any and all further instruments which the Bank shall require in order to further secure and perfect the Lien of this Mortgage. Pursuant to the Uniform Commercial Code of the State, the Issuer and the Company hereby authorize the Bank to execute and file continuation statements without the necessity of the Issuer's or the Company's signature as debtor if the Bank shall determine that such are necessary or advisable in order to perfect or continue the perfection of their respective security interests in any of the Mortgaged Property covered by this Mortgage, and shall pay to the Bank, within three Business Days after written demand, any expenses incurred by the Bank in connection with the preparation, execution and filing of such statements and any continuation statements that may be filed by the Bank. The Bank shall promptly provide copies of any documents executed by them pursuant to this authorization to the Company.

SECTION 2.03. INFORMATION UNDER THE UNIFORM COMMERCIAL CODE. The following information is stated in order to facilitate filings under the Uniform Commercial Code of the State: The Secured Party is KEYBANK NATIONAL ASSOCIATION, as the Bank, having an office for the transaction of business located at 66 South Pearl Street, Albany, New York 12207 The Debtors are ANGIODYNAMICS, INC., 603 Queensbury Avenue, Queensbury, New York 12804 and COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, 5 Warren Street, Glens Falls, New York 12801.

SECTION 2.04. PERFORMANCE OF COVENANTS. The Issuer and the Company hereby covenant that they will faithfully observe and perform, or cause to be observed and performed, at all times any and all covenants, undertakings, stipulations and provisions on their respective parts to be observed or performed contained in this Mortgage and the other Financing Documents to be executed by them.

SECTION 2.05. PRIORITY OF LIEN OF MORTGAGE; DISCHARGE OF LIENS AND ENCUMBRANCES. (A) The Company hereby represents and warrants that, except for Permitted Encumbrances, the Company and the Issuer are lawfully seized of the estate conveyed hereby and the Issuer and the Company have the right to grant and convey the Mortgaged Property, and the Company will warrant and defend title to the Mortgaged Property against all claims and demands, excepting the Permitted Encumbrances.

(B) The Issuer and the Company shall not permit or create or suffer to be permitted or created any Lien, except for Permitted Encumbrances, upon the Mortgaged Property or any part thereof, without the prior written consent of the Bank.

(C) Notwithstanding the provisions of subsection (B) of this Section 2.05, the Company may in good faith contest any such Lien, provided that the Company (1) first shall have notified the Bank of such contest, (2) no Event of Default has occurred under any of the Financing Documents, (3) shall have set aside adequate cash reserves for the discharge of any such Lien and furnished evidence thereof reasonably satisfactory to the Bank, and (4) demonstrates to the reasonable satisfaction of the Bank that the failure to discharge any such Lien will not subject the Mortgaged Property or any part thereof or any funds of the Issuer applicable to the acquisition, construction or installation of the Mortgaged Property to loss or forfeiture.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. REPRESENTATIONS AND WARRANTIES OF THE ISSUER. The Issuer hereby represents and warrants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation, the Act, to issue the Bonds, to execute and deliver the Financing Documents to which the Issuer is a party and to pledge and encumber the Mortgaged Property in the manner and to the extent herein set forth; and that all action on the part of the Issuer for the issuance of the Bonds and the execution and delivery of the Financing Documents to which the Issuer is a party has been duly and effectively taken.

SECTION 3.02. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants as follows:

(A) (1) The Company and/or the Issuer have good, marketable and insurable title to the Mortgaged Property, subject only to Permitted Encumbrances, (2) the Company and/or the Issuer owns or will own all fixtures and articles of personal Property now or hereafter constituting part of the Mortgaged Property, including any substitutions or replacements thereof, free and clear of all Liens and claims, and (3) this Mortgage is and will remain a valid and enforceable Lien on the Mortgaged Property.

(B) The Company is a corporation organized existing under the laws of the State of New York and has the power to enter into and perform this Mortgage and the other Financing Documents executed by the Company and to mortgage and pledge the Mortgaged Property in the manner and to the extent herein set forth, and this Mortgage and the other Financing Documents executed by the Company constitute valid and enforceable obligations according to their respective terms.

(C) Neither the execution and delivery of this Mortgage or the other Financing Documents executed by the Company, the consummation of the transactions contemplated hereby or thereby nor the fulfillment of or compliance with the provisions hereof or thereof will violate any provision of the Company's certificate of incorporation or bylaws, or conflict with or result in a material breach of or default under any of the material terms, conditions or provisions of any order, judgment, law, restriction, material agreement or instrument to which the Company is a party to or by which the Company or any of its Property is or may be bound, or result in the creation or imposition of any Lien of any nature upon any of the Property of the Company under the terms of any such instrument or agreement.

(D) The Project Facility and the operation thereof currently complies and will continue to comply with all Applicable Laws.

(E) The Land is not located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards pursuant to the terms of the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as same may have been amended to date.

(F) The Company has, or at the time the same may be required shall have, all necessary certificates, licenses, authorizations, registrations, permits and approvals necessary for the commencement of the construction on and the operation of the Mortgaged Property, including, but not limited to, all required environmental permits, all of which are in full force and effect and not, to the knowledge of the Company, subject to any revocation, amendment, release, suspension, forfeiture or the like; the present and contemplated use and occupancy of the Mortgaged Property does not conflict with or violate any such certificate, license, authorization, registration, permit of approval.

SECTION 3.03. PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS. The Issuer and the Company hereby covenant that they will promptly pay, or cause to be paid, the Debt Service Payments on the Bonds at the place, on the dates and in the manner provided therein. All Debt Service Payments on the Bonds paid by the Issuer shall be payable solely from installment purchase payments and other revenues and receipts received pursuant to the Installment Sale Agreement (but not including any amounts received in connection with the Unassigned Rights). Nothing in the Bonds, the Indenture or in this Mortgage shall be construed as pledging or mortgaging any funds or assets of the Issuer other than those pledged or mortgaged hereby or thereby. Neither the State nor any political subdivision thereof (other than the Issuer and the Company) shall in any event be liable for the payment of any Debt Service Payment on the Bonds or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Issuer and the Company.

ARTICLE IV

MAINTENANCE, MODIFICATION, TAXES AND INSURANCE

SECTION 4.01. MAINTENANCE OF AND MODIFICATIONS TO THE MORTGAGED PROPERTY BY THE COMPANY. The Company shall (A) keep the Mortgaged Property in good condition and repair and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted, (B) make all necessary repairs and replacements to the Mortgaged Property or any part thereof (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) which is damaged, destroyed or condemned, (C) except as permitted by Financing Documents, not remove or demolish any portion of the Mortgaged Property or alter in any material respect the character of any improvement without the prior written consent of the Bank, (D) not permit the Mortgaged Property to become deserted or abandoned, and (E) operate the Mortgaged Property in a sound and economic manner.

SECTION 4.02. INSURANCE REQUIRED. At all times throughout the term of this Mortgage, including, without limitation, during any period of construction of the Mortgaged Property, the Company shall maintain the insurance described in Article VI of the Installment Sale Agreement, regardless of whether the Installment Sale Agreement shall be terminated or shall be for any reason not in full force and effect, and shall within ten (10) days of request therefor by the Bank deliver proof to the Bank that such insurance has been and is being maintained.

SECTION 4.03. TAXES, ASSESSMENTS AND UTILITY CHARGES. (A) The Company shall pay or cause to be paid, as the same respectively become due, (1) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Mortgaged Property, (2) all utility and other charges, including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Mortgaged Property, and (3) all assessments and charges of any kind whatsoever lawfully made by any Governmental Authority for public improvements, provided that, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company shall be obligated under this Mortgage to pay or cause to be paid only such installments as are required to be paid during the term of this Mortgage.

(B) Notwithstanding the provisions of subsection (A) of this Section 4.03, the Company may withhold any such payment and the Company may in good faith actively contest any such taxes, assessments and other charges provided that the Company (1) first shall have notified the Issuer and the Bank in writing of such contest, (2) an Event of Default has not occurred and shall not be continuing under any of the Financing Documents, (3) shall have set aside adequate cash reserves for any such taxes, assessments and other charges, and (4) demonstrates to the reasonable satisfaction of the Issuer and the Bank that the non-payment of such items will not

subject the Lien of this Mortgage, or subject the Project Facility or any part thereof, to loss or forfeiture. Otherwise, such taxes, assessments or charges shall be paid promptly or secured by posting a bond in form and substance satisfactory to the Issuer and the Bank.

ARTICLE V

SPECIAL COVENANTS

SECTION 5.01. RIGHT OF ACCESS TO THE MORTGAGED PROPERTY. The Issuer and the Company agree that the Bank or the duly authorized agents of the Bank shall have the right at all reasonable times and upon reasonable notice to enter upon and to examine and inspect the Mortgaged Property.

SECTION 5.02. INSPECTION OF BOOKS AND RECORDS. The Issuer and the Company hereby covenant that all books and documents in their respective possession relating to the Mortgaged Property shall at all reasonable times be open to inspection by such accountants or other agents as the Bank may from time to time designate.

SECTION 5.03. AGREEMENT TO PROVIDE INFORMATION. The Company agrees, whenever requested by the Bank, to provide and certify or cause to be provided and certified such information concerning the Company, its finances and other topics as the Bank from time to time reasonably considers necessary or appropriate, including, but not limited to, such information as to enable the Bank to make any reports required by Applicable Laws.

SECTION 5.04. BOOKS OF RECORD AND ACCOUNT. The Company agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of all business and affairs of the Company.

SECTION 5.05. COMPLIANCE WITH APPLICABLE LAWS. (A) The Company agrees that it will, at all times prior to the termination of this Mortgage, promptly and fully comply with all (1) Applicable Laws, (2) covenants, conditions and restrictions of record relating to the ownership, use, operation or leasing of the Mortgaged Property, (3) covenants, conditions and restrictions set forth in any document or instrument creating a lien or charge upon all or any portion of the Mortgaged Property, and (4) policies of insurance at any time in force with respect to the Mortgaged Property.

(B) The Company may in good faith actively contest the validity or the applicability of any such requirements, provided that the Company (1) first shall have notified the Bank of such contest, (2) no Event of Default has occurred under any of the Financing Documents, (3) shall have set aside adequate cash reserves for any such requirement, and (4) provides an opinion of counsel or otherwise demonstrates to the reasonable satisfaction of the Bank that noncompliance with such requirement or requirements will not subject the Lien of this Mortgage as to any part of the Mortgaged Property, or the value of the Mortgaged Property or any part thereof, to loss or forfeiture. Otherwise, the Company shall promptly take such action with respect thereto as shall

be satisfactory to the Bank. This Section 5.05(B) shall not be deemed to apply to the payment of taxes or assessments (which is covered by Section 4.03).

SECTION 5.06. RECORDATION OF MORTGAGE AND FILING OF SECURITY INSTRUMENTS. (A) The Issuer hereby covenants that it will, at the sole cost and expense of the Company, cause this Mortgage, together with all other security instruments and financing statements, to be recorded and filed, as the case may be, in such manner and in such places as may be requested by the Bank in order to perfect the Liens created by the Financing Documents. The Company covenants that it will, upon request of the Bank, cause to be filed all documents requested by the Bank including, without limitation, continuation statements under the Uniform Commercial Code of the State, in such manner and in such places as may be required by law in order to protect and maintain in force the Liens of the Financing Documents.

(B) Without limiting the foregoing, the Issuer and the Company hereby irrevocably appoint the Bank as attorney-in-fact for the Issuer and the Company to execute, deliver and file such instruments for and on behalf of the Issuer and the Company without the necessity of the signature of the Issuer and the Company or anyone claiming under or through the Issuer and the Company, including, but not limited to, the Company.

SECTION 5.07. ENFORCEMENT OF DUTIES AND OBLIGATIONS OF THE COMPANY. The Issuer and the Company hereby covenant that they will take all legally available action to cause the Company to fully comply with the covenants of the Company contained in the Installment Sale Agreement in the manner and at the times provided in the Installment Sale Agreement.

SECTION 5.08. ENVIRONMENTAL REPRESENTATIONS, WARRANTIES AND COVENANTS.

(A) The Company makes the following representations and warranties with respect to the Land and the Facility which shall survive the issuance of the Bonds:

(1) To the best of the Company's knowledge, the Company is in compliance in all respects with all applicable federal, state and local laws, including, without limitation, all Environmental Laws.

(2) To the best of the Company's knowledge, no portion of the Facility Parcels or the Facilities are being used for the Disposal, storage, treatment, processing or other handling of any Hazardous Materials except in accordance with applicable law and the environmental and ecological condition of the Facility Parcels and the Facilities is not in violation of any Environmental Law applicable thereto and all Environmental Permits for the operation of the Facilities have been or will be obtained and are in full force and effect.

(3) To the best of the Company's knowledge the soil, surface water and ground water are free from any solid wastes, Hazardous Materials or contaminant and any discharge of sewage or effluent.

(4) Neither the Federal government nor the State Department of Environmental Conservation or any other governmental or quasi-governmental entity has filed a Lien on the Facility Parcels or the Facilities, nor are there any governmental, judicial or administrative actions with respect to environmental matters pending, or to the best of the Company's knowledge, threatened, which involve the Facility Parcels or the Facilities.

(B) The Company agrees that the Issuer or the Bank or their respective members, officers, agents or representatives may, at any reasonable time and at the Company's expense inspect the Company's books and records and inspect and conduct any reasonable tests on the Land or the Facility including taking soil samples in order to determine whether the Company is in continuing compliance with all environmental laws and regulations.

(C) If any environmental contamination is found on the Facility Parcels or the Facilities for which any removal or remedial action is required pursuant to law, ordinance, order, rule, regulation or governmental action, the Company agrees that it will at its sole cost and expense take such removal or remedial action promptly and to the Issuer's and the Bank's satisfaction, to the extent that it is not another party's obligation to do so.

(D) The Company agrees to defend, indemnify and hold harmless the Issuer and the Bank, and their respective employees, agents, officers and directors from and against any claims, actions, demands, penalties, fines, liabilities, settlements, damages, costs or expenses (including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses) of whatever kind or nature known or unknown contingent or otherwise arising out of or in any way related to:

(1) The disposal, Release or threatened Release of any Hazardous Materials on the Land or the Facility whether prior to or during the term of this Mortgage.

(2) Any personal injury (including wrongful death or property damages, real or personal) arising out of or related to such Hazardous Materials;

(3) Any lawsuit brought or threatened, settlement reached or government order given relating to such Hazardous Materials; and/or

(4) Any violation of any law, order, regulation, requirement, or demand of any government authority, or any policies or requirements of the Issuer or the Bank, which are based upon or in any way related to such Hazardous Materials.

(E) The Company knows of no on-site or off-site locations where Hazardous Materials from the operation of the Facility Parcels or the Facilities have been stored, treated, recycled or disposed of.

(F) If the Issuer or the Bank incur any of the costs that the Company agrees to assume under this Section 5.08, those costs will be repaid immediately at a rate of interest equal to the Default Rate.

(G) The provisions of this Section 5.08 shall be in addition to any other obligations and liabilities the Company may have to the Issuer and the Bank at common law and shall survive the transactions contemplated herein.

(H) The Issuer or the Bank may, at their option, and in addition to the requirements of Sections 6.3 and 6.4 of the Installment Sale Agreement, require the Company to carry adequate insurance, if reasonably necessary, to fulfill the Company's obligations under this Section 5.08 in the event such insurance shall become available at a reasonable cost during the term of the Bonds.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT DEFINED. (A) The following shall be "Events of Default" under this Mortgage and the terms "Event of Default" or "default" shall mean, whenever they are used in this Mortgage, any one or more of the following events:

(1) default by the Issuer in the due and punctual payment of principal of, premium, if any, and interest on the Bonds;

(2) an Event of Default under the Installment Sale Agreement;

(3) a default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer or the Company in this Mortgage or any other Financing Document to be performed or observed and the continuance thereof for a period of thirty (30) days after written notice is given by the Bank to the Issuer and the Company, or, if such covenant, condition or agreement is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Company to commence to cure within such thirty (30) day period and to thereafter prosecute the same with due diligence;

(4) any representation or warranty made by the Issuer or the Company herein or in any other Financing Document shall have been false in any material respect at the time that it was made;

(5) the Company shall generally not pay its debts as such debts become due or admits its inability to pay its debts as they become due;

(6) the Company shall conceal, remove or permit to be concealed or removed any part of its Property, with intent to hinder, delay or defraud its creditors, or any one of them, or shall make or suffer a transfer of any of its Property which is fraudulent under any bankruptcy, fraudulent conveyance or similar law; or make any transfer of its Property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or shall suffer or permit, while insolvent, any creditor to obtain a Lien upon any of its Property through legal proceedings or distraint which is not vacated within thirty (30) days from the date thereof;

(7) the Mortgaged Property, or any part thereof, is in any manner, whether voluntarily or involuntarily, encumbered, assigned, leased, subleased, sold, transferred or conveyed, except as is expressly provided in or to the extent permitted under the Installment Sale Agreement or a Permitted Encumbrance;

(8) (a) the filing by the Company of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute; (b) the failure by the Company within ninety (90) days to lift any execution, garnishment or attachment of such consequence as will impair the Company's ability to carry out its obligations hereunder; (c) the commencement of a case under Title II of the United States Code against the Company as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Company and continuation of such case, action or proceeding without dismissal for a period of sixty (60) days; (d) the entry of an order for relief by a court of competent jurisdiction under Title II of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Company; or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or Bank of the whole or a substantial portion of the Property of the Company unless such order, judgment or decree is vacated, dismissed or dissolved within ninety (90) days of such appointment;

(9) final judgment for the payment of money in excess of $150,000 shall be rendered against the Company and the Company shall not discharge the same or cause it to be bonded or discharged within thirty (30) days from the entry thereof, or shall not appeal therefrom or from the order, decree or process upon which or pursuant to which said judgment was granted, based or entered and secure a stay of execution pending such appeal; and

(10) the imposition of a Lien on the Mortgaged Property other than a Lien being contested as provided in Section 8.8(B) of the Installment Sale Agreement or a Permitted Encumbrance.

SECTION 6.02. ACCELERATION; ANNULMENT OF ACCELERATION. (A) Upon the occurrence and continuance of an Event of Default hereunder, the Bank may, by notice in writing delivered to the Company and the Issuer, declare the whole of the Mortgage Indebtedness immediately due and payable, whereupon the same shall become and be immediately due and payable, anything in this Mortgage or any other Financing Document to the contrary notwithstanding. In such event, there shall be due and payable the total amount of the Mortgage Indebtedness plus all accrued but unpaid interest thereon and all interest which will accrue thereon to the date of payment together with any premium payable thereon. If the Bonds shall become so immediately due and payable, the Issuer and the Bank shall immediately declare by written notice to the Company all unpaid installment purchase payments payable by the Company under Section 5.3(A) of the Installment Sale Agreement or otherwise to be immediately due and payable.

(B) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding

instituted on account of such default, or before the completion of the enforcement of any other remedy under this Mortgage, the Bank may, at its option, annul such declaration and its consequences. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 6.03. ENFORCEMENT OF REMEDIES. (A) Upon the occurrence and continuance of any Event of Default, the Bank may proceed forthwith to protect and enforce its rights under this Mortgage and the other Financing Documents by such suits, actions or proceedings as the Bank shall deem appropriate, including, without limitation, an action to foreclose the Lien of this Mortgage, against all or, from time to time, against any part of the interest of the Issuer and the Company in the Mortgaged Property and to have the same sold under the judgment or decree of a court of competent jurisdiction to the highest bidder, at public or private sale for cash or credit in one or more interests and in any order or manner, subject to statutory and other legal requirements, if any, including all right, title and interest, claim and demand therein and thereto and all right of redemption thereof and further including the right to sell same and all estate, claim, demand, right, title and interest of the Issuer and the Company therein and rights of redemption thereof, pursuant to power of sale or otherwise. Without limiting any other rights of the Bank, hereunder or otherwise granted, upon default of this Mortgage, or the indebtedness or other obligation secured thereby, the Bank shall have the right to sell the Mortgaged Property in the manner prescribed in Article 14 of the New York Real Property Actions and Proceeding Law, or any successors or companion statute, law or promulgation, for a non-judicial proceeding for foreclosure by power of sale.

(B) The Bank may sue for, enforce payment of and receive any amounts due or becoming due from the Company for principal, premium, interest or otherwise under any of the provisions of this Mortgage or the other Financing Documents, without prejudice to any other right or remedy of the Bank.

(C) Regardless of the happening of an Event of Default, the Bank may institute and maintain such suits and proceedings as the Bank may be advised shall be necessary or expedient to prevent any impairment of the security under this Mortgage by any acts which may be unlawful or in violation of this Mortgage, or to preserve or protect the interests of the Bank.

(D) The Bank shall have the right to appear in and defend any action or preceding brought with respect to the Mortgaged Property and to bring any action or proceeding, in the name and on behalf of the Issuer or the Company, which the Bank, in its discretion, feels should be brought to protect its interests in the Mortgaged Property.

(E) Upon the occurrence of any Event of Default hereunder, the Company, upon demand of the Bank, shall forthwith surrender the possession of, and it shall be lawful for the Bank, by such officer or agent as it may appoint, to take possession of, all or any part of the Mortgaged Property, together with the books, papers and accounts of the Company pertaining thereto, and to hold, operate and manage the same, and from time to time to make all needed

repairs and improvements as the Bank shall deem wise; and the Bank may sell the Mortgaged Property or any part thereof, or lease the Mortgaged Property or any part thereof in the name and for the account of the Issuer or the Company, collect, receive and sequester the rents, revenues, earnings, income, products and profits therefrom, and pay out of the same all proper costs and expenses of taking, holding, leasing, selling and managing the Mortgaged Property, including reasonable compensation to the Bank and its agents and counsel, and any charges of the Bank hereunder, and any taxes and other charges prior to the Lien of this Mortgage which the Bank may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 6.05 hereof.

To the extent permitted by law, notwithstanding anything herein contained to the contrary, the Issuer and the Company and anyone claiming through or under the Issuer or the Company (1) will not (a) at any time insist upon, or plead, or in any manner whatever claim or take any benefit or advantage of any stay or extension or moratorium law, any exemption from execution or sale of the Mortgaged Property or any part thereof, wherever enacted, now or at any time hereafter in force, which may affect the covenants and terms of performance of this Mortgage, (b) claim, take or insist upon any benefit or advantage of any law now or hereafter in force providing for the valuation or appraisal of the Mortgaged Property, or any part thereof, prior to any sale or sales thereof which may be made pursuant to any provision hereof, or pursuant to the decree, judgment or order of any court of competent jurisdiction, or (c) after any such sale or sales, claim or exercise any right under any statute heretofore or hereafter enacted to redeem the Property so sold or any part thereof, (2) hereby expressly waive all benefit or advantage of any such law or laws, and (3) covenant not to hinder, delay or impede the execution of any power herein granted or delegated to the Bank, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted. The Company and the Issuer, for themselves and all who may claim under them, waive, to the extent they lawfully may, all rights to the Mortgaged Property marshaled upon any foreclosure hereof.

(F) The Bank may exercise any and/or all of the rights and remedies available to a secured party under the New York Uniform Commercial Code in such order and in such manner as the Bank, in its sole discretion, may determine; provided, however, that the expenses of retaking, holding, preparing for sale or the like as provided thereunder shall include reasonable attorney's fees and other actual expenses of the Bank and shall be additionally secured by this Mortgage.

SECTION 6.04. APPOINTMENT OF RECEIVERS. Upon the occurrence and during the continuance of an Event of Default hereunder, the Bank shall be entitled, as a matter of right, without notice and without regard to the adequacy of any security for the debt secured hereby, to the appointment of a receiver or receivers of the Mortgaged Property and of the revenues and receipts thereof, pending the conclusion of such proceedings and any appeal therefrom, with such powers as the court making such appointment shall confer. The Receiver shall be entitled to occupational rent from an owner/occupant and may upon non-payment of said rent evict the owner/occupant.

SECTION 6.05. APPLICATION OF MONEYS. The Net Proceeds received by the Bank pursuant to any right given or action taken under the provisions of this Article VI shall be applied by the Bank in accordance with Section 609 of the Indenture.

SECTION 6.06. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Mortgage or under any other Financing Document or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power, or shall be construed to be a waiver thereof or an acquiescence therein, and every right or remedy given by this Mortgage to the Bank may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in this Article VI, it shall not be necessary to give any notice, other than such notice as may be expressly required in this Mortgage.

SECTION 6.07. TERMINATION OF PROCEEDINGS. In case any proceeding taken by the Bank on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bank, then the Issuer, the Bank and the Company shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bank shall continue as if no such proceeding had been taken.

SECTION 6.08. WAIVER AND NON-WAIVER OF EVENT OF DEFAULT. (A) The Bank may, in its discretion, in writing, agree to waive any Event of Default hereunder and its consequences and annul any acceleration in accordance with Section 6.02 hereof. No such waiver shall extend to or affect any other existing or any subsequent Event of Default.

(B) The failure of the Bank to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Mortgage. Neither the Issuer nor the Company shall be relieved of its respective obligations hereunder by reason of (1) failure of the Bank to comply with any request of the Company to take any action to foreclose this Mortgage or otherwise enforce any of the provisions hereof, (2) the release, regardless of consideration, of the whole or any part of the Mortgaged Property, or (3) any agreement or stipulation by the Bank extending the time of payment or otherwise modifying or supplementing the terms of this Mortgage or any of the other Financing Documents. The Bank may resort for the payment of the Mortgage Indebtedness to any other security held by the Bank pursuant to the Financing Documents in such order and manner as the Bank, in its discretion, may elect. The Bank may take action to recover the Mortgage Indebtedness, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of the Bank thereafter to foreclose this Mortgage. The rights of the Bank under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of the Bank shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. No

waiver of any right of the Bank shall be effective unless it is in a writing signed by an officer of the Bank.

SECTION 6.09. REPAYMENT AND SECURING OF EXPENSES PAID BY THE BANK. In the event the Bank shall pay any premiums on any policies of insurance required to be maintained or procured by Section 4.02 hereof, or in the event the Bank shall expend any funds for the payment of any unpaid taxes or assessments upon the Mortgaged Property, or pay or perform any other obligation of either the Issuer or the Company under any of the Financing Documents, then in any such event such payment shall be deemed to be secured by this Mortgage and shall be payable to the Bank in the manner provided and with interest as provided herein, or if not so provided herein, shall be payable on demand with interest at the Default Interest Rate.

SECTION 6.10. REPAYMENT AND SECURING OF COLLECTION COSTS INCURRED BY THE BANK. (A) In the event this Mortgage or the Bonds or any of the other Financing Documents or all of the foregoing are placed in the hands of an attorney (1) for collection of any sum payable hereunder or thereunder, (2) for the foreclosure of this Mortgage, or (3) for the enforcement of any of the terms, conditions and obligations of this Mortgage or any of the Financing Documents, the Company agrees to pay all costs of collection (including reasonable counsel fees and expenses) incurred by the Bank, together with interest thereon at the Default Interest Rate. All such costs as incurred shall be deemed to be secured by this Mortgage and collectible out of the proceeds of this Mortgage in any manner permitted by law or by this Mortgage.

(B) In addition to and not in limitation of the foregoing, in any action or proceeding to foreclose this Mortgage, or to recover or collect the debt secured hereby, the provisions of law respecting the recovery of costs, disbursements and allowances shall also apply. The reasonable expenses of pursuing, searching for, retaking, receiving, holding, storing, safe-guarding, any environmental testing and cleanup, insuring, accounting for, advertising, preparing for sale or lease, selling, leasing and the like, plus attorney's fees, fees for certified public accountants, fees for auctioneers, fees for brokers and/or appraisers, fees for security guards, fees for environmental auditors and engineers, fees for hazard insurance premiums, or any other reasonable costs or disbursements whatsoever incurred by or contracted for by the Bank in connection with the disposition of the Mortgaged Property (including any of the foregoing incurred or contracted for by the Bank in connection with any bankruptcy or insolvency proceedings involving the Issuer or the Company) shall all be chargeable to the Issuer and the Company and shall be secured by this Mortgage, and the Issuer and the Company will also be responsible for any deficiency (but, in the case of the Issuer, only to the extent set forth in Section 7.10 hereof).

SECTION 6.11. OTHER ACTIONS BY THE HOLDER. Regardless of the happening of the Event of Default, the Bank may institute and maintain such suits and proceedings as it shall deem necessary or expedient to prevent any impairment of the security under this Mortgage by

any acts which may be unlawful or in violation of this Mortgage, or to preserve or protect the interests of the Bank.

SECTION 6.12. SALE IN ONE PARCEL. In case of a sale, the Project Facility may be sold in one parcel. Should the Project Facility consists of more than one parcel, in the even of a foreclosure of this Mortgage or any mortgage at any time consolidated with this Mortgage, the Company and the Issuer agree that the Bank shall be entitled to a judgment directing the referee appointed in the foreclosure proceeding to sell all of the parcels constituting the Project Facility at one foreclosure sale, either as a group or separately and that the Company and the Issuer expressly waive any right that each may now have or hereafter acquire to (i) request or require that the parcels be sold separately or (ii) request, if the Bank has elected to sell parcels separately, that there be a determination of any deficiency amount after any such separate sale or otherwise require a calculation of whether said parcel or parcels separately sold were conveyed for their "fair market value".

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Mortgage or the other Financing Documents is intended or shall be construed to give any Person, other than the parties hereto or thereto, and their successors and assigns, any right, remedy or claim under or with respect to this Mortgage or any covenants, conditions and provisions herein contained. This Mortgage and all of the covenants, conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their successors and assigns as herein provided.

SECTION 7.02. NOTICES. (A) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) delivered to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE ISSUER:

Counties of Warren and Washington Industrial Development Agency
5 Warren Street

Glens Falls, New York 12801
Attention: Chairman

WITH A COPY TO:

Fitzgerald Morris Baker Firth P.C.
One Broad Street Plaza
Glens Falls, New York 12801
Attention: Robert C. Morris, Esq.

IF TO THE COMPANY:
Angiodynamics, Inc.
603 Queensbury Avenue
Queensbury, New York 12804
Attention: Joseph Gerardi, Vice President and Controller

WITH A COPY TO:

Kevin J. Kelley, Esq.
Bond, Schoeneck & King, PLLC
111 Washington Avenue
Albany, New York 12210

IF TO THE BANK:

KeyBank National Association
166 South Pearl Street
Albany, New York 12207
Attn:

WITH A COPY TO:

Lemery Greisler, LLC
10 Railroad Place
Saratoga Springs, New York 12866
Attention: James A. Carminucci, Esq.

(C) A duplicate copy of each notice, certificate and other communication given by the Issuer or the Company shall be given to the Bank.

(D) The Issuer, the Company and the Bank may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

(E) Whenever in this Mortgage the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person or Persons entitled to receive such notice.

SECTION 7.03. COUNTERPARTS. This Mortgage may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.04. APPLICABLE LAW. This Mortgage shall be governed exclusively by the applicable laws of the State.

SECTION 7.05. TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING. The table of contents and the headings of the several articles and sections of this Mortgage have been prepared for convenience of reference only and shall not control, affect the meaning of or be taken as an interpretation of any provision of this Mortgage.

SECTION 7.06. SEVERABILITY. (A) If any provision of this Mortgage shall, for any reason, be held or shall, in fact, be inoperative or unenforceable in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance or render any other provision herein contained inoperative or unenforceable.

(B) The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Mortgage shall not affect the remaining portions of this Mortgage or any part thereof.

SECTION 7.07. COVENANTS RUN WITH THE LAND. All of the grants, covenants, terms, provisions and conditions herein shall run with the Land and the Facility and shall apply to, bind and inure to the benefit of the parties hereto and their successors and assigns.

SECTION 7.08. AMENDMENT. Neither this Mortgage nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

SECTION 7.09. USURY. Notwithstanding anything to the contrary contained herein, in no event shall the total of all charges payable hereunder or under any of the Financing Documents which are or could be held to be in the nature of interest exceed the maximum rate permitted to be charged under applicable law. Should the Bank receive any payment which is or would be in excess of that permitted to be charged under any applicable law, such payment shall have been, and shall be deemed to have been, made in error and shall automatically be applied to reduce the Mortgage Indebtedness.

SECTION 7.10. NO RECOURSE; SPECIAL OBLIGATION. (A) The obligations and agreements of the Issuer contained herein and in the other Financing Documents and in any other instrument or document executed in connection herewith or therewith, and any other instrument or document supplemental hereto or thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, officer, director, agent (other than the Company) or employee of the Issuer in his individual capacity, and the members, officers, directors, agents (other than the Company) and employees of the Issuer shall not be liable personally hereon or thereon or be

subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Issuer contained herein and therein shall not constitute or give rise to an obligation of the State of New York or the Counties of Warren and Washington, New York, and neither the State of New York nor the Counties of Warren and Washington, New York shall be liable hereon or thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Mortgaged Property (except for revenues derived by the Issuer with respect to the Unassigned Rights) and the other security pledged to the payment of the Bonds.

(C) No order or decree of specific performance with respect to any of the obligations of the Issuer hereunder or thereunder shall be sought or enforced against the Issuer unless (1) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Issuer shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten [10] days, shall have failed to institute and diligently pursue action to cause compliance with such request) or failed to respond within such notice period, (2) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, directors, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify, defend and hold harmless the Issuer and its members, directors, officers, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Issuer, shall furnish to the Issuer satisfactory security to protect the Issuer and its members, officers, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request.

(D) The limitations on the obligations of the Issuer contained in this Section 7.10 by virtue of any lack of assurance or indemnity required by paragraph (C) hereof shall not be deemed to prevent the occurrence and full force and effect of any Event of Default pursuant to Section 6.01 hereof.

SECTION 7.11. TAX LAWS. If any law or ordinance is enacted or adopted which imposes a tax, either directly or indirectly, on this Mortgage, the Company will pay, or cause to be paid, such tax, with interest and penalties thereon, if any.

SECTION 7.12. REVENUE STAMPS. If at any time any Governmental Authority shall require revenue or other stamps to be affixed to this Mortgage, the Company will pay, or cause to be paid, the same, with interest and penalties thereon, if any.

SECTION 7.13. FURTHER ASSURANCE. The Issuer and the Company will execute and procure for the Bank and cause to be done any further conveyances, instruments or acts of further assurance as the Bank shall reasonably require to perfect the security of the Bank in the Mortgaged Property intended now or hereafter to be covered by this Mortgage or otherwise for carrying out the intention of facilitating the performance of the terms of this Mortgage.

SECTION 7.14. SATISFACTION OF MORTGAGE. Upon the payment in full of all of the amounts due under the Bonds, if (A) there is no Event of Default under the Indenture, (B) the Issuer and the Company have performed and observed all the covenants to be performed and observed hereunder and have performed all obligations under the Indenture, the Installment Sale Agreement and the other Financing Documents to which they are parties, and (C) the Company has paid or caused to be paid to the Bank all sums of money due or to become due to it in accordance with the terms and provisions hereof and of the other Financing Documents to which it is a party, including, without limitation all indemnification provisions, the Bank by acceptance of this Mortgage, agrees to execute and deliver (after the expiration of the preference period under federal bankruptcy law and any similar period under any similar statute affecting creditors' rights), any and all instruments necessary and/or appropriate to discharge the Lien of this Mortgage of record and to terminate the UCC-1 Financing Statements filed in connection with this Mortgage and the other Financing Documents.

SECTION 7.15 LIEN LAW. The Issuer and the Company will receive the advances to be made hereunder subject to the trust provisions of Section 13 of the Lien Law of the State of New York, and will hold the right to receive such advances as a trust fund to be applied first for the purpose of paying the cost of constructing the improvements to the Facility Parcel and will apply the same first to such payment before using any part of the same for any other purpose, but nothing herein shall be construed to impose upon the Bank any obligation to see to the proper allocation of such advances by the Issuer.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Mortgage to be executed in their respective names by their duly authorized officers and have caused this; Mortgage to be dated as of the day and year first above written.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

By: /s/ Bruce A. Ferguson

Bruce A. Ferguson, Chairman

ANGIODYNAMICS, INC.

By: /s/ Eamonn P. Hobbes

Authorized Officer

STATE OF NEW YORK)
) SS.:
COUNTY OF WARREN)

On the 27th day of August, in the year 2002, before me, the undersigned, a notary public in and for said state, personally appeared BRUCE A. FERGUSON, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

/s/ Justin S. Miller

Notary Public

[Notary Stamp]

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

On the 28th day of August, in the year 2002, before me, the undersigned, a notary public in and for said state, personally appeared EAMONN P. HOBBS personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

[Notary Stamp]

EXHIBIT A

DESCRIPTION OF THE LAND

EXHIBIT B

DESCRIPTION OF THE EQUIPMENT

All articles of personal property and all appurtenances acquired with the proceeds of the Multimode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project), Series 2002 in the aggregate principal amount of $3,500,000 issued by the Counties of Warren and Washington Industrial Development Agency(the "Issuer") and now or hereafter attached to, contained in or used in connection with the Project Facility (as defined in the Mortgage and Security Agreement) or placed on any part thereof, though not attached thereto, including but not limited to the following:

(1) Pipes, screens, fixtures, heating, lighting, plumbing, ventilation, air conditioning, compacting and elevator plants, call systems, stoves, ranges, refrigerators and other lunch room facilities, rugs, movable partitions, cleaning equipment, maintenance equipment, shelving, flagpoles, signs, waste containers, outdoor benches, drapes, blinds and accessories, sprinkler systems and other fire prevention and extinguishing apparatus and materials, motors and machinery;

(2) Together with any and all products of any of the above, all substitutions, replacements, additions or accessions therefor, and any and all cash proceeds or non-cash proceeds realized from the sale, transfers or conversion of any of the above.

EXHIBIT 10.12

CLOSING ITEM NO.: A-2

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COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY

AND

THE HUNTINGTON NATIONAL BANK
AS TRUSTEE

TRUST INDENTURE

DATED AS OF AUGUST 1, 2002

RELATING TO THE MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BONDS (ANGIODYNAMICS, INC. PROJECT - LETTER OF CREDIT SECURED), SERIES 2002 ISSUED BY COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,500,000.

- ---

THIS INSTRUMENT IS INTENDED TO CONSTITUTE A SECURITY AGREEMENT UNDER THE UNIFORM COMMERCIAL CODE OF THE STATE OF NEW YORK.

TRUST INDENTURE

THIS TRUST INDENTURE dated as of August 1, 2002 (the "Indenture") by and between COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at the 5 Warren Street, Glens Falls, New York 12801 (the "Issuer") and THE HUNTINGTON NATIONAL BANK, a national banking association organized and existing under the laws of the United States of America having an office for the transaction of business located at Corporate Trust Department, 7 Easton Oval-EA4E63, Columbus, Ohio 43219, as trustee (the "Trustee") for the holders of the Issuer's Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002 in the aggregate principal amount of $3,500,000 (the "Bonds") issued by the Issuer hereunder;

WITNESSETH:

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, civic, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its facilities, to issue its bonds, for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof to secure the payment of such bonds and interest thereon; and

WHEREAS, the Issuer was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 862 of the Laws of 1971 of the State, as amended, constituting Section 890-C of the General Municipal Law (said Section and the Enabling Act being collectively referred to as the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, in April, 2002, Angiodynamics, Inc. (the "Company") presented an application (the "Application") to the Issuer, which Application requested that the Issuer consider undertaking a project (the "Project") consisting of the following: (A)(i) the acquisition of an interest in a certain parcel or parcels of land located at 603 Queensbury Avenue, Town of Queensbury, County of Warren, State of New York (the "Land"), (ii) the acquisition thereon of an approximately 32,000 square foot facility (the "Existing Facility"), together with equipment therein (the "Existing Equipment"), (iii) the making of certain renovations to the Existing Facility (as so renovated, the "Facility") consistent with its present and authorized use, (iv) the construction of approximately 32,000 square feet of additions(s) to the Existing Facility, (v) the purchase of additional equipment (together with the Existing Equipment, the "Equipment" and, together with the Land and the Facility, the "Project Facility") and (B) the financing of a part of the cost of the foregoing by issuing its tax-exempt Industrial Development Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $4,500,000.00, all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act"), as amended, the proceeds of which may be applied to the costs of issuance, and, as necessary and appropriate, the provision of a debt service reserve fund, capitalized interest or other means of providing credit enhancement for the Bonds; and (C) to lease (with the option to purchase) and/or sell the Project Facility to the Company, all pursuant to the Act;

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6 NYCRR Part 617, as amended (the "Regulations," and collectively with the SEQR Act, "SEQRA"), the Issuer has made a preliminary determination that the Project will not have a significant impact on the environment; and

WHEREAS, by resolution adopted by the members of the Issuer on June 24, 2002 (the "Inducement Resolution"), the members of the Issuer agreed, subject to numerous conditions, including (A) all requirements of the SEQR Act that relate to the Project and (B) the public hearing and notice requirements and other procedural requirements contained in Section 859-a of the Act, to accept the Application and enter into a preliminary agreement (the "Preliminary Agreement") relating to the Project; and

WHEREAS, pursuant to the authorization contained in a resolution of the Issuer dated May 20, 2002, the Executive Director of the Issuer (A) caused notice of a public hearing of the Issuer (the "Public Hearing") pursuant to Section 859-a of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to hear all persons interested in the Project and the Financial Assistance being contemplated by the Issuer with respect to the Project, to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is to be located, (B) caused notice of the Public Hearing to be published on May 15, 2002, in The Post Star, a newspaper of general circulation available to residents of the Town of Queensbury, (C) conducted the Public Hearing on June 17, 2002 at 3:00 o'clock p.m., local time in the Board of Supervisers Chambers in the Warren County Municipal Center, Queensbury, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and

distributed same to the members of the Issuer and to the County Legislature of both Warren and Washington County, New York (the "County Legislature"). By resolutions dated June 21, 2002 and July 17, 2002 (collectively, the "Public Approval"), the County Legislature of Washington County, and Warren County respectively, approved the issuance of the bonds for purposes of Section 147(f) of the Code; and

WHEREAS, the Issuer, by resolution adopted by the members of the Issuer on July 15, 2002 (the "Bond Resolution"), determined to issue the Initial Bonds for the purpose of financing the costs of undertaking the Project; and

WHEREAS, in connection with the issuance of the Initial Bonds and as a condition to the issuance thereof, the Issuer and the Company have entered into an installment sale agreement dated as of August 1, 2002 (the "Installment Sale Agreement") specifying the terms and conditions pursuant to which the Issuer agrees to acquire, construct and install the Project Facility, to appoint the Company as agent of the Issuer to undertake such acquisition, construction and installation of the Project Facility, and to sell the Project Facility to the Company; and

WHEREAS, simultaneously with the issuance of the Initial Bonds, for the purpose of undertaking and completing the Project, the Issuer proposes to acquire from the Company all right, title and interest of the Company in the Project Facility pursuant to (a) a bill of sale dated as of August 1, 2002 (the "Bill of Sale to Issuer") from the Company, as grantor, to the Issuer, as grantee and (b) a deed dated as of August 1, 2002 (the "Deed to Issuer") from the Company and Issuer; and

WHEREAS, as security for the Initial Bonds, the Company will enter into a reimbursement agreement dated as of August 1, 2002 (the "Reimbursement Agreement") with KeyBank National Association, a national banking association corporation organized and existing under the laws of the United States of America (the "Bank"), pursuant to which the Bank is to issue in favor of the Trustee an irrevocable transferable direct-pay letter of credit (the "Letter of Credit"), said Letter of Credit to be in a maximum amount (which shall decline at fixed intervals) equal to $3,500,000, plus an amount sufficient to cover accrued interest if necessary; and

WHEREAS, as security for all amounts payable to the Bank pursuant to the Reimbursement Agreement, the Issuer and Company will grant to the Bank a mortgage Lien on and security interest in the Project Facility pursuant to a mortgage and security agreement dated as of August 1, 2002 (the "Mortgage") from the Issuer and the Company to the Bank; and

WHEREAS, as security for the Bonds, the Issuer will assign to the Trustee certain of the Issuer's rights and remedies under the Installment Sale Agreement, including the right to receive installment purchase payments and other amounts payable thereunder, but not including the Unassigned Rights (as hereinafter defined), pursuant to a pledge and assignment dated as of August 1, 2002 (the "Pledge and Assignment") from the Issuer to the Trustee; and

WHEREAS, the Company's obligation to make all installment purchase payments due under the Installment Sale Agreement, and to perform all obligations related thereto, and the Issuer's obligation to repay the Bonds, will be further secured by a guaranty dated as of August 1, 2002 (the "Guaranty") from the Company to the Trustee; and

WHEREAS, the Trustee has the power to enter into this Indenture and to execute the trusts hereby created and in evidence thereof has joined in the execution hereof; and

WHEREAS, the execution and delivery of this Indenture and the issuance of the Bonds under the Act as herein provided have been in all respects approved and duly and validly authorized by the Bond Resolution; and

WHEREAS, the providing of the Project Facility is for a proper purpose, to wit, to promote the job opportunities, the health and the general prosperity and economic welfare of the inhabitants of the State pursuant to the provisions of the Act; and

WHEREAS, the Issuer deems it appropriate and necessary that the proceeds of the sale of the Bonds shall be deposited with the Trustee, and that, upon satisfaction of the requirements set forth herein, in the Installment Sale Agreement and in the Reimbursement Agreement, the Trustee shall disburse such proceeds to pay the Cost of the Project (as hereinafter defined); and

WHEREAS, the Bonds shall be payable solely from the Trust Revenues (as hereinafter defined), which include, without limitation, installment purchase payments made by the Company under the Installment Sale Agreement and payments made by the Bank pursuant to the Letter of Credit; and

WHEREAS, the Issuer, by the terms of this Indenture and as security for the Bonds, will grant the Trustee a first priority security interest in the Trust Revenues; and

WHEREAS, the Initial Bonds and the Trustee's certificate of authentication to be endorsed on the Initial Bonds are to be in substantially the forms attached hereto as Schedule I, and made a part hereof, as the case may be, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid pledge of and Lien (as hereinafter defined) on the Trust Revenues herein pledged to the payment of the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the execution and issuance of the Initial Bonds, subject to the terms hereof, have in all respects been duly authorized;

GRANTING CLAUSES

NOW, THEREFORE, the Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the

holders and owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure in the following order of priority, first, the payment of Debt Service Payments on, and the purchase price of, the Bonds according to their true intent and meaning, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured and enforced and, second, the payment to the Bank and performance by the Company of its reimbursement and other obligations under the Reimbursement Agreement, and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Bonds by the Bondholders and for other good and valuable consideration, the receipt of which is acknowledged, the Issuer has executed and delivered this Indenture and does hereby unto the Trustee and its successors and assigns, for the benefit of the holders and all future holders of the Bonds, GRANT A SECURITY INTEREST IN, PLEDGE AND ASSIGN the following (hereinafter referred to as the "Trust Estate"):

I

All right, title and interest of the Issuer in and to the Trust Revenues, including any payment made by the Bank pursuant to the Letter of Credit;

II

Any and all moneys and securities from time to time held by the Trustee under the terms of this Indenture, except (A) moneys on deposit in the Letter of Credit Account, the Redemption Premium Account and the Remarketing Proceeds Account of the Bond Fund and all moneys and investments therein (including without limitation the proceeds of the Credit Facility) deposited with or paid to the Trustee for the redemption of Bonds, notice of which has been duly given, or for the purchase of Tendered Bonds (as hereinafter defined) pursuant to this Indenture, and (B) moneys on deposit in the Rebate Fund (as hereinafter defined);

III

Any and all other Property (as hereinafter defined) of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder, by the Issuer or by anyone in its behalf or with its written consent in favor of the Trustee;

This Indenture is also intended to constitute a security agreement under the Uniform Commercial Code of the State so that the Trustee shall have and may enforce a security interest, to secure payment of all sums due or to become due under the Bonds and this Indenture, in so much of the Property (as hereinafter defined) described in Granting Clauses I through III above as may be made subject to such a security interest, including the moneys held by the Trustee hereunder, such security interest to attach at the earliest moment permitted by law and also to include and attach to all additions and accessions thereto, all substitutions and replacements therefor and all proceeds and products thereof and proceeds of proceeds, and all other contract rights and general intangibles of the Issuer (except the Unassigned Rights, as hereinafter defined)

obtained in connection with or relating to the Project Facility, as well as any and all items of property in the foregoing classifications which are hereafter acquired;

SUBJECT, HOWEVER, to Permitted Encumbrances (as hereinafter defined);

EXCEPTING THEREFROM, the Unassigned Rights (as hereinafter defined);

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby pledged and assigned, or agreed or intended so to be, unto the Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, and subject to the provisions hereof, (A) except as provided otherwise herein, first, for the equal and proportionate benefit, security and protection of all present and future Bondholders of the Bonds issued or to be issued under and secured by this Indenture, (B) for the enforcement of the payment of the Debt Service Payments on the Bonds, when payable, according to the true intent and meaning thereof and of this Indenture, and (C) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this Indenture, in each case, without preference, priority or distinction, as to lien or otherwise, of any one Bond over any other by reason of designation, number, date of the Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each Bond and all Bonds shall have the same right, lien and privilege under this Indenture and shall be secured equally and ratably hereby, it being intended that the lien and security of this Indenture shall take effect from the date hereof, without regard to the date of the actual issue, sale or disposition of the Bonds, as though upon that date all of the Bonds were actually issued, sold and delivered to purchasers for value; and, second, for the benefit and security of the Bank with respect to the Company's obligations under the Reimbursement Agreement; provided, however, that the Bank shall have no right to take any action, other than provided in Article X hereof, to enforce its rights or interest in the Trust Estate prior to the payment of all Debt Service Payments on the Bonds;

PROVIDED, HOWEVER, that (A) if the principal of the Bonds and the interest due or to become due thereon together with any premium required by redemption of any of the Bonds prior to maturity shall be well and truly paid, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with Article X hereof, and (B) if all of the covenants, agreements, obligations, terms and conditions of the Issuer under this Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Registrar, the Paying Agents and the Authenticating Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, and (C) if the Company shall pay and perform or cause to be paid and performed all of its reimbursement and other obligations under the Reimbursement Agreement, then, upon such final payments and subject to the provisions of Article X hereof, this Indenture and the Lien upon the Property described in Granting Clauses I through III above and the pledge of the Trust Revenues and the rights assigned and security interests granted hereby shall cease, determine and be void (except as provided in Section 1003 hereof with respect to the survival of certain provisions hereof and

except for the interests absolutely assigned in the Credit Facility Account, the Redemption Premium Account and the Remarketing Proceeds Account of the Bond Fund), and thereupon the Trustee shall execute and deliver to the Person (as hereinafter defined) or Persons designated in Article X such instruments in writing as shall be requisite to satisfy the Lien hereof upon the Property described in Granting Clauses I through III above, and convey to the Person or Persons designated in Article X the moneys and other Property, if any, then held by the Trustee, except moneys held by the Trustee for the payment of interest on, premium, if any, and principal of the Bonds and except as expressly provided in this Indenture; otherwise, this Indenture shall be and remain in full force and effect, upon the trusts and subject to the covenants and conditions hereinafter set forth.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and the Lien on all of the Property described in Granting Clauses I through III above and all Trust Revenues, including without limitation the revenues, receipts and other moneys hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer hereby agrees and covenants with the Trustee and with the respective holders and owners, from time to time, of the Bonds, as follows:

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ARTICLE I

DEFINITIONS

SECTION 101. DEFINITIONS. The following words and terms used in this Indenture shall have the respective meanings set forth below unless the context or use indicates another or different meaning or intent:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected by the Company and acceptable to the Bank.

"Act" means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 862 of the Laws of 1971 of the State, as amended from time to time.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against the Bank, the Company or the Issuer under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Additional Bonds" means any bonds issued by the Issuer pursuant to Section 214 of the Indenture.

"Additional Facility" means any additional property financed with the proceeds of Additional Bonds.

"Additional Project" means the purposes for which any Additional Bonds may be issued.

"Affiliate" of any specified entity means any other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified entity and "control", when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Credit Facility" means any direct pay letter of credit or other credit enhancement or support facility that has terms which are the same in all material respects (except for the term and maximum interest rate but including coverage of accrued interest on the Bonds for 98 days if the Bonds bear interest at the Weekly Rate or for 183 days if the Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate) as the then current Credit Facility and (A) shall have a term of not less than one year, (except if the Long-Term Rate shall then be in effect, the term of such Alternate Credit Facility shall not expire prior to (a) the first par redemption date plus 15 days or (b) the first redemption date plus 15 days if the Alternate Credit Facility covers the redemption premium) (B) shall be issued by a bank, a trust company or other financial institution or credit provider, and (C) with respect to which the Trustee shall have received the opinions required by Section 408(F) of the Indenture.

"Applicable Laws" means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Issuer were the owner of the Project Facility and as if the Company and not the Issuer were the owner of the Project Facility), including but not limited to (1)applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2)restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Arbitrage Certificate" means the certificate dated the Closing Date for the Initial Bonds executed by the Issuer and relating to certain requirements set forth in Section 148 of the Code.

"Authenticating Agent" means the Trustee and any agent so designated in and appointed pursuant to Section 204 of the Indenture.

"Authorized Investments" means any of the following: (A) Government Obligations; (B)obligations issued or guaranteed by any state or political subdivision thereof rated A or higher by Moody's and by S&P; (C) open market commercial or finance paper of any corporation having a net worth in excess of $100,000,000 and which is rated either P-1 or A-1 or an equivalent by Moody's and S&P; (D) bankers' acceptances drawn on and accepted by commercial banks including the Trustee or its affiliates; (E) investments due within 12 months in certificates of deposit issued by, or bankers' acceptances of, the Trustee or its affiliates, or of banks or trust companies organized under the laws of the United States of America or any state thereof, which must have a reported capital and surplus of at least $25,000,000 in dollars of the United States of America; (F) bank repurchase agreements, including the Trustee's or its affiliate's, fully secured by obligations of the type described in (A) above; (G) variable rate demand securities redeemable within 7 days or able to be tendered for remarketing or purchase upon no more than 7 days' notice and secured by a credit facility issued by a financial institution, which financial institution (or its corporate parent) maintains a long term debt rating assigned by Moody's and S&P which is not lower than the third highest long term debt category (without regard to numerical or other modifiers assigned within the category) by either Rating Service, or by both Rating Services, if rated by both Rating Services; and (H)shares of any so called "money market mutual fund", including any "money market mutual fund" which the Trustee or any of its affiliates provide services for a fee, whether as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, manager or otherwise, which invests solely in obligations described in items (A) through (G) above; and further provided that any such investment or deposit is not prohibited by law.

"Authorized Newspaper" means a newspaper in English customarily published each Business Day and generally circulated in the Borough of Manhattan, City and State of New York.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer, the Bank or the Company, as the case may be, by written certificate furnished to the Issuer, the Company, the Bank and the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice Chairman, or such other person as may be authorized by resolution of the members of the Issuer to act on behalf of the Issuer, (B) the Bank by a Vice President or an Assistant Vice President, or such other person as may be authorized by the board of directors of the Bank to act on behalf of the Bank, and (C) the Company by its President or any Vice President, or such other person as may be authorized by the board of directors of the Company to act on behalf of the Company.

"Available Moneys" means, with respect to any date, (A) funds which (1) have been paid to the Trustee by the Issuer, the Company, any Affiliate of the Company, any Guarantor or any Insider of any of the foregoing and deposited into and held in a separate and segregated subaccount or subaccounts in the Redemption Premium Account of the Bond Fund in which no moneys not deposited on the same date were at any time held, (2) have been on deposit in the Redemption Premium Account of the Bond Fund for a period of at least one hundred twenty-three (123) consecutive days prior to such date, during and prior to which period no Event of Bankruptcy has occurred and (3) are represented by cash or its equivalent as of such date; (B) moneys drawn under the Letter of Credit and deposited directly into the Credit Facility Account of the Bond Fund; (C) the proceeds deposited directly into the Defeasance Account of the Bond Fund from the sale of refunding obligations other than, directly or indirectly, to the Issuer, the Company, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them or any entity who at the time of the purchase of the Bonds, is a secured creditor of the Company or any Guarantor; (D) proceeds deposited directly into the Remarketing Proceeds Account of the Bond Fund from the marketing or remarketing of Bonds to any purchaser other than, directly or indirectly, the Company, the Issuer, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them or any entity who at the time of the purchase of the Bonds, is a secured creditor of the Company or any Guarantor; (E) proceeds from investment of the foregoing, provided such proceeds are retained in the Account in which they were earned; and (F) any other funds or payments so long as, in the opinion of reputable bankruptcy counsel, such payments will not constitute an avoidable preference under the standards set forth in the Bankruptcy Code.

"Bank" means the Credit Facility Issuer.

"Bank Documents" means the Letter of Credit, the Reimbursement Agreement, the Mortgage, the Bond Pledge Agreement, the Security Agreement and any other document now or hereafter executed by the Issuer, the Company or any Guarantor in favor of the Bank which affects the rights of the Bank in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under any Bank Document.

"Bank Rate" means the rate of interest being charged to the Company by the Credit Facility Issuer under the Reimbursement Agreement.

"Bankruptcy Code" means Title 11 of the United States Code, as it is amended from time to time.

"Beneficial Owner" means, with respect to the Bonds, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by the Depository under a book entry system.

"Bill of Sale to Company" means the bill of sale from the Issuer to the Company conveying all of the Issuer's interest in the Project Facility to the Company, substantially in the form attached as Exhibit B to the Installment Sale Agreement.

"Bill of Sale to Issuer" means the bill of sale delivered on the Closing Date from the Company to the Issuer conveying all of the Company's interest in the Project Facility to the Issuer.

"Bond" or "Bonds" means, collectively, (A) the Initial Bonds and (B) any Additional Bonds.

"Bond Counsel" means the law firm of Bond, Schoeneck & King, LLP, Albany, New York or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

"Bond Fund" means the fund so designated established pursuant to Section 401 (A) (2) of the Indenture.

"Bond Payment Date" means each Interest Payment Date and each date on which principal, interest or premium, if any, shall be payable on the Bonds according to their terms and the Indenture, including without limitation, scheduled mandatory redemption dates, unscheduled mandatory redemption dates, optional redemption dates and Stated Maturity, so long as any Bonds shall be Outstanding.

"Bond Pledge Agreement" means (A) the bond pledge agreement dated as of August 1, 2002 from the Company to the KeyBank National Association, as may be amended or supplemented from time to time, and (B) any similar bond pledge agreement by and between the Company and any Substitute Bank, as said bond pledge agreement may be amended or supplemented from time to time.

"Bond Proceeds" means (A) with respect to the Initial Bonds, the amount paid to the Issuer by the initial purchasers of the Initial Bonds as the purchase price for the Initial Bonds and

(B) with respect to any Additional Bonds, the amount paid to the Issuer by the initial purchasers of the Additional Bonds as the purchase price for the Additional Bonds.

"Bond Purchase Agreement" means the bond purchase agreement dated August 28, 2002 among the Issuer, the Company and the Underwriter.

"Bond Rate" means with respect to any Bond, the applicable rate of interest on such Bond, as set forth in such Bond.

"Bond Register" means the register maintained by the Bond Registrar in which, subject to such reasonable regulations as it, the Trustee or the Bond Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and for the registration of transfers of the Bonds.

"Bond Registrar" means the Trustee, acting in its capacity as bond registrar under the Indenture, and its successors and assigns as bond registrar under the Indenture.

"Bond Resolution" means the resolution of the members of the Issuer duly adopted on July 15, 2002 authorizing the Issuer to undertake the Project, to issue and sell the Initial Bonds and to execute and deliver the Financing Documents to which the Issuer is a party.

"Bond Year" means each one (1) year period ending on the anniversary of the Closing Date, or such other annual period provided for the computation of arbitrage rebate selected by the Company in the manner allowed under Section 148 of the Code.

"Bondholder" or "Holder" or "Owner of the Bonds" means the registered owner of any Bond as indicated on the bond register maintained by the Bond Registrar, other than the registered owner of any Bond which has been purchased pursuant to Section 304 of the Indenture and not surrendered for payment of the purchase price thereof.

"Book Entry Bonds" means the Bonds held in Book Entry Form, with respect to which the provisions of Section 213 of the Indenture shall apply.

"Book Entry Form" or "Book Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (A) the Beneficial Ownership Interests may be transferred only through a book entry and (B) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical Bond certificates "immobilized" in the custody of the Depository. The Book Entry System maintained by and the responsibility of the Depository and not maintained by or the responsibility of the Issuer or the Trustee is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in the Bonds.

"Building Loan Agreement" means the Building Loan agreement dated as of August 1, 2002 by and between the Bank and the Company, as said building loan agreement may be amended or supplemented from time to time.

"Business Day" means any day other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) any day on which banks located in the city in which the principal corporate trust office of the Trustee is located, or city in which the office of the Credit Facility Issuer at which demands for payment are to be presented is located are required or authorized by applicable law to remain closed.

"Certificate of Authentication" means the certificate of authentication in substantially the form attached to the forms of the Initial Bonds attached as Schedule I to the Indenture.

"Closing Date" means (A) with respect to the Initial Bonds, the date on which authenticated Initial Bonds are delivered to or upon the order of the Placement Agent and payment is received therefor by the Trustee on behalf of the Issuer, and (B) with respect to any Additional Bonds, the date on which such Additional Bonds are authenticated and delivered to the purchaser thereof and payment therefor is received by the Trustee on behalf of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of said Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company" means Angiodynamics, Inc., a business corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, to the extent permitted by Section 8.4 of the Installment Sale Agreement.

"Completion Date" means the earlier of (A) August 1, 2005 or (B) the date of substantial completion of the Project Facility as evidenced in the manner provided in Section 4.4 of the Installment Sale Agreement.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"Construction Period" means the period (A) beginning on the Inducement Date and (B) ending on the Completion Date.

"Continuing Disclosure Agreement" means, if required by Section 516 of the Indenture, the continuing disclosure agreement by and between the Company and the Trustee, as said continuing disclosure agreement may be amended or supplemented from time to time.

"Conversion" means (A) any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode and (B) the end of any Long-Term Rate Period.

"Conversion Date" means the first date any Conversion becomes effective.

"Conveyance Documents" means the Bill of Sale to Issuer and the Deed to Issuer.

"Cost of the Project" means all those costs and items of expense enumerated in Section 4.3 of the Installment Sale Agreement.

"Credit Facility" means the Letter of Credit or any Alternate Credit Facility delivered to the Trustee pursuant to the provisions of the Indenture.

"Credit Facility Account" means the special account so named established within the Bond Fund pursuant to Section 401(A)(2)(a) of the Indenture.

"Credit Facility Issuer" means (A), initially, KeyBank National Association, a national banking association organized under the laws of the United States, as issuer of the initial Letter of Credit, and (B) in the event an Alternate Credit Facility is outstanding, the institution issuing such Alternate Credit Facility.

"Debt Service Payment" means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the purchase price, if any, payable on the Bonds on such Bond Payment Date.

"Deed to Issuer" means the deed dated as of August 1, 2002 from the Company to the Issuer.

"Default Interest Rate" means a per annum rate of interest equal to the lesser of (A) the Prime Rate plus one percent (1%) per annum, or (B) the maximum permitted by law.

"Defaulted Interest" shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

"Depository" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

"Determination of Taxability" means, with respect to the Initial Bonds, (A) the enactment of legislation or the adoption of final regulations or a final decision, ruling or technical advice by any federal judicial or administrative authority which has the effect of requiring interest on the Initial Bonds to be included in the gross income of the Bondholders for federal income tax purposes (other than a Bondholder who is a "substantial user" of the Project or a "related person", as said quoted terms are used in Section 144 and Section 147(a) of the Code), (B) the receipt by the Trustee of a written opinion of Bond Counsel to the effect that interest on the Initial Bonds must be included in the gross income of the Bondholders for federal income tax purposes (other than a Bondholder who is a "substantial user" of the Project or a "related

person", as said quoted terms are used in Section 144 and Section 147(a) of the Code) or (C) the delivery to the Trustee of a written statement signed by an Authorized Representative of the Company to the effect that (1) the Company has exceeded or will exceed the maximum amount of capital expenditures permitted under Section 144(a)(4) of the Code or (2) the Company or another "test-period beneficiary" (as said quoted term is defined in Section 144(a)(10)(D) of the Code) has exceeded or will exceed the maximum amount of tax-exempt obligations permitted to be outstanding under Section 144(a)(10) of the Code; provided that no decision by any court or decision, ruling or technical advice by any administrative authority shall be considered final (A)unless the Bondholder involved in the proceeding or action giving rise to such decision, ruling or technical advice (1) gives the Company and the Trustee prompt notice of the commencement thereof and (2) offers the Company the opportunity to control the contest thereof, provided the Company shall have agreed to bear all expenses in connection therewith and to indemnify that Bondholder against all liabilities in connection therewith, and (B) until the expiration of all periods for judicial review or appeal.

"Direct Participant" means a Participant as defined in the Letter of Representations.

"Environmental Claim" shall mean, with respect to any person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or oral) by any other person (including any governmental authority, citizens group or employee or former employee of such person) alleging, asserting or claiming any actual or potential: (a) violation of any Environmental Law, (b) liability under any Environmental Law or (c) liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on, or resulting from, the presence or release into the environment of any Hazardous Materials at any location, whether or not owned by such person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Issuer, the Company, a Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them as debtor, under any applicable bankruptcy, reorganization, insolvency or other similar law as now or hereafter in effect applicable to the Issuer, the Company, any Guarantor, any Affiliate of the Issuer, the Company or of any Guarantor or Insider of any of them.

"Event of Default" means (A) with respect to the Indenture, any of those events defined as an Event of Default by the terms of Article VI of the Indenture, (B) with respect to the Installment Sale Agreement, any of those events defined as an Event of Default by the terms of Article X of the Installment Sale Agreement, and (C) with respect to any other Financing Document, any of those events defined as an Event of Default by the terms thereof.

"Excess Earnings" means an amount equal to the sum of (A) plus (B), where (A) is the excess of (1) the aggregate amount earned from the date of issuance of the Initial Bonds on all nonpurpose investments in which gross proceeds of the Bonds are invested (other than

investments attributable to an excess described in this clause (1)), over (2) the amount that would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (1)) had been invested at a rate equal to the yield on the Bonds; and (B)is any income attributable to the excess described in clause (1) of this definition. The sum of (A) plus (B) shall be determined in accordance with Section 148(f) of the Code. As used herein, the terms "gross proceeds", "nonpurpose investments" and "yield" have the meanings assigned to them for purposes of Section 148 of the Code.

"Extraordinary Services" and "Extraordinary Expenses" means all reasonable services rendered and all reasonable expenses incurred by the Trustee or any paying agent under the Indenture, other than Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorneys fees and any services rendered and any expenses incurred with respect to an Event of Default or with respect to the occurrence of an event which upon the giving of notice or the passage of time would ripen into an Event of Default under any of the Financing Documents.

"Financing Documents" means the Bonds, the Indenture, the Installment Sale Agreement, the Mortgage, the Pledge and Assignment, the Building Loan Agreement, the Guaranty, the Tax Documents, the Conveyance Documents, the Bank Documents, the Remarketing Agreement and any other document now or hereafter executed by the Issuer, the Company, any Guarantor or the Bank in favor of the Bondholders, the Trustee or the Bank which affects the rights of the Bondholders, the Trustee or the Bank in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under the Bonds or any other Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

"Financial Institution" means (A) any national bank, banking corporation, trust company or other banking institution, whether acting in its individual or fiduciary capacity, organized under the laws of the United States, any state, any territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the Comptroller of the Currency or a comparable state or territorial official or agency; (B) an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state, a territory or the District of Columbia; (C)an investment company registered under the Investment Company Act of 1940 or a business development company as described in Section 2(a)(48) of that Act; (D) an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company or registered investment company; or (E) institutional investors or other entities who customarily purchase commercial paper or tax-exempt securities in large denominations.

"Governmental Obligations" means (A) direct obligations of the United States of America, (B) obligations unconditionally guaranteed by the United States of America and (C)securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (A) or (B).

"Governmental Authority" means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance claim or Condemnation award.

"Guarantor" means the Company and any other guarantor of the obligations of the Company under the Reimbursement Agreement.

"Guaranty" means the guaranty dated as of August 1, 2002 from the Company to the Trustee, as said guaranty may be amended or supplemented from time to time.

"Hazardous Materials" means all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated byphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in or regulated under or defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S. C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

"Immediate Notice" means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, in writing or by telephone (promptly confirmed in writing).

"Indebtedness" means (A) the payment of the Debt Service Payments on the Bonds according to their tenor and effect, (B) all other payments due from the Issuer or the Company to the Trustee or the Bank pursuant to the Installment Sale Agreement or any other Financing Document, (C) the performance and observance by the Issuer and the Company of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee or the Bank pursuant to the Installment Sale Agreement or any other Financing Document, (D) the monetary obligations of the Company to the Issuer and its members, officers, agents, servants and employees under the Installment Sale Agreement and the other Financing Documents, and (E) all interest accrued on any of the foregoing.

"Indenture" means the trust indenture dated as of August 1, 2002 by and between the Issuer and the Trustee, as said trust indenture may be amended or supplemented from time to time.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and approved by the Bank and not a full-time employee of the Company or the Issuer.

"Indirect Participant" means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Insider" means any entity referred to or described in accordance with the standards set forth in Section 101(31) of the Bankruptcy Code, assuming for this purpose that the Issuer, the Company, any Guarantor, or any Affiliate of any of them, as applicable, is a debtor, and any limited partner or limited liability company member thereof.

"Inducement Date" means June 24, 2002.

"Initial Bonds" means the Issuer's Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002 in the aggregate principal amount of $3,500,000, issued pursuant to the Bond Resolution and Article II of the Indenture and sold by the Underwriter pursuant to the provisions of the Bond Purchase Agreement, and any Bonds issued in exchange or substitution thereof.

"Installment Sale Agreement" means the installment sale agreement dated as of August 1, 2002 by and between the Issuer and the Company, as said installment sale agreement may be amended or supplemented from time to time.

"Insurance and Condemnation Fund" means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

"Interest Payment Date" means, (A) with respect to any Additional Bonds, the Interest Payment Dates on said Additional Bonds, as established pursuant to the supplemental Indenture authorizing issuance of said Additional Bonds, and (B) with respect to the Initial Bonds, (1)while the Initial Bonds bear interest at the Weekly Rate, the first Thursday of each January, April, July and October, and (2) while the Initial Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate, February 1 and August 1 of each year. The first Interest Payment Date relating to the Initial Bonds shall be the Interest Payment Date in November, 2002. In any case, the final Interest Payment Date relating to the Initial Bonds shall be the Maturity Date of the Initial Bonds.

"Interest Period" means, for all Bonds, the period from and including each Interest Payment Date to and including the day next preceding the next Interest Payment Date. The first Interest Period for the Initial Bonds shall begin on (and include) the date of the initial delivery of the Initial Bonds. The final Interest Period for a Bond shall end on the Maturity Date (or redemption date) for such Bond.

"Interest Rate Mode" means the Weekly Rate, the Semi-Annual Rate or the Long-Term Rate.

"Issuer" means (A) Counties of Warren and Washington Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which Counties of Warren and Washington Industrial Development Agency or its successors or assigns may be a party.

"Letter of Credit" means the irrevocable transferable direct-pay letter of credit dated the Closing Date, issued by the Bank in favor of the Trustee pursuant to the Reimbursement Agreement as security for the Initial Bonds, in a maximum amount (which shall decline at fixed intervals) equal to $3,575,179, said sum representing the aggregate of (A) the principal of the Initial Bonds Outstanding, plus (B) 98 days' interest on all Outstanding Initial Bonds (computed at an assumed interest rate of 8%).

"Letter of Representations" means (A), with respect to the Initial Bonds, the letter of representations by and among the Issuer and the Depository relating to the Initial Bonds and any amendments or supplements thereto entered into with respect thereto, and (B), with respect to any Additional Bonds, any letter of representations by and among the Issuer, the Trustee and the Depository relating to the Additional Bonds, and any amendments or supplements thereto entered into with respect thereto.

"Lien" means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Lien Law" means the Lien Law of the State.

"Long-Term Rate" means the Interest Rate Mode for the Initial Bonds in which the interest rate on the Initial Bonds is determined in accordance with Section 209(C)(3) of the Indenture.

"Long-Term Rate Period" means any period beginning on, and including, the Conversion Date to the Long-Term Rate and ending on, and including, the day preceding the Interest Payment Date selected by the Company in accordance with the requirements of Section 209(D) of the Indenture and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"Mandatory Tender" means the mandatory tender of Bonds by the owner thereof upon (A) a Conversion pursuant to Section 209(B)(2)(e) of the Indenture, or (B) the delivery by the Company of an Alternate Credit Facility pursuant to Section 304 of the Indenture.

"Maturity Date" means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Company.

"Mortgage" means the mortgage and security agreement dated as of August 1, 2002 from the Company and the Issuer to the Bank granting the Bank a lien on the Project Facility as additional security for the obligations of the Company to the Bank pursuant to the Reimbursement Agreement, as said mortgage may be amended to supplemented from time to time.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Non-Qualifying Alternate Credit Facility" means an Alternate Credit Facility which is not a Qualifying Alternate Credit Facility.

"Office of the Trustee" means the corporate trust office of the Trustee specified in Section 1103 of the Indenture, or such other address as the Trustee shall designate pursuant to Section 1103 of the Indenture.

"Optional Redemption Premium" means the maximum applicable premium payable upon an optional redemption of the Bonds after the Conversion Date, as determined by the Remarketing Agent pursuant to Section 301(B)(2) of the Indenture.

"Ordinary Services" and "Ordinary Expenses" means those reasonable services normally rendered with those reasonable expenses, including reasonable attorneys' fees, normally incurred by a trustee or a paying agent, as the case may be, under instruments similar to the Indenture.

"Outstanding" means, when used with reference to the Bonds as of any date, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(A) Bonds theretofore canceled or deemed cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the

maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(C) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Company (unless all of the outstanding Bonds are then owned by the Company) shall be disregarded for the purpose of any such determination. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee established to the satisfaction of the Bond Registrar the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company. If the Indenture shall be discharged pursuant to Article X thereof, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

"Participant" shall have the meaning assigned to such term in the Letter of Representations.

"Paying Agent" or "Co-Paying Agent" means any national banking association, federal savings bank, bank and trust company or trust company appointed by the Company and meeting the qualifications of, and subject to the obligations of, the Trustee in Article XI hereof. "Principal Office" of any Paying Agent shall mean the office thereof designated in writing to the Trustee.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B)mechanics', materialmen's, warehousemen's, carriers' and other similar Liens to the extent permitted by Section 8.8(B) of the Installment Sale Agreement, (C) Liens for taxes, assessments and utility charges (1) to the extent permitted by Section 6.2(B) of the Installment Sale Agreement, or (2) at the time not delinquent, (D) any Lien on the Project Facility obtained through any Financing Document, and (E) any Lien on the Project Facility in favor of the Trustee or the Bank, or (F) any lien on the Project Facility approved in writing by the Bank (or, if the Bank is in default under the then current Credit Facility, the Trustee).

"Person" means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means with respect to the Issuer, the description of the Project Facility appearing in the fifth recital clause to the Indenture and the Installment Sale Agreement.

"Pledge and Assignment" means the pledge and assignment dated as of August 1, 2002 from the Issuer to the Trustee, pursuant to which the Issuer has assigned to the Trustee its rights

under the Installment Sale Agreement (except the Unassigned Rights), as said pledge and assignment may be amended or supplemented from time to time.

"Pledged Bonds" means any Bond at any time purchased, in whole or in part, with the proceeds of a draw on the Letter of Credit upon tender of such Bond and held by the Trustee as nominee for the Bank pursuant to the provisions of Section 305 of the Indenture.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 205 of the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"Prime Rate" shall mean the KeyBank National Association Prime Rate, which is that per annum interest rate announced from time to time publicly by the Bank as a reference rate for determining interest rates charged on certain loans, but is not necessarily the lowest rate at which the Bank lends. Any change in the Prime Rate shall be effective on the date such rate is raised or lowered at the Bank, with or without notice to the Company.

"Principal Payment Date" means, the dates for the payment of principal on the Bonds in accordance with the Company's irrevocable notice of optional redemption delivered to the Trustee on the Closing Date, which shall occur quarterly in each year on the Interest Payment Date of the first day of February, May, August and November of each year in the manner as set forth in the Reimbursement Agreement.

"Project" shall have the meaning set forth in the fifth recital clause to the Indenture and the Installment Sale Agreement.

"Project Costs" means Costs of the Project.

"Project Facility" means all materials, machinery, equipment, fixtures or furnishings intended to be acquired with the proceeds of the Bonds or any payment made by the Company pursuant to Section 4.5 of the Installment Sale Agreement, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Installment Sale Agreement, including, without limitation, all of the Property described in Exhibit A attached to the Installment Sale Agreement.

"Project Fund" means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Purchase Date" means (A) if the Interest Rate Mode is the Weekly Rate, any Business Day as set forth in Section 304(A)(1) and Section 304(A)(4) of the Indenture, respectively, (B) if the Interest Rate Mode is the Semi-Annual Rate, any Interest Payment Date, (C) if the Interest

Rate Mode is the Long-Term Rate, the final Interest Payment Date for each Long-Term Rate Period, and (D) each day that Bonds are subject to mandatory purchase pursuant to Section 304(B) of the Indenture.

"Purchase Price" means an amount equal to one hundred percent (100%) of the principal amount of any Bond tendered or deemed tendered pursuant to Section 304 or Section 305 of the Indenture, plus accrued and unpaid interest thereon to the Purchase Date.

"Qualifying Alternate Credit Facility" means an Alternate Credit Facility in connection with which the Trustee shall have received (A), if the Bonds are then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) from the Rating Service then rating the Bonds to the effect that such Rating Service has reviewed the proposed Alternate Credit Facility and that the substitution of the Alternate Credit Facility will not, by itself, result in (1) a permanent withdrawal of its rating of the Bonds or (2) the reduction of the current rating of the Bonds, or (B) if the Bonds are not then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) that the Alternate Credit Facility would be issued by a Credit Facility Issuer which, or the parent corporation of which, has a long-term debt rating assigned by a Rating Service which is equal to or better than the rating of the Credit Facility Issuer being replaced.

"Rate Period" means any period during which a single interest rate is in effect for a Bond.

"Rating Service" means Moody's, if the Bonds are rated by Moody's at the time, and/or S&P, if the Bonds are rated by S&P at the time, and their successors and assigns.

"Rebate Amount" as of any date means the Excess Earnings as of such date, or such other amount as may be due to the United States pursuant to Section 148(f) of the Code.

"Rebate Fund" means the fund so designated established pursuant to Section 401(A)(4) of the Indenture.

"Rebate Fund Earnings Subaccount" means the special account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(b) of the Indenture.

"Rebate Fund Principal Subaccount" means the account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(a) of the Indenture.

"Record Date" means, as the case may be, the applicable Regular Record Date or Special Record Date.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the provisions of the Indenture and such Bond.

"Redemption Premium Account" means the Redemption Premium Account created under Section 405 of the Indenture.

"Regular Record Date" means, with respect to any Interest Period, the close of business on the last Business Day of such Interest Period.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of August 1, 2002 between the Company and KeyBank National Association, as the same may be amended from time to time and filed with the Trustee, and any agreement of the Company with a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purpose of the Indenture.

"Related Person" means any Person constituting a "related person" within the meaning ascribed to such quoted term in Section 144(a)(3) of the Code, except when used in connection with the phrase "substantial user", in which case the phrase "Related Person" shall have the meaning set forth in Section 147(a) of the Code.

"Remarketing Agent" means McDonald Investments Inc. and its successors as provided in Section 718 of the Indenture. "Principal Office" of the Remarketing Agent means the office designated as such in writing to the Company, the Trustee and the Tender Agent.

"Remarketing Agreement" means the remarketing agreement dated as of August 1, 2002 by and among the Company, the Issuer and the Remarketing Agent, as said remarketing agreement may be amended or supplemented from time to time, and any remarketing agreement between the Company and a successor Remarketing Agent.

"Remarketing Proceeds Account" means the Remarketing Proceeds Account created under Section 405 of the Indenture.

"Request for Disbursement" means a request from the Company, as agent of the Issuer, stating the amount of the disbursement sought and containing the statements, representations and other items required by Section 4.3 of the Installment Sale Agreement, the Reimbursement Agreement and the Indenture, in substantially the form of Exhibit C attached to the Indenture.

"Requirement" or "Local Requirement" means any law, ordinance, order, rule or regulation of a Governmental Authority or a local authority, respectively.

"Revenues" means (a) all amounts payable to the Trustee with respect to the principal or redemption price of, or interest on, the Bonds (i) by the Company as required under the Installment Sale Agreement, (ii) upon deposit in the Bond Fund from the proceeds of the Bonds, and (iii) by the Credit Facility Issuer under a Credit Facility, and (b) investment income with respect to any moneys held by the Trustee in the Bond Fund. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"Sales Tax Exemption Letter" shall have the meaning assigned to such term in Section 8.14 of the Installment Sale Agreement.

"Security Agreement" means the security agreement dated as of August 1, 2002 from the Company to the Bank, as paid security agreement may be amended or supplemented from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"Semi-Annual Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined in accordance with Section 209(C)(3).

"Semi-Annual Rate Period" means any period beginning on, and including, the Conversion Date to the Semi-Annual Rate and ending on, and including, the day preceding the next Interest Payment Date thereafter and each successive six (6) month period thereafter until the day preceding Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"SEQRA" means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

"Special Record Date" means a date for the payment of any Defaulted Interest on the Bonds fixed by the Trustee pursuant to Section 207(C) of the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Group, a New York corporation, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Company.

"State" means the State of New York.

"Stated Maturity" means, when used with respect to any Bond or any installment of interest or principal thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

"Substitute Bank" means the issuer of any Alternate Credit Facility.

"Tax Documents" means, collectively, (A) with respect to the Initial Bonds, the Arbitrage Certificate and the Tax Regulatory Agreement and (B) with respect to any Additional Bonds, any similar documents executed by the Issuer and/or the Company in connection with the issuance of such Additional Bonds.

"Tax Incidence Date" means, with respect to any recipient of interest paid or payable on the Bonds, the first such date of the period for which any interest paid or payable on the Bonds was or is includable in the gross income of such recipient thereof for purposes of income taxation under the laws of the United States, without regard to whether or not any such recipient exercised any or all of the rights or remedies granted such recipient by the Financing Documents or by law.

"Tax Regulatory Agreement" means the tax regulatory agreement dated the Closing Date executed by the Company in favor of the Issuer and the Trustee, with a certificate of the Placement Agent attached thereto, regarding, among other things, the restrictions prescribed by the Code in order for interest on the Initial Bonds to remain excludable from gross income for federal income tax purposes.

"Tender Agent" means the initial and any successor tender agent appointed in accordance with Section 716 of the Indenture. "Principal Office" of the Tender Agent means the office thereof designated as such in writing to the Trustee, the Company and the Remarketing Agent.

"Tendered Bond" means any Bond or portion thereof which is the subject of (A) a demand from the Owner thereof that such Bond be purchased pursuant to Section 304(A) of the Indenture or (B) a mandatory purchase pursuant to Section 304(B) of the Indenture.

"Termination of Installment Sale Agreement" means a termination of the Installment Sale Agreement by and between the Company, as purchaser, and the Issuer, as seller, intended to evidence the termination of the Installment Sale Agreement, substantially in the form attached as Exhibit C to the Installment Sale Agreement.

"Trust Estate" means all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Financing Document.

"Trust Revenues" means (A) all payments of installment purchase payments made or to be made by or on behalf of the Company under the Installment Sale Agreement (except payments made with respect to the Unassigned Rights), (B) all other amounts pledged to the Trustee by the Issuer or the Company to secure the Bonds or performance of their respective obligations under the Installment Sale Agreement and the Indenture, (C) the Net Proceeds (except proceeds with respect to the Unassigned Rights) of insurance settlements and Condemnation awards with respect to the Project Facility, (D) all payments received by the Trustee under the Letter of Credit, (E) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1)moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of which has been duly given, (2) moneys deposited with the Trustee or the Tender Agent for the purchase of Tendered Bonds, and (3) as specifically otherwise provided, and (F) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and amounts held therein shall not secure any amount payable on the Bonds.

"Trustee" means The Huntington National Bank, a national banking association organized and existing under the laws of the United States of America, or any successor trustee or co-trustee acting as trustee under the Indenture.

"Unassigned Rights" means (A) the rights of the Issuer granted pursuant to Sections 2.2, 3.2, 3.3, 4.1(B), 4.1(D), 4.1(E)(2), 4.1(F), 4.1(G), 5.2(A), 5.2(D), 5.3(B)(2), 5.3(B)(3), 5.4(A), 5.4(B), 6. 1(A), 6. 1(B), 6.3, 6.4, 6.5, 6.6, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.11,

8.15, 8.16, 9.1, 9.3, 9.4, 11.1, 11.4, 11.8 and 11.10 of the Installment Sale Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, officers, agents (other than the Company) and employees of the Issuer for their own account pursuant to Sections 2.2(F), 3.3, 4. 1(F), 5.3(B)(2), 5.3(C), 6.4(B), 8.2, 10.2 and 10.4 of the Installment Sale Agreement, (C) the rights of the Issuer under Section 6.6 of the Installment Sale Agreement, and (D) the right to enforce the foregoing pursuant to Article X of the Installment Sale Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Company under the Sections of the Installment Sale Agreement listed in (A), (B), (C) and (D) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Company) and employees of the Issuer for their own account, such obligations, upon assignment of the Installment Sale Agreement by the Issuer to the Trustee pursuant to the Pledge and Assignment, shall be deemed to and shall constitute obligations of the Company to the Issuer, the Trustee and the Bank, jointly and severally, and either the Issuer, the Trustee or the Bank may commence an action to enforce the Company's obligations under the Installment Sale Agreement.

"Underwriter" means McDonald Investments Inc., a Key Corp Company, as underwriter for the Initial Bonds.

"Weekly Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined weekly in accordance with Section 209(C)(3) of the Indenture.

"Weekly Rate Period" means the period beginning on, and including, the date of issuance of the Bonds, and ending on, and including, the next Wednesday (except if the date of issuance of the Bonds is a Wednesday then the first Weekly Rate Period shall begin and end on such Wednesday) and thereafter the period beginning on, and including, any Thursday and ending on, and including, the next Wednesday.

SECTION 102. INTERPRETATION. (A) In this Indenture, unless the context otherwise requires:

(1) the terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms, as used in this Indenture, refer to this Indenture, and the term "heretofore" shall mean before, and the term "hereafter" shall mean after, the date of this Indenture;

(2) words of the masculine gender shall mean and include correlative words of the feminine and neuter genders;

(3) words importing the singular number shall mean and include the plural number, and vice versa;

(4) any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall neither constitute a part of this Indenture nor affect its meaning, construction or effect;

(5) words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its Stated Maturity or the purchase of said Bond;

(6) all references to time in this document refer to New York City time; and

(7) any certificates, letters or opinions required to be given pursuant to this Indenture shall mean a signed document attesting to or acknowledging the circumstances, representations, opinions of law or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Indenture.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any persons, other than the Issuer, the Trustee, the Bank and the holders of the Bonds, any right, remedy or claim under or by any reason of this Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Bank and the holders of the Bonds.

(C) If any one or more of the covenants or agreements provided herein on the part of the Issuer or the Trustee to be performed shall, for any reason, be held or shall, in fact, be inoperative, unenforceable or contrary to law, in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance. Further, if any one or more of the phrases, sentences, clauses, paragraphs or sections herein should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.

SECTION 103. CONDITIONS PRECEDENT SATISFIED. All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Indenture have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly empowered to execute and enter into this Indenture.

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ARTICLE II

THE BONDS

SECTION 201. RESTRICTION ON ISSUANCE OF BONDS. No Bonds may be authenticated and issued under the provisions of this Indenture except in accordance with this Article II. Except as provided in Section 205 and Section 214 hereof, the total aggregate principal amount of Bonds that may be issued and authenticated hereunder is expressly limited to $3,500,000.

SECTION 202. LIMITED OBLIGATIONS. (A) The Bonds, together with the premium, if any, and the interest thereon, shall be limited obligations of the Issuer payable, with respect to the Issuer, solely from the Trust Revenues, which Trust Revenues are hereby pledged and assigned for the equal and ratable payment of all sums due under the Bonds, and shall be used for no other purpose than to pay the principal of, premium, if any, on and interest on the Bonds except as may be otherwise expressly provided herein.

(B) THE BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE STATE OR OF THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK AND NEITHER THE STATE NOR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OR OF THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK.

(C) No recourse shall be had for the payment of the principal of, or the premium, if any, or the interest on, any Bond or for any claim based thereon or on this Indenture against any past, present or future member, officer, employee or agent (other than the Company), as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

SECTION 203. EXECUTION. (A) The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of its Chairman or its Vice Chairman, and the Issuer's corporate seal, or a reproduction thereof, shall be impressed, imprinted or otherwise reproduced thereon and attested by the manual or facsimile signature of its Secretary or its Assistant Secretary. All such facsimile signatures shall have the same force and effect as if said officers had manually signed the Bonds. The reproduction of the Issuer's corporate seal on the Bonds shall have the same force and effect as if the Issuer's corporate seal had been impressed on the Bonds.

(B) In case any officer of the Issuer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond or the issuance of a new Bond following a transfer or exchange, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

SECTION 204. AUTHENTICATION. (A)Only such Bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in the form of Bond attached

hereto as Schedule I duly executed by the manual signature of an authorized officer of the Trustee or its Authenticating Agent shall be entitled to any right or benefit under this Indenture.

No Bonds shall be valid or obligatory for any purpose unless and until such Certificate of Authentication shall have been duly executed by the Trustee or its Authenticating Agent; and such executed Certificate of Authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Certificate of Authentication executed by the Trustee or its Authenticating Agent on any Bond shall be deemed to have been executed by the Trustee if signed by an authorized officer of the Trustee or its Authenticating Agent, as the case may be, but it shall not be necessary that the same person sign the Certificate of Authentication on all of the Bonds.

(B) If the Bond Registrar is other than the Trustee, the Trustee may appoint the Bond Registrar as an Authenticating Agent with the power to act on the Trustee's behalf and subject to its direction in the authentication and delivery of Bonds in connection with the registration of transfers and exchanges under Section 206 hereof, and the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section shall, for all purposes of this Indenture, be deemed to be the authentication and delivery "by the Trustee". The Trustee shall, however, itself authenticate all Bonds upon their initial issuance and any Bonds issued in substitution for other Bonds pursuant to Sections 205 and 208 hereof. The Trustee shall be entitled to be reimbursed for payments made to any Authenticating Agent as reasonable compensation for its services.

(C) Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation is otherwise eligible as a Bond Registrar under Section 206 hereof, without the execution or filing or the taking of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

(D) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, the Company and the Issuer. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee may appoint a successor Authenticating Agent, shall give written notice of such appointment to the Company and shall mail notice of such appointment to all owners of Bonds as the names and addresses of such owners appear on the Bond Register.

SECTION 205. MUTILATED, LOST, STOLEN OR DESTROYED BONDS. (A) In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond, executed by the Issuer as provided in Section 203 hereof, of like maturity, interest rate and denomination as the Bond so mutilated, lost, stolen or destroyed. Any mutilated Bond shall first be surrendered to the Trustee; and in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the Trustee evidence of such loss, theft or

destruction satisfactory to the Trustee, together with indemnity satisfactory to the Trustee. The Issuer or the Trustee may charge the holder or owner of such Bond a sum sufficient to cover any tax or other governmental charge in connection with such exchange or substitution of such new Bond, together with any other reasonable fees and expenses incurred by the Issuer or the Trustee in connection therewith.

(B) Every Bond issued pursuant to the provisions of this Section 205 shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. However, the Trustee shall not be required to treat both the original Bond and any Bond issued in lieu thereof as being Outstanding for purposes of determining the principal amount of Bonds Outstanding under this Indenture or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original Bond and the Bond issued in lieu thereof shall be treated as one and the same.

(C) Notwithstanding any other provision of this Section 205, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, stolen or destroyed and which has matured, upon receipt of evidence of such mutilation, loss, theft or destruction and indemnity satisfactory to the Trustee, the Trustee may make payment for such Bond.

(D) All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instrument or investment or other securities without their surrender.

SECTION 206. TRANSFER AND EXCHANGE OF BONDS; PERSONS TREATED AS OWNERS. (A) All Bonds shall be issued in fully registered form. The Bonds shall be registered upon original issuance and upon subsequent transfer or exchange as provided in this Indenture.

(B) The Company shall designate one or more persons to act as Bond Registrar for the Bonds, provided that the Bond Registrar appointed for the Bonds shall be either the Trustee or a person which would meet the requirements for qualification as a successor trustee imposed by Section 708(B) hereof. The Trustee is designated and agrees to act as Bond Registrar for the Bonds. Any person other than the Trustee undertaking to act as Bond Registrar shall first execute a written agreement, in form satisfactory to the Trustee, to perform the duties of a Bond Registrar under this Indenture, which agreement shall be filed with the Trustee.

(C) The Bond Registrar shall act as registrar and transfer agent for the Bonds. The Bond Registrar shall cause a Bond Register to be kept on behalf of the Issuer at an office of the Bond Registrar in which, subject to such reasonable regulations as it, the Trustee, the Authenticating Agent or the Issuer may prescribe, the Bond Registrar shall provide for the registration of transfers of Bonds. The Issuer shall cause the Bond Registrar to designate, by a written notification to the Trustee, a specific office location (which may be changed from time to time, upon similar notification) at which the Bond Register is to be kept. If the Bond Registrar is the Trustee, such location shall be the Office of the Trustee.

(D) Except as provided in Section 213 hereof, any Bond, upon the surrender of such Bond to the Bond Registrar for registration of transfer, may be transferred, but only upon delivery to the Bond Registrar of an assignment duly executed by the registered owner or his duly authorized legal representative in the form imprinted on the Bond or in such other form as shall be satisfactory to the Bond Registrar. In the event of the appointment of a Tender Agent, other than the Trustee, such Tender Agent may act as co-bond registrar with respect to Tendered Bonds.

(E) Except as otherwise provided in Section 206(I) or Section 213 hereof, upon receipt of such Bond and upon satisfaction of the conditions set forth in Section 206(D) and Section 206(F) hereof, the Bond Registrar shall immediately record the transfer of such Bond on the Bond Register and cause the transferee or transferees to be the registered owner of such Bond. Upon any such registration of transfer, the Issuer shall execute and the Trustee or its Authenticating Agent shall authenticate and deliver in exchange for such Bond one or more new Bonds, executed by the Issuer as provided in Section 203 hereof, registered in the name of the designated transferee thereof, of any denomination or denominations authorized by this Indenture and for the same aggregate principal amount as the Bond or Bonds surrendered for transfer.

(F) At the option of the registered owner, Bonds may be exchanged for other Bonds of any other authorized denomination, of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at any such office or agency. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee or the Authenticating Agent shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

(G) No service charge shall be made for any transfer or exchange of Bonds, but in all cases in which Bonds shall be transferred or exchanged hereunder, the Issuer, the Bond Registrar or the Trustee may make a charge for every transfer or exchange of Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and such charge shall be paid before any such new Bond shall be delivered.

(H) The Person in whose name any Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of, or the premium if any or interest on, any such Bond shall be made only to or upon the order of the registered Holder thereof or his duly authorized legal representative, subject to the terms of Section 207(C) hereof. Such registration may be changed only as provided in this Section 206, and no other notice to the Issuer or the Trustee shall affect the rights or obligations with respect to the transference of any Bond or be effective to transfer any Bond. All payments to the Person in whose name any Bond shall be registered shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(I) Neither the Issuer, the Trustee nor the Bond Registrar shall be required to register or otherwise make any such transfer or exchange of (1) any Bond during the fifteen (15) days next preceding a Bond Payment Date or (2) any Bond selected for redemption in whole or in part

under Article III hereof or (3), other than as provided pursuant to Article III hereof, any Bond with respect to which the Owner thereof has submitted a demand for purchase in accordance with Section 304(A) hereof or which has been purchased pursuant to Section 304(B) hereof; provided, however, that in the event of a Bond selected for redemption in part, nothing in this subsection shall prohibit exchange of the remaining portion of such Bond redeemed in part for a new Bond with a reduced principal amount or the transfer or exchange of any such new Bond.

(J) The Bond Registrar shall forthwith following each Regular Record Date and at any other time as reasonably requested by the Trustee, the Tender Agent or the Remarketing Agent, certify and furnish to the Trustee, the Tender Agent, the Remarketing Agent and any Paying Agent as the Trustee shall specify, the names, addresses, and holdings of Bondholders and any other relevant information reflected in the Bond Register, and the Trustee, the Tender Agent, the Remarketing Agent and any such Paying Agent shall for all purposes be fully entitled to rely upon the information so furnished to them and shall have no liability or responsibility in connection with the preparation thereof.

SECTION 207. PAYMENT PROVISIONS. (A) Payment of the principal of, premium, if any, on and interest on the Bonds shall be made in coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, at the Principal Office of any Paying Agent, including funds evidenced by wire transfer.

(B) Except as otherwise provided in Section 213 hereof, interest on any Bond which is payable, and which is punctually paid or duly provided for, on any Bond Payment Date shall be paid to the Person appearing on the bond register as the Holder of that Bond (or one or more Predecessor Bonds) at the close of business on the Regular Record Date, by check or draft of the Trustee mailed by the Trustee on such Bond Payment Date to such Holder at his address as it appears on the bond register; provided that, at the option of any Holder of Bonds in an aggregate principal amount of $250,000 or greater, the Trustee shall cause such amounts to be transmitted on such Bond Payment Date by wire transfer at such Holder's written request to the bank account number of such Holder specified in such request and entered by the Bond Registrar on the Bond Register, provided such Holder has delivered adequate instructions regarding same to the Bond Registrar and to the Trustee at least one Business Days prior to the corresponding Record Date.

(C) Any interest any Bond which is payable, but is not punctually paid or duly provided for, on any Bond Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Person appearing on the bond register as the registered Owner of such Bond on the relevant Regular Record Date solely by virtue of such Person having been such registered owner; and the Trustee shall make payment of any Defaulted Interest on Bonds to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Trustee shall determine the amount of Defaulted Interest to be paid on each Bond and establish the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and money in the aggregate amount of the proposed Defaulted Interest shall be segregated by the Trustee to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this subsection provided and not to be deemed part of the Trust Revenues. Thereupon, the Trustee shall fix a

Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment. The Trustee shall promptly notify the Issuer, the Bank and the Company of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record date therefor to be mailed one time, first-class postage prepaid, to each registered owner of a Bond at his address as it appears in the bond register not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

(D) Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond, and each such Bond shall bear interest from such date so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(E) The principal of a Bond, and the premium, if any, and interest on such Bond due at maturity, shall be payable at the Office of the Trustee, upon presentation and surrender of such Bond by the registered owner thereof or his duly authorized legal representative at the maturity of such Bond or such other date as such payments become due, by redemption or otherwise. Except as provided in subsection (B) hereof, in the event of a partial redemption of any Bond, payment of the Redemption Price shall be made to the registered owner or his duly authorized legal representative only upon surrender to the Trustee of such Bond, and upon such surrender the Trustee shall authenticate a new Bond executed by the Issuer as provided in Section 203 for the unredeemed portion of such Bond.

(F) Notwithstanding anything herein to the contrary, when any Bond is registered in the name of a Depository or its nominee, the principal and redemption price of and interest on such Bond shall be payable in same day funds delivered or transmitted to the Depository or its nominee.

SECTION 208. TEMPORARY BONDS. (A) Until definitive Bonds are ready for delivery, there may be executed, and upon the request of the Issuer the Trustee shall authenticate and deliver in lieu of definitive Bonds, temporary printed, lithographed or typewritten Bonds, in any authorized denomination, in substantially the form set forth in Schedule I, attached hereto and with such appropriate omissions, insertions and variations as may be required.

(B) If the Bonds are no longer Book Entry Bonds and if temporary Bonds shall have been issued, the Issuer shall, at the sole cost and expense of the Company, cause definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation of any temporary Bond to the Trustee at the Office of the Trustee, shall cancel the same and authenticate and deliver in exchange therefor, without charge to the Holder thereof, a definitive Bond or Bonds of an equal aggregate principal amount of the same maturity and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the

temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder.

SECTION 209. SPECIFIC DETAILS OF THE INITIAL BONDS. (A) The Initial Bonds shall be issued in the aggregate principal amount of $3,500,000, shall be designated "Counties of Warren and Washington Industrial Development Agency Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - - Letter of Credit Secured), Series 2002". The Initial Bonds shall be numbered from one upward and prefixed "R". The Initial Bonds shall be issued as fully registered bonds without coupons in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof. Each Initial Bond shall be of a single maturity. The Initial Bonds shall mature on August 1, 2022.

(B) The Initial Bonds shall be dated the date of their authentication and shall bear interest from the Interest Payment Date to which interest has accrued and has been paid, or if prior to the first Interest Payment Date for the Bonds, from the date of the original issuance of the Bonds until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions of this Indenture, whether upon maturity, redemption or otherwise. The Initial Bonds shall be initially issued as Book Entry Bonds. While the Initial Bonds are in Book Entry Form, the provisions of Section 213 of this Indenture shall apply to the Initial Bonds.

(C) The Initial Bonds shall bear interest as follows:

(1) The Initial Bonds shall all bear interest in the same Interest Rate Mode at all times. The Initial Bonds initially shall bear interest at the Weekly Rate, which rate shall continue in effect until the Company shall cause a Conversion to a different Interest Rate Mode as hereinafter provided.

(2) The first Interest Payment Date shall be the Interest Payment Date in November, 2002. During each Interest Period for each Interest Rate Mode, the interest rate for the Initial Bonds shall be determined in accordance with Section 209(C)(3) hereof and shall be payable on the Interest Payment Date for such Interest Period; provided that the interest rate borne by the Initial Bonds shall not exceed the lesser of (a) fifteen percent (15%) per annum or (b) so long as the Bonds are entitled to the benefits of a Credit Facility, the maximum interest rate with respect to the Initial Bonds specified in the Credit Facility. Interest on the Initial Bonds at the interest rate or rates for the Weekly Rate shall be computed upon the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed. Interest on the Initial Bonds at the interest rate or rates for the Semi-Annual Rate and the Long-Term Rate shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. Each Bond shall bear interest on overdue principal and, to the extent permitted by law, on overdue interest at the Default Rate computed from the date of the Default or Event of Default.

(3) The interest rate borne by the Initial Bonds as of any particular date shall be determined as follows:

(a) If the Interest Rate Mode for the Initial Bonds is the Weekly Rate, the interest rate on the Initial Bonds for a particular Weekly Rate Period shall be the rate established by the Remarketing Agent no later than 3:00 p.m. (New York time) on the Wednesday preceding the Weekly Rate Period (or the day preceding the Conversion of the Interest Rate Mode to the Weekly Rate), or, if such day is not a Business Day, on the next succeeding Business Day, as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Initial Bonds on such Business Day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon.

(b) If the Interest Rate Mode for the Initial Bonds is the Semi-Annual Rate, the interest rate on the Initial Bonds for a particular Semi-Annual Rate Period shall be the rate established by the Remarketing Agent no later than 3:00 p.m. (New York time) on the 10th Business Day next preceding the first day of such Semi-Annual Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Initial Bonds on such first day at a price equal to the principal amount thereof.

(c) If the Interest Rate Mode for the Initial Bonds is the Long-Term Rate, the interest rate on the Initial Bonds for a particular Long-Term Rate Period shall be the rate established by the Remarketing Agent not later than the 15th Business Day preceding the first day of such Long-Term Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Initial Bonds on such first day at a price equal to the principal amount thereof.

(d) The Remarketing Agent shall provide the Company and the Trustee and the Tender Agent with Immediate Notice of all interest rates.

(e) If for any reason the interest rate on a Bond is not determined by the Remarketing Agent pursuant to (a), (b) or (c) above, the Interest Rate Mode for such Bond shall remain the same and the interest rate for such Bond for the next succeeding Rate Period shall be the interest rate in effect for such Bond for the preceding Rate Period.

(D) If the Company causes the Conversion of the Interest Rate Mode of the Initial Bonds to the Long-Term Rate, the Long-Term Rate Period applicable thereto shall be determined as follows:

(1) The Long-Term Rate Period shall be established by the Company in the notice given pursuant to Section 209(E) hereof (the first such Long-Term Rate Period commencing on the Conversion Date for the Initial Bonds to a Long-Term Rate) and thereafter each successive Long-Term Rate Period shall be the same as that so established by the Company until a different Long-Term Rate Period is specified by the Company in accordance with this Section (in which case, the duration of that Long-Term Rate Period shall control succeeding Long-Term Rate Periods) or until the occurrence of a Conversion Date. Each Long-Term Rate Period shall be one year or more in duration and shall end on the day next preceding an Interest Payment Date; provided that if the first Long-Term Rate Period commences on a Conversion Date other than an April 1 or an October 1, such first Long-Term Rate Period shall be of a duration as close as possible to (but not in excess of) such Long-Term Rate Period and shall terminate on a day

preceding an Interest Payment Date; and further provided that no Long-Term Rate Period shall extend beyond the Maturity Date of the Initial Bonds.

(2) The Company may change from one Long-Term Rate Period to another Long-Term Rate Period on any Business Day on which the Initial Bonds are subject to optional redemption pursuant to Section 301(E) by notifying the Trustee, the Issuer, the Credit Facility Issuer, the Tender Agent and the Remarketing Agent at least 4 Business Days prior to the 30th day prior to the proposed effective date of the change. Such notice shall specify the last day of the next Long-Term Rate Period which shall be the earlier of the day before the maturity date of the Initial Bonds or the day immediately preceding an October 1 or April 1 and which is one year or more after the effective date and, if such change is conditional, the interest rate limitations. Any such notice shall be accompanied by (a) an opinion of Independent Counsel stating that such change is authorized by this Indenture, (b) an opinion of Bond Counsel that such change will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Initial Bonds, (c) a resolution of the members of the Issuer authorizing and approving the change in the Long-Term Rate Period, and (d) if the stated amount of the Credit Facility, if any, to be held by the Trustee after such change in the Long-Term Rate Period is increased over that of the then current Credit Facility, an opinion of reputable bankruptcy counsel stating that payments of principal and interest on the Initial Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the bankruptcy of the Company under the United States Bankruptcy Code. Any change by the Company of the Long-Term Rate Period may be made conditional on the interest rate being within certain limits established by the Company. The Remarketing Agent shall establish what would be the interest rate for the proposed Long-Term Rate Period in accordance with Section 209(C). If the interest rate established by the Remarketing Agent is not within the limits established, then the change in the Long-Term Rate Period may be cancelled by the Company, in which case the Company's notice of the proposed change shall be of no effect and the Initial Bonds shall not be subject to any mandatory purchase pursuant to Section 304 hereof. Notice of such cancellation shall be promptly given to all Bondholders.

(3) The Trustee shall notify the Bondholders of any change in the Long-Term Rate Period proposed pursuant to Section 209(D)(2) hereof by first class mail, postage prepaid, at least 30 but not more than 60 days before the proposed effective date of such change. Each such notice shall state: (a) whether the change in the Long-Term Rate Period is conditional and, if conditional, the interest rate limitations established by the Company, (b) that the interest rate for the new Long-Term Rate Period will be determined by the Remarketing Agent not later than the 15th Business Day preceding the first day of the new Long-Term Rate Period, (c) the effective date of and the end of the new Long-Term Rate Period, (d) that the Bonds will be subject to mandatory purchase on the effective date in accordance with Section 304(B). Any notice provided under this Section 209(D)(3) shall be for informational purposes only and shall not waive or otherwise affect the mandatory purchase of the Initial Bonds at the end of any Long-Term Rate Period as set forth in Section 304 hereof.

(E) If the Company desires to cause the Conversion of the Interest Rate Mode of the Initial Bonds from one Interest Rate Mode to another Interest Rate Mode, the following procedures shall apply thereto:

(1) The Interest Rate Mode for the Initial Bonds is subject to Conversion to a different Interest Rate Mode from time to time in whole (and not in part) at the option of the Company, such right to be exercised by notifying the Trustee, the Credit Facility Issuer, the Tender Agent, the Issuer and the Remarketing Agent at least 4 Business Days prior to the 30th day prior to the effective date of such proposed Conversion. Such notice shall specify (a) the effective date, (b) the proposed Interest Rate Mode, (c) if the Conversion is to the Long-Term Rate, the end of the Long-Term Rate Period and what the interest rate for the proposed Long-Term Rate Period would have been if such rate had been determined immediately prior to the mailing of such notice and (d) if such Conversion is conditional, the interest rate limitations established by the Company. The notice must be accompanied by (i) an opinion of Independent Counsel stating that the Conversion is lawful under the Act and permitted by this Indenture, (ii) an opinion of Bond Counsel stating that the Conversion will not, in and of itself, adversely affect the exclusion of interest on the Initial Bonds from gross income for federal income tax purposes, (ii) a resolution of the members of the Issuer authorizing and approving the Conversion, and (iv) if the stated amount of the Credit Facility, if any, to be held by the Trustee after such Conversion is increased over that of the then current Credit Facility, an opinion of reputable bankruptcy counsel (which may be counsel to the Company) stating that payments of principal and interest on the Initial Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the bankruptcy of the Company under the Bankruptcy Code. Any Conversion by the Company of the Interest Rate Mode to the Long-Term Rate may be made conditional on the initial interest rate determined for such Interest Rate Mode being within certain limits established by the Company in the notice referred to above. The Remarketing Agent shall establish what would be the interest rate for the proposed Interest Rate Mode in accordance with Section 209(C) hereof. If the interest rate so established by the Remarketing Agent is not within the limits established, then such Conversion may be canceled by the Company, in which case the Company's notice of Conversion shall be of no effect, the terms of the Initial Bonds shall continue as they were prior to the proposed Conversion and the Initial Bonds shall not be subject to any mandatory purchase pursuant to Section 304 hereof. Notice of such cancellation shall be given promptly to all Bondholders.

(2) Any Conversion of the Interest Rate Mode for the Initial Bonds pursuant to Section 209(E)(1) above must comply with the following:

(a) the Conversion Date must be an Interest Payment Date which is a date on which the Initial Bonds are subject to extraordinary optional redemption pursuant to Section 301(A) or optional redemption pursuant to Section 301(A) or Section 301(B) hereof;

(b) the Conversion Date must be a Business Day; and

(c) the Credit Facility, if any, to be held by the Trustee must cover accrued interest for the Initial Bonds for 98 days, if the Conversion is to the Weekly Rate, or for 183 days, if the Conversion is to the Semi-Annual Rate or the Long-Term Rate.

(3) The Trustee shall notify the Bondholders of each Conversion by first class mail, postage prepaid, at least 30 days but not more than 60 days before the Conversion Date. Each

such notice shall state: (a) that the Interest Rate Mode will be converted and what the new Interest Rate Mode will be; (b) the Conversion Date; (c) if the Conversion is to the Long-Term Rate, whether the conversion is conditional and, if conditional, the interest rate limitations set by the Company, and (d) that the Initial Bonds will be subject to mandatory purchase on the Conversion Date in accordance with Section 304(B). If the Conversion is to the Long-Term Rate, the notice will also state the information required by Section 209(D)(3). Any notice provided under this Section 2.09(e)(3) shall be for informational purposes only and shall not waive or otherwise affect the mandatory purchase of the Bonds on a Conversion Date as set forth in Section 3.01(b) hereof.

(4) Notwithstanding any provision of this Section 209, the Interest Rate Mode shall not be converted if (a) the Remarketing Agent has not determined the initial interest rate for the new Interest Rate Mode in accordance with this Section 209 or (b) the Trustee shall receive written notice prior to such Conversion that any opinion or resolution required under Section 209(E)(1) has been rescinded. If the Trustee shall have sent any notice to the Bondholders regarding a Conversion of the Interest Rate Mode under Section 209(E)(3), the Trustee shall promptly notify all Bondholders of such rescission and the cancellation of any mandatory purchase pursuant to Section 304(B).

(F) The determination of each interest rate in accordance with the terms of this Indenture shall be conclusive and binding upon the owners of the Bonds, the Issuer, the Company, the Trustee, each Paying Agent, the Tender Agent, the Remarketing Agent and the Credit Facility Issuer, if any.

(G) Notwithstanding anything herein or in the Initial Bonds to the contrary, in no event will the rate of interest bond by any Initial Bond (except any Initial Bond constituting a Pledged Bond) exceed fifteen percent (15%) per annum or, if the Initial Bonds are then supported by a Credit Facility, the maximum rate stated in the Credit Facility.

SECTION 210. DELIVERY OF THE INITIAL BONDS. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver the Initial Bonds (including a reasonable number of additional Initial Bonds to be retained by the Trustee for authentication and delivery upon transfer or exchange of any Initial Bond) to the Trustee, and the Trustee shall authenticate and deliver the Initial Bonds to the purchasers thereof against payment of the purchase price therefor, plus accrued interest to the day preceding the date of delivery, upon receipt by the Trustee of the following:

(A) a certified copy of the Bond Resolution;

(B) the executed original Letter of Credit;

(C) executed counterparts of this Indenture and the other Financing Documents;

(D) a request and authorization to the Trustee on behalf of the Issuer signed by an Authorized Representative of the Issuer to deliver the Initial Bonds to the purchasers thereof upon payment to the Trustee for the account of the Issuer of the purchase price therefor;

(E) signed copies of the opinions of counsel to the Issuer, the Company and the Bank, and of Bond Counsel;

(F) the certificates and policies, if available, of the insurance required by the Installment Sale Agreement;

(G) proof of compliance with SEQRA;

(H) evidence that a completed Internal Revenue Service Form 8038 with respect to the Initial Bonds has been signed by the Issuer; and

(I) such other documents as the Trustee, the Bank or Bond Counsel may reasonably require.

SECTION 211. CANCELLATION OF BONDS. All Bonds surrendered to the Trustee for payment, redemption, transfer or exchange, and Bonds surrendered to the Trustee by the Issuer, or by the Company on behalf of the Issuer, for cancellation, shall be promptly canceled by the Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond canceled as provided in this Section 211, except as expressly provided by this Indenture. All Bonds canceled by the Trustee shall be destroyed by the Trustee and shall not be reissued. At the request of the Company, certificates of destruction evidencing such destruction shall be furnished by the Trustee to the Issuer and the Company.

SECTION 212. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where the date of maturity of interest on or the principal of any Bond, or the date fixed for redemption of any Bond, shall not be a Business Day, then payment of the interest on or the principal or Redemption Price of such Bond shall be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 213. BOOK ENTRY BONDS. (A) Notwithstanding any other provision of this Indenture, the Bonds are hereby authorized to be issued in book entry form as Book Entry Bonds, with respect to which the following procedures shall apply. Book Entry Bonds shall be originally issued only to a Depository to be held in a Book Entry System and: (1) the Book Entry Bonds shall be registered in the name of the Depository or its nominee, as Bondholder, and immobilized in the custody of the Depository; (2) unless otherwise requested by the Depository, there shall be a single Bond certificate for each Bond maturity; and (3) the Book Entry Bonds shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository, without further action by the Issuer as set forth in the Section 213(B) hereof. While the Bonds are in book entry only form, Bonds in the form of physical certificates shall only be delivered to the Depository.

(B) For all purposes of this Indenture, except as provided in Section 213(D) hereof, the Depository shall be deemed to be holder of a Book Entry Bond and neither the Issuer, the Company nor the Trustee shall have any responsibility or obligation to the Beneficial Owner of

such Bond or to any Direct Participant or Indirect Participant in such Depository. Without limiting the generality of the foregoing, neither the Issuer, the Company nor the Trustee shall have any responsibility or obligation to any such Direct Participant or Indirect Participant or to the Beneficial Owner of a Book Entry Bond with respect to (1) the accuracy of the records of the Depository or any participant with respect to any Beneficial Ownership Interest in such Book Entry Bond, (2) the delivery to any participant of the Depository, the Beneficial Owner of such Book Entry Bond or any other person, other than the Depository, of any notice with respect to such Book Entry Bond, including any notice of the redemption thereof, (3) the payment to any participant of the Depository, the Beneficial Owner of such Book Entry Bond or any other person, other than the Depository, of any amount with respect to the principal or Redemption Price of, or interest on, such Book Entry Bond or (4) any consent given or any other action taken by the Depository as Holder of the Book Entry Bonds.

(C) For all purposes of this Indenture, except as provided in Section 213(D) hereof, the Issuer and the Trustee shall treat the Depository of a Book Entry Bond as the absolute owner of such Book Entry Bond for all purposes, including (1) payment of Debt Service Payments on such Book Entry Bond, (2) giving notices of redemption and of other matters with respect to such Book Entry Bond, (3) registering transfers with respect to such Book Entry Bond, (4) the enforcement of remedies and (5) for all other purposes whatsoever. The Trustee shall pay all principal of, and premium, if any, and interest on, such Book Entry Bond only to or upon the order of the Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Book Entry Bonds with respect to such principal of, premium, if any, and interest to the extent of the sum or sums so paid. No person other than the Depository shall receive a Book Entry Bond or other instrument evidencing the Issuer's obligation to make payments of the principal of, premium, if any, and interest thereon.

(D) The crediting of payments of Debt Service Payments on the Bonds and the transmittal of notices and other communications by the Depository to the Direct Participants in whose Depository account the Bonds are recorded, and such crediting and transmittal by Direct Participants to Indirect Participants or Beneficial Owners and by Indirect Participants to Beneficial Owners, are the respective responsibilities of the Depository and the Direct Participants and Indirect Participants and are not the responsibility of the Issuer or the Trustee; provided, however, that the Issuer and the Trustee understand that neither the Depository or its nominee shall provide any consent requested of holders of Bonds pursuant to this Indenture, and that the Depository will mail an omnibus proxy (including a list identifying the Direct Participants) to the Issuer which assigns the Depository's, or its nominee's, voting rights to the Direct Participants to whose accounts at the Depository the Bonds are credited as of the record date for mailing of requests for such consents. Upon receipt of such omnibus proxy, the Issuer shall promptly provide such omnibus proxy (including the list identifying the Direct Participants attached thereto) to the Trustee, who shall then treat such Direct Participants as Bondholders for purposes of obtaining any consents pursuant to the terms of this Indenture.

(E) As long as any of the Bonds are registered in the name of a Depository, or its nominee, the Trustee agrees to comply with the terms and provisions of the Letter of Representations, including the provisions of the Letter of Representations with respect to any

delivery of the Bonds to the Trustee, which provisions shall supersede the provisions of this Indenture with respect thereto.

(F) The Issuer, in its sole discretion, upon thirty (30) days prior written notice to the Trustee and without the consent of the Trustee or the beneficial owner of a Book Entry Bond or any other person, may terminate the services of the Depository with respect to a Book Entry Bond if the Issuer determines that (1) the Depository is unable to discharge its responsibilities with respect to such Book Entry Bond or (2) a continuation of the requirement that all of the Outstanding Bonds issued in book entry form be registered in the registration books of the Issuer in the name of the Depository, is not in the best interest of the beneficial owners of such Bonds, and the Issuer shall terminate the services of the Depository upon receipt by the Issuer and the Trustee of written notice from the Depository that it has received written requests that such Depository be removed from its participants having beneficial interests, as shown in the records of the Depository, in an aggregate amount of not less than fifty percent in principal amount of the then Outstanding Book Entry Bonds.

(G) Upon the termination of the services of a Depository with respect to a Book Entry Bond, or upon the resignation of a Depository with respect to a Book Entry Bond, the Issuer may attempt to have established a securities depository/book entry system relationship with another Depository under this Indenture. If the Issuer does not or is unable to do so, the Issuer and the Trustee, after the Trustee has made provision for notification of the Beneficial Owners by appropriate notice to the then Depository, shall permit withdrawal of the Bonds from the Depository and shall authenticate and deliver Bond certificates in fully registered form to the assignees of the Depository or its nominee or to the Beneficial Owners. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement Bonds) of the Company. Such replacement Bonds shall be in the denominations specified in Section 209(A) of this Indenture, with a minimum denomination of $100,000. Upon registration of a Bond in the name of the Beneficial Owner thereof as aforesaid, the Beneficial Owner of such Bond shall become the Holder of such Bond.

SECTION 214. ADDITIONAL BONDS. (A) So long as the Installment Sale Agreement is in effect and no Event of Default exists thereunder or hereunder (and no event exists which, upon notice or lapse of time or both, would become an Event of Default thereunder or hereunder), and subject to the Bank's prior written consent, which consent may be withheld in its sole and absolute discretion, the Issuer may, upon a request from the Company complying with the provisions of this Section 214, issue one or more series of Additional Bonds to provide funds to pay any one or more of the following: (1) costs of completion of the Project Facility in excess of the amount in the Project Fund; (2) costs of refunding or advance refunding any or all of the Bonds previously issued; (3) costs of making any modifications, additions or improvements to the Project Facility that the Company may deem necessary or desirable; or (4) costs of the issuance and sale of the Additional Bonds, capitalized interest, funding debt service reserves, and other costs reasonably related to any of the foregoing. Additional Bonds may mature at different times, bear interest at different rates and otherwise vary from the Initial Bonds authorized under Section 209 of this Indenture, all as may be provided in the supplemental Indenture authorizing the issuance of such Additional Bonds.

(B) Prior to the execution of a supplemental Indenture authorizing the issuance of Additional Bonds, the Issuer must deliver the following documents to the Trustee:

(1) an amendment to the Reimbursement Agreement and the Credit Facility providing for issuance by the Credit Facility Issuer of a Qualifying Alternate Credit Facility in the aggregate principal amount of all Bonds then Outstanding plus the principal amount of the proposed Additional Bonds, together with coverage of accrued interest on the Bonds for 98 days if the Bonds bear interest at the Weekly Rate or for 183 days if the Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate, together with a written opinion of counsel to the Credit Facility Issuer which shall state that the execution and delivery of such Qualifying Alternate Credit Facility by the Credit Facility Issuer has been duly authorized, executed and delivered by the Credit Facility Issuer and that the Qualifying Alternate Credit Facility, as amended, constitutes the legal, valid and binding obligation of the Credit Facility Issuer enforceable against the Credit Facility Issuer in accordance with its terms, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance;

(2) evidence that the Financing Documents, as amended or supplemented in connection with the issuance of the Additional Bonds, provide that (a) the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Initial Bonds originally issued under this Indenture and any Additional Bonds theretofore issued, and (b) the Project Facility referred to in the Financing Documents includes any Additional Facilities being financed;

(3) a copy of the resolution of the board of directors of the Company, duly certified by the secretary or assistant secretary of the Company, which approves the issuance of the Additional Bonds and authorizes the execution and delivery by the Company of the amendments to the Financing Documents described in paragraphs (1) and (2) above;

(4) a written opinion of counsel to the Company which shall state that the execution and delivery by the Company of the amendments to the Financing Documents described in paragraphs (1) and (2) above have been duly authorized, executed and delivered by the Company and that the Financing Documents, as amended, constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance;

(5) a copy of the resolution of the members of the Issuer, duly certified by the secretary or assistant secretary of the Issuer, authorizing the issuance of the Additional Bonds and the execution and delivery by the Issuer of the amendments to the Financing Documents described in paragraph (2) above to be executed by the Issuer in connection therewith;

(6) an opinion of counsel to the Issuer stating that the supplements and amendments to the Financing Documents described above have been duly authorized and lawfully executed and delivered on behalf of the Issuer; that such amendments to the Financing Documents are in full force and effect and are valid and binding upon the Issuer; and that all conditions precedent

provided for in this Indenture to the issuance, execution and delivery of the Additional Bonds have been complied with;

(7) an opinion of Bond Counsel stating that, in the opinion of such Bond Counsel, the Issuer is duly authorized and entitled to issue such Additional Bonds and that, upon the execution, authentication and delivery thereof, such Additional Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Issuer, subject to the standard exceptions with respect to bankruptcy laws, equitable remedies and specific performance; and that the issuance of the Additional Bonds will not, in and of itself, adversely affect the validity of the Initial Bonds originally issued under this Indenture or any Additional Bonds theretofore issued or the exclusion of the interest payable on the Initial Bonds and any Additional Bonds theretofore issued as federally tax-exempt obligations from the gross income of the Holders thereof for federal income tax purposes;

(8) written evidence from each Rating Service, if any, by which the Bonds are then rated, to the effect that the issuance of such Additional Bonds will not, by itself, result in a reduction or withdrawal of the rating(s) on the Initial Bonds applicable immediately prior to the issuance of the Additional Bonds;

(9) a written order to the Trustee executed by an Authorized Representative of the Issuer requesting that the Trustee authenticate and deliver the Additional Bonds to the purchasers therein identified; and

(10) such other documents as the Trustee may reasonably request.

(C) Each series of Additional Bonds shall be equally and ratably secured under this Indenture with the Initial Bonds issued on the Closing Date and with all other series of Additional Bonds, if any, previously issued under this Indenture, without preference, priority or distinction of any Bond over any other Bond.

(D) The consent of the Holders of the Bonds shall not be required prior to the issuance of Additional Bonds, or to the execution and delivery of any amendments to the Financing Documents required in connection therewith. The Trustee shall, however, mail notice to the Holders of the Bonds and each Rating Service, if any, by which the Bonds are then rated of the proposed issuance of the Additional Bonds, detailing, at least, the aggregate principal amount of such Additional Bonds, and summarizing the nature of the amendments to the Financing Documents proposed to be executed in connection therewith.

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ARTICLE III

REDEMPTION AND PURCHASE OF BONDS PRIOR TO MATURITY; REMARKETING

SECTION 301. REDEMPTION OF BONDS PRIOR TO MATURITY. (A) The Bonds are subject to redemption prior to maturity (1) as a whole, without premium, as provided in Section 406 hereof, in the event of (a) a taking in Condemnation of, or failure of title to, all or substantially all of the Project Facility, (b) damage to or destruction of part or all of the Project Facility and election by the Company or the Bank to redeem the Bonds in accordance with Section 7.1 of the Installment Sale Agreement, or (c) a taking in Condemnation of part of the Project Facility and election by the Company or the Bank to redeem the Bonds in accordance with Section 7.2 of the Installment Sale Agreement, or (2) in part, without premium, (a) as provided in Section 406(G) hereof, in the event that (i) excess moneys remain in the Insurance and Condemnation Fund following damage or condemnation of a portion of the Project Facility and completion of the repair, rebuilding or restoration of the Project Facility by the Company, and (ii) such moneys are not paid to the Company pursuant to Section 406(G) hereof, (b) as provided in Section 404 hereof, excess moneys remain in the Project Fund after the Completion Date, or (c) excess recoveries from contractors are applied to redeem Bonds pursuant to Section 3.4 or Section 4.6 of the Installment Sale Agreement. In any such event, the Bonds shall be redeemed, as a whole or in part, as the case may be, in the manner provided in this Article III, at such time as the Trustee determines, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(B) (1) Whenever the Interest Rate Mode for the Bonds is the Weekly Rate or the Semi-Annual Rate, the Bonds shall be subject to redemption prior to maturity, at the option of the Issuer, upon the direction of the Company, by exercise of its right to prepay the installment purchase payments payable under the Installment Sale Agreement as provided in Section 5.5 of the Installment Sale Agreement, in whole on any date or in part on any Interest Payment Date, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof, in the manner provided in this Article III, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(2) Whenever the Interest Rate Mode for the Bonds is the Long-Term Rate, the Bonds shall be subject to redemption prior to the end of the then current Long-Term Rate Period at the option of the Issuer, upon the direction of the Company, at any time during the redemption periods and at the redemption prices set forth below, plus interest accrued to the redemption date (which redemption price and accrued interest shall be paid only from Available Moneys):

(i) If the duration of the Long-Term Rate Period is five years or less, Bonds shall not be eligible for optional redemption at any time during the Long-Term Rate Period.

(ii) If the duration of the Long-Term Rate Period is greater than five years, Bonds may be optionally redeemed, with the redemption period beginning on that date which marks the expiration of one-half (1/3) of the Long-Term Rate Period, or, if such day is not a Business Day, the next succeeding Business Day. The redemption price,

expressed as a percentage of principal amount, shall be 102% declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%.

If, at the time of the Issuer's notice of Conversion of the Interest Rate Mode for the Bonds to the Long-Term Rate pursuant to Section 209(E) hereof, the Issuer provides a certification of the Remarketing Agent to the Trustee and the Issuer that the foregoing schedule is not consistent with prevailing market conditions, the foregoing redemption periods and redemption prices may be revised, effective as of the Conversion Date, as determined by the Remarketing Agent in its judgment, taking into account the then prevailing market conditions, as stipulated in such certification, which shall be appended by the Trustee to its counterpart of this Indenture.

(C) The Bonds are also subject to redemption prior to maturity upon receipt by the Trustee of a written notice from the Bank of the occurrence and continuance of a default by the Company under the Reimbursement Agreement and the Bank's election to compel redemption of the Bonds. In such event, the Bonds shall be redeemed, as a whole, in the manner provided in this Article III, on the earliest date for which the Trustee can give notice of redemption pursuant to Section 303 hereof, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(D) The Bonds are also subject to redemption prior to maturity upon the occurrence of a Determination of Taxability. In such event, the Bonds shall be subject to redemption, as a whole, as soon as possible after the discovery of such Determination of Taxability, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. If any Bonds are paid at maturity or purchased by the Trustee or redeemed subsequent to a Tax Incidence Date without payment of an amount at least equal to the redemption price that would have been received if such Bonds had been redeemed as a result of a Determination of Taxability, the owners of such Bonds at the time of maturity, purchase or redemption, upon establishing their then ownership thereof, shall be entitled to receive, as an additional premium thereon, an amount equal to the difference between the amounts actually received and the amounts that would have been received if such Bonds had been redeemed as a result of a Determination of Taxability.

(E) So long as a Credit Facility is then held by the Trustee, the Trustee shall only call Bonds for optional redemption if it has Available Moneys in the Redemption Premium Account of the Bond Fund or will receive Available Moneys from the proceeds of refunding bonds or from drawings under the Credit Facility, in the aggregate, sufficient to pay the redemption price of the Bonds to be called for redemption, plus accrued interest thereon.

(F) In the event of any partial redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the redemption date in inverse order of maturity, and within each maturity by lot or by such other such method as the Trustee shall deem fair and appropriate; provided, however, that in connection with any redemption of Bonds the Trustee shall first select for redemption any Pledged Bonds prior to any other method of selection. The Trustee shall apply any partial redemption payments (other than a scheduled mandatory redemption) to the schedule of

mandatory redemption in inverse order of maturity. The Trustee shall treat any Bond of a denomination greater than $5,000 as representing that number of separate Bonds each of the denomination of $5,000 as can be obtained by dividing the actual principal amount of such Bond by $5,000; provided that at any time, no $5,000 portion of a Bond shall be redeemed if it results in the unredeemed portion of the Bond being less than $100,000.

(G) The Bonds are not subject to mandatory redemption prior to stated maturity pursuant to any mandatory sinking fund requirements.

SECTION 302. COMPANY'S ELECTION TO REDEEM. (A) The Company shall give written notice to the Trustee, the Bank and the Issuer of its election to cause redemption of Bonds prior to maturity pursuant to subsections (A) and (B) of Section 301 hereof and of the redemption date.

(B) In the event of an election by the Company to redeem the Bonds pursuant to Section 301(B) hereof, such notice shall be given at the time the Company delivers to the Trustee either (1) the prepayment of installment purchase payments with which the Bonds are to be redeemed, or (2) the assurance from the Bank that the Letter of Credit may be drawn upon to pay the redemption price of the Bonds described in Section 5.5 of the Installment Sale Agreement, and the redemption date specified in such notice shall be deemed to be (notwithstanding the actual date set forth therein) the first Interest Payment Date more than thirty (30) days after such payment or assurance, as the case may be, is received by the Trustee.

SECTION 303. NOTICE OF REDEMPTION; PAYMENT OF REDEEMED BONDS. (A)Notice of the intended redemption of each Bond subject to redemption shall be given by the Trustee one time by first class mail postage prepaid to the registered Owner of such Bond at the address of such Owner shown on the Trustee's bond register and to the Bank at its address set forth of in Section 1103 hereof. All such redemption notices shall be given not more than 60 days prior nor less than 30 days prior to the date fixed for redemption. A follow-up notice shall be given by the Trustee by registered or certified mail to each registered owner who has not submitted a Bond subject to redemption within 90 to 120 days following the redemption date. Each notice shall specify the Redemption Price, the principal amount of the Bonds to be redeemed, the numbers of the Bonds to be redeemed if less than all of the Bonds are to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable. Such notice shall further state that payment of the applicable Redemption Price plus accrued interest to the redemption date will be made upon presentation and surrender of the Bonds or portions thereof to be redeemed; that upon presentation and surrender to the Trustee of any Bond being redeemed in part, a new Bond in the principal amount of the unredeemed portion of such Bond will be issued; and that the Bonds or portions thereof so called for redemption will be deemed redeemed and will cease to bear interest on the specified redemption date, provided that Non-Preference Moneys for their redemption have been duly deposited in the Bond Fund; and, except for the purpose of payment, that such Bonds will no longer be protected by this Indenture. The failure to give any such notice, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure to give notice, or defect therein, has occurred. Notwithstanding anything herein to the contrary, the Trustee shall not give any notice under this Section 303 in the case of an optional redemption

pursuant to Section 301(B) hereof requiring the payment of a premium upon such redemption unless the Company shall have complied with the provisions of Section 302(B) hereof.

(B) After notice shall have been given in the manner provided in Subsection (A) above, the Bonds or portions thereof called for redemption shall become due and payable on the redemption date so designated. Upon presentation and surrender of such Bonds at the Office of the Trustee, such Bonds shall be paid at the Redemption Price for such Bonds, plus accrued interest to the redemption date. If there shall be selected for redemption less than all of a Bond, the Issuer shall, upon the surrender of such Bond and with no charge to the Owner thereof, (1)pay the Redemption Price of the principal amount thereof called for redemption, and (2)cause the Trustee to authenticate and deliver for the unredeemed balance of the principal amount of such Bond so surrendered a fully registered Bond of like maturity in any of the authorized denominations.

(C) If, on the redemption date, moneys for the redemption of all Bonds or portions thereof to be redeemed, in an amount equal to the principal of such Bonds or portions thereof to be redeemed, together with any premium due thereon and interest thereon to the redemption date, shall be held by the Trustee so as to be available therefor on such date, the Bonds or portions thereof so called for redemption shall cease to bear interest, and such Bonds or portions thereof shall no longer be Outstanding under this Indenture or be secured by or be entitled to the benefits of this Indenture. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall remain Outstanding under this Indenture and shall continue to be secured by and be entitled to the benefits of this Indenture until paid.

(D) Notwithstanding any other provision of this Indenture, any notice of redemption given with respect to a Book-Entry Bond shall comply with the requirements for notice contained in the Letter of Representations from the Issuer to the Depository relating to such Book-Entry Bond 30 days prior to the redemption date. Failure to mail any such notice or defect in the mailing thereof in respect of any Bond shall not affect the validity of the redemption of any other Bond. Notices of such redemptions shall also be mailed to the Remarketing Agent, the Tender Agent and the Credit Facility Issuer, if any, (and the Rating Service, if the Bonds are then rated by a Rating Service). Any such notice shall be given in the name of the Company, shall identify the Bonds to be redeemed (and, in the case of partial redemption of any Bonds, the respective principal amounts thereof to be redeemed), shall specify the redemption date and the redemption price and when any interest accrued to the redemption date will be payable, and shall state that on the redemption date the redemption price of the Bonds called for redemption will be payable at the principal corporate trust office of the Trustee and/or of one or more Paying Agents and from that date interest will cease to accrue. The Trustee shall at all reasonable times make available to any interested party complete information as to Bonds which have been redeemed or called for redemption.

(E) If at the time of mailing of notice of any optional redemption in connection with a refunding of the Bonds the Company shall not have deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the proceeds of refunding notes with the Trustee not later than the

redemption date, and such notice and such optional redemption shall be of no effect unless such moneys are so deposited.

(F) Notice of any redemption hereunder with respect to Bonds held under a book entry system shall be given by the Registrar or the Trustee only to the Depository, or its nominee, as the holder of such Bonds. Selection of book entry interests in the Bonds called for redemption is the responsibility of the Depository and any failure of any Direct Participant, Indirect Participant or Beneficial Owner to receive such notice and its contents or effect will not affect the validity of such notice or any proceedings for the redemption of such Bonds.

SECTION 304. PURCHASE OF BONDS ON DEMAND; MANDATORY PURCHASE. (A)The Bonds are subject to purchase on demand of the Holder thereof, as follows:

(1) If the Interest Rate Mode for the Bonds is the Weekly Rate, any Bond shall be purchased on the demand of the owner thereof, on any Business Day at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent, at its Principal Office on or before 4:00 p.m. (New York time) on a Business Day not later than the 7th calendar day prior to the Purchase Date, which notice (a)states the number and principal amount (or portion thereof in an authorized denomination) of such Bond to be purchased, (b) states the Purchase Date on which such Bond shall be purchased and (c) irrevocably requests such purchase and agrees to deliver such Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 12:00 Noon (New York time) on such Purchase Date. The Tender Agent shall promptly, but in no event later than 4:00 p.m. (New York time) on the next succeeding Business Day, provide the Remarketing Agent and the Trustee with Immediate Notice of the receipt of the notice referred to in the preceding paragraph. Upon its receipt of such Immediate Notice from the Tender Agent, the Remarketing Agent shall promptly provide the Company with Immediate Notice of the receipt of the notice referred to in the preceding sentence.

(2) If the Interest Rate Mode for the Bonds is the Semi-Annual Rate, any Bond shall be purchased, on the demand of the owner thereof, on any Interest Payment Date for a Semi-Annual Rate Period at a purchase price equal to the principal amount thereof, upon written notice to the Tender Agent, at its Principal Office on a Business Day not later than the 8th Business Day prior to such Purchase Date, which notice (a) states the number and principal amount (or portion thereof in an authorized denomination) of such Bond to be purchased, (b) states the Purchase Date on which such Bond shall be purchased and (c) irrevocably requests such purchase and agrees to deliver such Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 12:00 Noon (New York time) on such Purchase Date. The Tender Agent shall promptly, but in no event later than 4:00 p.m. (New York time) on the next succeeding Business Day, provide the Remarketing Agent and Trustee with Immediate Notice of the receipt of the notice referred to in the preceding sentence.

(3) Bonds shall not be purchased upon the demand of the owner thereof during any Long-Term Rate Period in whole or in part. At the end of each Long-Term Rate Period, the Bonds shall be subject to mandatory purchase as set forth in Section 304(B) hereof.

(4) Notwithstanding any other provision of this Section 304(A), the Holder of a Bond may demand purchase of a portion of such Bond only if the portion to be purchased and the portion to be retained by the Holder will be in authorized denominations.

(B) The Bonds are subject to mandatory purchase on each Conversion Date and upon failure to extend a Credit Facility or provide an Alternate Credit Facility, as follows:

(1) The Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus, if the Interest Rate Mode is the Long-Term Rate, the redemption premium which would be payable under Section 301(B) hereof if the Bonds were redeemed on the Purchase Date, plus accrued interest, if any, thereon to the Purchase Date on each Conversion Date for any Conversion.

(2) While the Bonds bear interest at the Weekly or Semi-Annual Rate, the Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase Date, upon expiration of the term of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) unless such Credit Facility is extended or replaced prior to its expiration with an Alternate Credit Facility issued by the then current Credit Facility Issuer. The Purchase Date will be the earlier of (i) Interest Payment Date immediately preceding (by at least 15 calendar days) the date of expiration of the then current Credit Facility or (ii) the Interest Payment Date on which the Alternate Credit Facility is delivered to the Trustee.

(3) While the Bonds bear interest at the Long-Term Rate and the Bonds are subject to optional redemption by the Issuer pursuant to Section 301(B) hereof, the Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus the redemption premium, if any, which would be payable under Section 301(B) hereof if the Bonds were redeemed on the Purchase Date, plus accrued interest, if any, thereon to the Purchase Date, upon expiration of the term of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) unless such Credit Facility is replaced prior to its expiration with a Qualifying Alternate Credit Facility. Any premium to be paid in connection with such mandatory purchase, if not covered by the then current Credit Facility, shall be paid from Available Moneys deposited by the Issuer into the Redemption Premium Account of the Bond Fund. If there are no such Available Moneys, the then current Credit Facility may not be replaced unless replaced with a Qualifying Alternate Credit Facility. The Purchase Date will be the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of expiration of the then current Credit Facility. While the Bonds bear interest at the Long-Term Rate, but are not yet subject to optional redemption by the Issuer pursuant to Section 301(B) hereof, upon expiration of the term of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility), the Company must replace the then current Credit Facility with a Qualifying Alternate Credit Facility. While the Bonds bear interest at the Long-Term Rate but are not yet subject to optional redemption pursuant to Section 301(B) hereof, the Bonds shall not be subject to mandatory purchase under this Section 304(B)(2) hereof. The Purchase Date will be the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of expiration or replacement of the then current Credit Facility.

(4) While the Bonds bear interest at the Weekly Rate or Semi-Annual Rate, the Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase Date upon any replacement, removal or other substitution of the Credit Facility Issuer. The Purchase Date will be the Interest Payment Date immediately preceding (by at least 15 calendar days) the date on which the change in Credit Facility is to become effective.

(5) Notice of any mandatory purchase pursuant to this Section 304(b) shall be given by the Trustee thirty (30) days prior to the date of purchase in the same manner as a notice of redemption pursuant to Section 303 hereof; provided that failure to receive notice by mailing, or any defect in that notice, as to any Bond shall not affect the validity of the proceedings for the purchase of any other Bond.

(6) As provided in Section 408 hereof, in order to avoid the mandatory purchase of the Bonds, the then current Credit Facility must be replaced within the time set forth in Section 408(G) hereof.

(C) The purchase price of any Bond purchased pursuant to Section 304 shall be payable upon delivery of such Bond to the Tender Agent; provided that such Bond must be delivered to the Tender Agent on or prior to 12:00 Noon (New York time) for payment by the close of business on the Purchase Date in immediately available funds; provided, however, that if the Purchase Date is not a Business Day, the purchase price shall be payable on the next succeeding Business Day.

(D) Any Bond delivered for payment of the purchase price shall be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the Holder thereof and with all signatures guaranteed by a participant in a signature guarantee program as provided by 12 C.F.R. 240.17(A)(d)-15. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and shall have no obligation to pay the purchase price of such Bond until a satisfactory instrument is delivered.

(E) The Tender Agent shall hold all Bonds delivered for purchase pursuant to this Section 304 hereof in trust for the benefit of the Holders thereof until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Holders, and thereafter shall deliver such Bonds to the purchasers thereof. All amounts received by the Trustee from a drawing under a Credit Facility for the purchase of Bonds shall be transferred immediately to the Tender Agent. The Tender Agent shall also hold all such amounts from a drawing under a Credit Facility that the Tender Agent shall have received from the Trustee in a separate and segregated account pending payment of the purchase price of Bonds as set forth in Section 306 hereof and neither the Issuer, the Company, any Guarantor, any Affiliate of the Issuer or of any Guarantor, nor any Insider of any of them shall have any right to take, control or receive the moneys and investments therein.

(F) IN THE EVENT OF A FAILURE BY AN OWNER OF BONDS REQUIRED TO BE TENDERED TO DELIVER ITS BONDS ON OR PRIOR TO THE CONVERSION DATE OR THE ALTERNATE SECURITY DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE ON OR SUBSEQUENT TO THE CONVERSION DATE OR THE ALTERNATE SECURITY DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED BONDS, AND ANY SUCH UNDELIVERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THIS INDENTURE, EXCEPT FOR THE PURPOSE OF PAYMENT OF THE PURCHASE PRICE THEREFOR.

(G) No purchase of Bonds pursuant to this Section 304 shall be deemed to be a payment or redemption of such Bonds or any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

SECTION 305. REMARKETING OF BONDS. (A) Upon the receipt by the Remarketing Agent of any notice pursuant to Section 304(A) hereof, the Remarketing Agent, subject to the terms of the Remarketing Agreement, shall offer for sale, and shall use its best efforts to sell (other than to the Issuer, the Company or their affiliates), the Bonds in respect of which such notice has been given. Unless otherwise instructed by the Issuer or the Company, the Remarketing Agent will offer for sale and use its best efforts to sell any Bonds purchased pursuant to Section 304(B) hereof. Any such Bonds shall be offered: (1) at 100% of the principal amount thereof, plus interest accrued, if any, to the Purchase Date, and (2) pursuant to terms calling for payment of the purchase price on such Purchase Date against delivery of such Bonds; provided that the Remarketing Agent shall not sell any Bond if the amount to be received from the sale of such Bond (including accrued interest, if any) plus the amount available to be drawn by the Trustee under the Credit Facility with respect to the Available Moneys available to the Trustee for such purpose is less than the purchase price (including accrued interest, if any) to be paid for such Bond. The Remarketing Agent shall direct any person to whom such Bonds (or authorized portions thereof) are remarketed pursuant to this Section to deliver the purchase price thereof in immediately available funds to the Trustee at its principal office on or before 10:00 a.m. (New York time) on the Purchase Date. Upon receipt and pending disbursement thereof, the Trustee shall deposit such moneys in the Remarketing Proceeds Account. The Trustee, the Tender Agent or the Credit Facility Issuer may purchase any Bonds offered pursuant to this Section 305 for its own account. Each of the Issuer and the Company acknowledges that it shall have no interest in any proceeds of the remarketing of Bonds, all of which shall be held in trust by the Trustee or the Tender Agent for the sole benefit of the Holders of the Bonds and, to the extent that the Holders have been paid with draws on the Credit Facility, for the benefit of the Credit Facility Issuer. The Remarketing Agent shall, no later than 10:30 a.m. on the Purchase Date, give oral or telephonic notice to the Tender Agent and the Trustee of the Bonds remarketed pursuant to this Section and the Purchase Date therefor, such notice to be promptly confirmed by telex, telegram or telecopier to the Company and the Credit Facility Issuer.

(B) The Remarketing Agent shall, subject to the terms of the Remarketing Agreement, offer for sale, and use its best efforts to sell, on behalf of the Issuer, Bonds held pursuant to Section 308 hereof. Any such Bonds shall be offered at 100% of the principal amount thereof, plus interest accrued to the sale date.

SECTION 306. PURCHASE OF BONDS; UNDELIVERED BONDS. (A) On each date Bonds are to be purchased pursuant to Section 304 hereof, the Tender Agent shall purchase, but only from the funds listed below, such Bonds from the owners thereof. Funds for the payment of such purchase price shall be derived from the following sources in the order of priority indicated, provided that funds derived from Section 306(A)(1) and Section 306(A)(2) hereof shall not be combined with funds derived from Section 306(A)(3) hereof to purchase any one Bond (or authorized denomination thereof):

(1) Proceeds deposited in the Remarketing Proceeds Accounts from the remarketing of such Bonds to persons other than the Issuer, the Company, or Affiliates of the Company or any person constituting an Insider of the Company (exclusive of any premium) pursuant to Section 3.05(A);

(2) Available Moneys furnished by the Trustee to the Tender Agent representing proceeds of a drawing by the Trustee under the Credit Facility; and

(3) Available Moneys deposited by the Issuer or the Company into the Redemption Premium Account, if necessary, to pay any premium included in the Purchase Price;

(4) Moneys paid by the Company to pay the purchase price furnished by the Trustee to the Tender Agent.

(B) In the event that any holder of a Bond who shall have given notice demanding purchase pursuant to Section 304(A) hereof, or which is subject to mandatory purchase pursuant to Section 304(B) hereof, shall fail to deliver such Bond to the Tender Agent at the place and on the applicable date and time specified, or shall fail to deliver such Bond properly endorsed, such Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the holder thereof on the date and at the time specified, then, from and after the date and time of that required delivery, (1) the Undelivered Bond shall no longer be deemed to be Outstanding under this Indenture; (2) interest shall no longer accrue thereon; and (3) funds in the amount of the purchase price of the Undelivered Bonds shall be held by the Tender Agent, without liability for interest thereon, for the benefit of the Holder thereof (and in no event for the benefit of the Issuer, the Company, their affiliates, the Remarketing Agent, the Tender Agent or any other party). The Issuer, the Company and their affiliates shall have no interest in the moneys held by the Tender Agent. Any funds held by the Tender Agent as described in clause (3) of the preceding sentence shall be held uninvested. Any moneys deposited with and held by the Tender Agent not so applied to the payment of Bonds, if any, within two years after the Purchase Date of such Bonds shall be paid by the Tender Agent to the Company and thereafter the former Holders of such Bonds shall be entitled to look only to the Company for payment, and then only to the extent of the amount so repaid, and the Company shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

SECTION 307. DELIVERY OF REMARKETED OR PURCHASED BONDS. (A) Bonds and Beneficial Ownership Interests purchased pursuant to Section 306 hereof shall be delivered as follows:

(1) Bonds sold by the Remarketing Agent to persons or entities other than the Issuer or the Company shall be delivered to the purchasers thereof. With respect to Beneficial Ownership Interests sold by the Remarketing Agent pursuant to Section 305 hereof, the Remarketing Agent and the Trustee shall take such actions as may be necessary to reflect the transfer of such Beneficial Ownership Interests to the purchasers thereof in the Book Entry System maintained by the Depository.

(2) Bonds purchased or to be purchased with moneys described in Section 306(A)(2) hereof shall be delivered to the Tender Agent to be held pursuant to Section 308 hereof. With respect to Beneficial Ownership Interests purchased with moneys described in Section 306(A)(2) hereof, the Remarketing Agent and the Trustee shall take such actions as may be necessary to reflect the transfer of such Beneficial Ownership Interests to the purchasers thereof in the Book Entry System maintained by the Depository.

(3) Bonds purchased with moneys described in Section 306(A)(3) hereof shall, at the direction of the Company, be (a) delivered to or held by the Tender Agent for the account of the Company, (b) delivered to the Trustee for cancellation or (c) delivered to the Company. With respect to Beneficial Ownership Interests purchased with moneys described in Section 306(A)(3) hereof, the Remarketing Agent and the Trustee shall take such actions as may be necessary to reflect the transfer of such Beneficial Ownership Interests to the purchasers thereof in the Book Entry System maintained by the Depository.

(B) If, on any date prior to the release of Bonds held by or for the account of the Company pursuant to Section 307(A)(3) hereof, all Bonds are called for redemption pursuant to Section 301 hereof or an acceleration of the Bonds pursuant to Section 602 hereof occurs, such Bonds shall be deemed to have been paid and shall thereupon be canceled by the Trustee.

(C) Bonds or Beneficial Ownership Interests (other than Bonds pledged to the Credit Facility Issuer) delivered as provided in this Section shall be registered (or recorded through the Depository) in the manner directed by the recipient thereof.

SECTION 308. BONDS PLEDGED TO THE CREDIT FACILITY ISSUER. The Bond Registrar shall register (or the Depository shall record) in the name of the Company any Bonds delivered to the Tender Agent pursuant to Section 307(A)(2) hereof. Thereafter, the Tender Agent shall hold such Bonds unless and until the Tender Agent shall have received from the Credit Facility Issuer written notice or telephonic notice, promptly confirmed in writing, which specifies that the Tender Agent shall deliver such Bonds to the Company or the Remarketing Agent. Upon receipt of such notice, the Tender Agent shall deliver such Bonds to the Company or the Remarketing Agent.

SECTION 309. DRAWINGS ON CREDIT FACILITY. Except as provided in Section 311 hereof, on each day on which Bonds are to be purchased pursuant to Section 304 hereof, except to the extent that the Trustee shall have received telephonic notification from the Remarketing Agent on or prior to 10:30 o'clock a.m. (New York time) on the Purchase Date to the effect that such Bonds shall have been remarketed pursuant to Section 305 hereof and that the moneys

described in Section 306(A)(1) hereof will be sufficient to pay the purchase price of such Bonds, the Trustee shall by 11:00 o'clock a.m. (New York time) on the Purchase Date draw under the Credit Facility an amount equal to the purchase price of such Bonds which cannot be purchased from the proceeds of remarketing then on deposit in the Remarketing Proceeds Account and immediately upon receipt of such proceeds furnish the proceeds of such drawing to the Tender Agent, and shall further provide Immediate Notice of such drawing to the Issuer and the Company. If the less than the full purchase price is received for the Bonds that are to be remarketed, the Trustee shall, by 11:00 o'clock a.m. (New York time) on the Purchase Date, draw under the Credit Facility an amount which, together with the remarketing proceeds of the Bonds sold by the Remarketing Agent and received by the Trustee, will be equal to the purchase price of such Bonds and immediately upon the receipt of such proceeds furnish the proceeds of such drawing to the Tender Agent.

SECTION 310. DELIVERY OF PROCEEDS OF SALE. The proceeds of the sale by the Remarketing Agent of any Bonds held by it for the account of the Company, or delivered to it by any Bondholder or the Tender Agent, shall be deposited in the Remarketing Proceeds Account.

SECTION 311. LIMITATION ON PURCHASE AND REMARKETING. Anything in this Indenture to the contrary notwithstanding, there shall be no purchase of Bonds pursuant to Section 304(A) hereof if there shall have occurred and be continuing an Event of Default under Section 601(A), Section 601(B) or Section 601(F) hereof and there shall be no remarketing of Bonds pursuant to Section 305 hereof if there shall have occurred and be continuing an Event of Default, except in the sole discretion of the Remarketing Agent.

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ARTICLE IV

FUNDS AND APPLICATION OF PROCEEDS OF BONDS AND REVENUES

SECTION 401. ESTABLISHMENT OF FUNDS. (A) The Issuer hereby establishes and creates the following special separate trust funds:

(1) Counties of Warren and Washington Industrial Development Agency - Angiodynamics, Inc. Project - Project Fund (the "Project Fund");

(2) Counties of Warren and Washington Industrial Development Agency - Angiodynamics, Inc. Project - Bond Fund (the "Bond Fund") and, within the Bond Fund, the following special accounts: (a) the Bond Fund Credit Facility Account; (b) the Bond Fund Defeasance Account; (c) the Bond Fund Redemption Premium Account; and (d) the Bond Fund Remarketing Proceeds Account;

(3) Counties of Warren and Washington Industrial Development Agency - Angiodynamics, Inc. Project - Insurance and Condemnation Fund (the "Insurance and Condemnation Fund"); and

(4) Counties of Warren and Washington Industrial Development Agency - Angiodynamics, Inc. Project - Rebate Fund (the "Rebate Fund") and, within the Rebate Fund, the following special accounts: (a) the Rebate Fund Principal Subaccount; and (b) the Rebate Fund Earnings Subaccount.

(B) The funds created under this Indenture shall be maintained by the Trustee and shall be held in the custody of the Trustee. The Issuer authorizes and directs the Trustee to withdraw moneys from said funds for the purposes specified herein, which authorization and direction the Trustee hereby accepts. All moneys required to be deposited with or paid to the Trustee under any provision of this Indenture (1) shall be held by the Trustee in trust, and (2)except for moneys held by the Trustee (a) for the redemption of Bonds, notice of redemption of which has been duly given, or (b) for the purchase of Tendered Bonds, or (c) in the Rebate Fund, shall, while held by the Trustee constitute part of the Trust Revenues and be subject to the Lien of this Indenture. Moneys which have been deposited with, paid to or received by the Trustee for the redemption of a portion of the Bonds or for the payment of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and be subject to a Lien in favor of only the Holders of such Bonds so redeemed or so due and payable.

(C) Moneys held in the Rebate Fund shall not be subject to a security interest, pledge, assignment, Lien or charge in favor of the Trustee or any other Person.

SECTION 402. APPLICATION OF PROCEEDS OF BONDS. (A) The Issuer shall deposit with the Trustee all of the proceeds from the sale of the Initial Bonds, including accrued interest payable on the Initial Bonds. The Trustee shall deposit the proceeds from the sale of the Initial Bonds as follows: (1) the Trustee shall deposit the portion of the proceeds of the sale of the

Initial Bonds representing accrued interest on the Initial Bonds into the Bond Fund, and (2) the Trustee shall deposit the remainder of such proceeds into the Project Fund.

(B) The proceeds of any Additional Bonds shall be deposited as provided in the supplement to this Indenture authorizing the issuance of such Additional Bonds. Any such proceeds required to be deposited in the Project Fund shall be deposited in the appropriate subaccount relating to such Additional Bonds within the Project Fund.

SECTION 403. TRANSFERS OF TRUST REVENUES TO FUNDS. (A) Commencing the first date on which installment purchase payments are received from the Company pursuant to the Installment Sale Agreement, and from month to month thereafter, the Trustee shall deposit such payments, upon the receipt thereof, in the Bond Fund.

(B) The Net Proceeds of any insurance settlement or Condemnation award received by the Trustee shall, upon receipt thereof, be deposited in the Insurance and Condemnation Fund.

SECTION 404. PROJECT FUND. (A) In addition to moneys deposited in the Project Fund from the proceeds of sale of the Bonds pursuant to Section 402 hereof, there shall be deposited into the Project Fund all other moneys received by the Trustee under or pursuant to this Indenture or the other Financing Documents which, by the terms hereof or thereof, are to be deposited in the Project Fund.

(B) Moneys on deposit in the Project Fund shall be disbursed and applied by the Trustee to pay the Costs of the Project pursuant to the provisions of Section 4.3 of the Installment Sale Agreement, this Section 404, and the applicable provisions of the Reimbursement Agreement. The Trustee is hereby authorized and directed to disburse moneys from the Project Fund upon receipt by the Trustee of a Request for Disbursement, in substantially the form attached hereto as Exhibit C, certified to by an Authorized Representative of the Company and approved in writing by the Bank in accordance with the applicable provisions of this Indenture, the Reimbursement Agreement and the Installment Sale Agreement.

(C) All earnings on amounts held in the Project Fund shall be deposited by the Trustee into the Project Fund.

(D) (1) Except for any amount retained for the payment of incurred and unpaid items of the Cost of the Project, after the Completion Date, all moneys in the Project Fund (in excess of any amount required to be transferred to the Rebate Fund pursuant to Section 407 hereof and the Tax Documents) shall be transferred from the Project Fund to the Bond Fund and be applied as soon as possible to the redemption of Bonds in accordance with Article III hereof.

(2) In the event the unpaid principal amount of the Bonds shall be accelerated upon the occurrence of an Event of Default, the balance in the Project Fund (in excess of any amount required to be transferred to the Rebate Fund pursuant to Section 407 hereof and the Tax Documents) shall be transferred from the Project Fund to the Bond Fund as soon as possible and shall be used to pay the principal of, premium, if any, on and interest on the Bonds.

(E) The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom, and shall, upon request and within sixty (60) days after the Completion Date, file an accounting thereof with the Issuer, the Company and the Bank.

SECTION 405. BOND FUND. (A) In addition to the moneys deposited to the Bond Fund (1)from the proceeds of the Bonds pursuant to Section 402 hereof and (2) pursuant to Sections 403, 404 and 410 hereof, there shall be deposited into the Bond Fund (a) all installment purchase payments received from the Company under the Installment Sale Agreement (except payments made with respect to the Unassigned Rights), (b) any amount in the Insurance and Condemnation Fund directed to be paid into the Bond Fund under Section 406 hereof, (c) any amounts received from the Company pursuant to Section 3.4 or Section 4.6 of the Installment Sale Agreement, (d)all prepayments by the Company in accordance with Section 5.5 of the Installment Sale Agreement in connection with which notice has been given to the Trustee pursuant to Section 302 hereof, (e) any amounts received by the Trustee under the Credit Facility, and (f) all other moneys received by the Trustee under and pursuant to this Indenture or the other Financing Documents which by the terms hereof or thereof are to be deposited into the Bond Fund, or are accompanied by directions from the Company or the Issuer that such moneys are to be paid into the Bond Fund.

(B) The Trustee shall deposit into the following specified accounts of the Bond Fund the following amounts:

(1) into the Credit Facility Account, all moneys drawn by the Trustee under the Credit Facility, which account shall hold no other moneys;

(2) into the Remarketing Proceeds Account, all amounts representing the proceeds from a remarketing of the Bonds, which account shall hold no other moneys;

(3) into the Redemption Premium Account, all amounts deposited to pay premiums on the Bonds, which account shall hold no other moneys; and

(4) into the Defeasance Account, all amounts deposited to pay and discharge the Bonds pursuant to Section 1001 hereof, which account shall hold no other moneys.

Neither the Issuer, the Company, any Guarantor, any affiliate of the Company or any Guarantor or any Insider of any of them shall have any interest in, nor any right whatsoever to take or control (other than the right of the Company to direct investments pursuant to Section 410 hereof), the Credit Facility Account, the Credit Facility, the Redemption Premium Account, the Remarketing Proceeds Account, the Defeasance Account or any subaccounts of any of the foregoing accounts, or the moneys and Authorized Investments therein, including any proceeds thereof, all of which shall be held in trust by the Trustee for the sole benefit of the Bondholders until all Debt Service Payments on the Bonds are paid and thereafter for the benefit of the Credit Facility Issuer; provided, however, that any amounts which were deposited in the Redemption Premium Account of the Bond Fund for the purpose of causing such amounts to constitute Available Moneys and which remain after all of the Outstanding Bonds shall be deemed paid and discharged under this Indenture, shall be retained by the Trustee and shall not be paid to or for

the benefit of the Company, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them, which shall have no right to take or control such amounts. If the Bonds are then rated by a Rating Service or Rating Services, no moneys in the Redemption Premium Account or the Defeasance Account may be used to pay Debt Service Payments on the Bonds until the Company delivers to such Rating Service or Rating Services an opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that payments on the Bonds from such moneys will not constitute voidable preferences under the U.S. Bankruptcy Code in the event a petition in bankruptcy is subsequently filed by or against the Company or the Issuer. The Trustee shall establish separate subaccounts within the Redemption Premium Account and the Defeasance Account for each deposit (including any investment income thereon) made into the Bond Fund so that the Trustee may at all times ascertain the date and source of deposit of the funds in such accounts and the Trustee shall assure moneys having different dates of deposit and held in separate subaccounts shall not be commingled.

(C) Moneys on deposit in the Bond Fund shall be disbursed and applied by the Trustee to pay the Debt Service Payments on the Bonds as said Debt Service Payments become due and payable on the Bonds in accordance with the provisions of the Bonds and this Indenture. Except as otherwise provided in Section 609(A)(1) hereof, moneys in the Bond Fund shall be used solely for the payment of the principal or redemption price of the Bonds and interest on the Bonds from the following source or sources, but only in the following order of priority:

(1) Available Moneys held in the Credit Facility Account, provided that in no event shall moneys held in the Credit Facility Account be used to pay any amount which may be due on Bonds held pursuant to Section 308 hereof;

(2) Available Moneys held on deposit in the Redemption Premium Account;

(3) any other Available Moneys in the Bond Fund; and

(4) any other amounts available in the Bond Fund.

(D) To the extent moneys described under Section 405(C)(1) hereof are not available in the Bond Fund to pay principal or redemption price of the Bonds and interest on the Bonds on any maturity date, Interest Payment Date, redemption date or Purchase Date (other than Bonds held pursuant to Section 308 hereof, except for interest payments on Bonds that were not held pursuant to Section 308 hereof on the Record Date for such payment), the Trustee shall, on or before 11:00 o'clock a.m.(New York time) on the Business Day prior to such due date, or 11:00 o'clock a.m. (New York time) on such Purchase Date, draw upon or demand payment under the Credit Facility, if any, then held by the Trustee in a manner so as to provide immediately available funds by the close of business on such date in an amount necessary to make the required payments of the principal of and premium, if applicable and if payable from a draw on the Credit Facility, and interest on the Bonds on such maturity date, Interest Payment Date, redemption date or to purchase the Bonds tendered or deemed tendered on such Purchase Date. Upon receipt of such moneys from the Credit Facility Issuer, the Trustee shall (1)(a)deposit the amount representing a drawing on the Credit Facility for the payment of principal of and interest on the Bonds in the Credit Facility Account of the Bond Fund, and apply the same to the

payment of such principal and interest due on the Bonds or (b) use the proceeds of the draw to the pay the purchase price of the Bonds in accordance with Section 309 hereof, and (2) pay, on behalf of the Company, but only from and to the extent of any amounts described in Section 405(C)(3) hereof and Section 405(C)(4) hereof then on deposit in the Bond Fund, any and all amounts then due and payable under the Reimbursement Agreement. Any payment made by the Trustee on behalf of the Company described in clause (2) of the immediately preceding sentence shall be made by wire transfer of immediately available funds to the account of the Credit Facility Issuer on the date the Trustee receives moneys pursuant to a drawing upon the Credit Facility.

(E) (1) Moneys on deposit in the Bond Fund shall be invested in Authorized Investments in accordance with Section 410 hereof. All interest and other income accrued and earned on moneys on deposit in the Bond Fund shall be deposited by the Trustee into the Bond Fund.

(2) Moneys on deposit in the Bond Fund shall be applied by the Trustee to pay the principal of, premium, if any, and interest on the Bonds as the same become due, whether at Stated Maturity, upon acceleration of the Bonds or upon redemption of the Bonds, except as provided in Section 411 and Section 408(E) hereof.

(F) Notwithstanding anything herein to the contrary, in NO EVENT shall moneys deposited in the Bond Fund be retained therein for a period in excess of one (1) year.

(G) The Issuer acknowledges that it has no interest in the Credit Facility Account, and any moneys and Authorized Investments therein, all of which shall be held in trust by the Trustee for the sole benefit of the holders of the Bonds, and that the Issuer has no interest in the Bond Fund and any moneys and Authorized Investments therein, all of which shall be held in trust by the Trustee for the benefit of the holders of the Bonds and, to the extent that the holders of the Bonds are paid through draws under a Credit Facility, the Credit Facility Issuer.

SECTION 406. INSURANCE AND CONDEMNATION FUND. (A) The Net Proceeds of any insurance settlement or Condemnation award received by the Trustee in connection with damage to or destruction of or the taking of part or all of the Project Facility shall be deposited into the Insurance and Condemnation Fund.

(B) If, pursuant to Sections 7.1 or 7.2 of the Installment Sale Agreement, following damage to or Condemnation of all or a portion of the Project Facility, (1) the Company exercises its option not to repair, rebuild or restore the Project Facility and to require the redemption of the Bonds, or (2) if a taking in Condemnation as described in Section 7.2(C) of the Installment Sale Agreement occurs, or (3) the Bank exercises its options to apply the Net Proceeds of any insurance or Condemnation award to the redemption of the Bonds, the Trustee shall, after any transfer to the Rebate Fund required by the Tax Documents and Section 407 hereof is made, transfer all moneys held in the Insurance and Condemnation Fund to the Bond Fund to be applied to the redemption of the Bonds then Outstanding pursuant to Section 301(A) hereof, except as provided in Section 411 and Section 408(E) hereof.

(C) If, following damage to or condemnation of all or a portion of the Project Facility, the Company elects to repair, rebuild or restore the Project Facility, and provided no Event of Default thereunder or under any other Financing Document has occurred and is continuing, moneys held in the Insurance and Condemnation Fund and attributable to the damage to or the destruction of or the taking of the Project Facility shall, after any transfer to the Rebate Fund required by the Tax Documents and Section 407 hereof is made, be applied to pay the costs of such repairs, rebuilding or restoration in accordance with the terms and conditions set forth in Section 406(D) hereof.

(D) The Trustee is hereby authorized to and shall make such disbursements, at the Company's request, either upon the completion of such repairs, rebuilding or restoration or periodically as such repairs, rebuilding or restoration progress, upon receipt by the Trustee of a certificate of an Authorized Representative of the Company, approved in writing by the Bank, stating, with respect to each payment to be made: (1) the amount or amounts to be paid, the Person or Persons (which may include the Company for reimbursement of such costs) to whom an amount is to be paid and the total sum of all such amounts; (2) that the Company has expended, or is expending, concurrently with the delivery of such certificate, such amount or amounts on account of costs incurred in connection with the repair, rebuilding or restoration of the Project Facility; (3) that all contractors, workmen and suppliers have been or will be paid through the date of such certificate from the funds to be disbursed; (4) that there exists no Event of Default hereunder or under any other Financing Document and no condition, event or act which, with notice or the lapse of time or both, would constitute an Event of Default hereunder or under any other Financing Document; (5) that such Authorized Representative of the Company has no knowledge, after diligent inquiry and after searching the records of the appropriate state and local filing offices, of any vendor's Lien, mechanic's Lien or security interest which should be satisfied, discharged or bonded before the payment as requisitioned is made or which will not be discharged by such payment; (6) that no certificate with respect to such expenditures has previously been delivered to the Trustee; and (7) that there remain sufficient moneys in the Insurance and Condemnation Fund attributable to the damage to, destruction of, or taking of the Project Facility to complete the repair, rebuilding or restoration of the Project Facility. Each such requisition shall be accompanied by bills, invoices or other evidences reasonably satisfactory to the Trustee and the Bank. The Trustee shall be entitled to rely on such requisition.

(E) Upon completion of the repair, rebuilding or restoration of the Project Facility, an Authorized Representative of the Company shall deliver to the Issuer, the Trustee and the Bank a certificate stating (1) the date of such completion, (2) that all labor, services, materials and supplies used therefor and all costs and expenses in connection therewith have been paid, (3) that the Project Facility has been restored to substantially its condition immediately prior to the damage or Condemnation thereof, or to a condition of at least equivalent value, operating efficiency and function, (4) that the Issuer or the Company has good and valid title to all Property constituting part of the restored Project Facility, and that the Project Facility is subject to the Installment Sale Agreement and the Liens and security interests of this Indenture and (5)that the restored Project Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate may state (a) that it is given without prejudice to any rights of the Company against third parties which exist at the date of such

certificate or which may subsequently come into being, (b) that it is given only for the purposes of this Section 406, and (c) that no Person other than the Issuer, the Bank or the Trustee may benefit therefrom. Such certificate shall be accompanied by a certificate of occupancy, if required, and any and all permissions, licenses or consents required of Governmental Authorities for the occupancy, operation and use of the Project Facility for its intended purposes.

(F) All earnings on amounts held in the Insurance and Condemnation Proceeds Fund shall be transferred by the Trustee to the Insurance and Condemnation Fund.

(G) If the cost of the repairs, rebuilding or restoration of the Project Facility effected by the Company shall be less than the amount in the Insurance and Condemnation Fund, then on the completion of such repairs, rebuilding or restoration, the Trustee shall transfer such difference to the Bond Fund and be used to redeem the Bonds in accordance with Article III hereof; provided that such amounts may be transferred to the Company for its purposes if (1) the Company so requests, (2) the Company obtains the prior written consent of the Bank thereto, and (3) the Company furnishes to the Trustee and the Bank an opinion of Bond Counsel to the effect that payment of such moneys to the Company will not, in and of itself, adversely affect the inclusion of the interest paid or payable on the Bonds from gross income for federal income tax purposes.

(H) If the cost of the repair, rebuilding or restoration of the Project Facility shall be in excess of the moneys held in the Insurance and Condemnation Fund, the Company shall deposit such additional moneys in the Insurance and Condemnation Fund as are necessary to pay the cost of completing such repair, rebuilding or restoration.

SECTION 407. REBATE FUND. (A) The Trustee shall make information regarding the Bonds and investments hereunder available to the Company. The Trustee shall have no obligation to calculate the amount of or make any required payment as provided in this Section 407. If a deposit to the Rebate Fund is required as a result of the computations made or caused to be made by the Company, the Trustee shall upon receipt of written direction from the Company accept such payment for the benefit of the Company. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon written direction from the Designated Representative transfer such amount to the Company. Records of the determinations required by this Section and the instructions must be retained by the Trustee until six years after the Bonds are no longer outstanding. The amount to be deposited in the Rebate Fund shall be withdrawn from the fund or funds designated by the Company, or, in the event the amounts held in such fund or funds are less than the Rebate Amount, the amount to be deposited shall be withdrawn from the fund or funds designated by the Company or from other moneys made available by the Company. Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder.

(B) Not later than 30 days after August 1, 2007 (or such other date as the Company may choose, provided the Company receive an opinion of Bond Counsel that such change will not cause interest on the Bonds to be included in gross income for federal income tax purposes) and every five years thereafter until final retirement of the Bonds, upon written direction from the Company, the Trustee shall pay to the United States of America ninety percent (90%) of the

amount required to be on deposit in the Rebate Fund as of such payment date. Not later than 30 days after the final retirement of the Bonds, upon written direction from the Company the Trustee shall pay to the United States of America one hundred percent (100%) of the balance of the amount required to be on deposit in the Rebate Fund as of such payment date.

(C) The Trustee shall make deposits and disbursements from the Rebate Fund in accordance with the written instructions received from the Authorized Representative of the Company, shall invest the amounts held in the Rebate Fund pursuant to written instructions from the Authorized Representative of the Company and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. Amounts on deposit in the Rebate Fund Principal Subaccount shall be invested in accordance with the provisions of Section 410 hereof and the Tax Documents. All income from such investments shall be deposited in the Rebate Fund Earnings Subaccount and paid to the United States on the date of any payment made pursuant to Section 407(D) hereof.

(D) In the event that on the first day of any Bond Year, after the calculation of the Rebate Amount, the amount on deposit in the Rebate Fund Principal Subaccount exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Issuer or the Company, shall transfer such excess to the Bond Fund to be applied to the payment of the principal and interest coming due on the Bonds on the next following Bond Payment Date.

(E) The Trustee, upon the receipt of written instructions from an Authorized Representative of the Company, shall pay to the United States, from amounts on deposit in the Rebate Fund or from other moneys supplied by the Company, (1) not less frequently than once every five (5) years after the date of original issuance of the Bonds, an amount such that, together with prior amounts paid to the United States, the total amount paid to the United States is equal to ninety percent (90%) of the Rebate Amount with respect to the Bonds as of the date of such payment plus all amounts then held in the Rebate Fund Earnings Subaccount, and (2) not later than thirty (30) days after the date on which all Bonds of any particular series have been paid in full, one hundred percent (100 %) of the Rebate Amount with respect to such Bonds as of the date of such payment plus all amounts then held in the Rebate Fund Earnings Subaccount.

(F) This Section 407 may be amended, without notice to or consent of the Bondholders, at the request of the Issuer or the Company, to comply with the applicable regulations of the Treasury Department, upon the delivery by the Issuer or the Company to the Trustee of an opinion of Bond Counsel that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest payable on the Bonds which exists on the Closing Date.

SECTION 408. THE LETTER OF CREDIT; ALTERNATE CREDIT FACILITIES. (A) (1)The Initial Bonds are initially secured by the Letter of Credit. The Trustee shall, without any further authorization or direction, timely present in person, by facsimile transmission or by tested telex at or before 11:00 o'clock a.m. on the Business Day immediately preceding a Bond Payment Date to the Bank a sight draft, together with all accompanying documentation as is required by the Letter of Credit by the terms thereof, in order to draw funds on the Letter of Credit in an

amount which will be sufficient to pay in full when due (whether by reason of maturity, redemption or otherwise) the Debt Service Payments due on the Bonds on such Bond Payment Date.

(2) In addition, immediately upon a declaration under Section 602 hereof that the principal of and accrued interest on all the Bonds then Outstanding has become due and payable by virtue of acceleration, the Trustee shall, without any further authorization or direction, present to the Bank a sight draft, together with all accompanying documentation as is required under the Letter of Credit by the terms thereof, in order to draw funds under the Letter of Credit in an amount which shall be necessary to pay the principal of, premium, if any, and accrued interest on the Bonds then Outstanding due by virtue of such acceleration.

(3) In addition, at or before 11:00 o'clock a.m. on the Purchase Date, the Trustee shall, without any further authorization or direction, present to the Bank a sight draft, together with all accompanying documentation as is required under the Letter of Credit by the terms thereof, in order to draw funds under the Letter of Credit to the extent moneys described in the following sentence are not available to pay when due the Purchase Price of Bonds tendered pursuant to Sections 304 and 307 hereof. In calculating the amount to be drawn on the Letter of Credit for the purchase of the Bonds, the Trustee shall take into account only the remarketing proceeds, if any, deposited into the Remarketing Proceeds Account with respect to the remarketing of such Bonds on or before 10:00 o'clock a.m. (New York time) on the Purchase Date, including proceeds from the purchase of the Bonds by the Remarketing Agent or the Tender Agent for its own account, but not including the remarketing of the Bonds to the Issuer or the Company.

(4) In no event will the Trustee be entitled to make drawings under the Letter of Credit for the payment of any amount due on any Pledged Bond, except for interest payments on Bonds that were not Pledged Bonds on the Record Date for such payment.

(B) (1) The Trustee shall exercise any and all rights under the Letter of Credit, regardless of whether the Bank is in default under the Letter of Credit, in the manner provided therein and in this Indenture, and the Trustee shall bring such actions and proceedings under the Letter of Credit as shall be required for the enforcement thereof in accordance with its terms and the terms of this Indenture.

(2) All funds received by the Trustee under the Letter of Credit shall be deposited by the Trustee in the Credit Facility Account in the Bond Fund and used solely to pay the principal of, and the premium, if any, and interest on, the Bonds; provided, however, that moneys drawn by the Trustee under the Letter of Credit will not be used to pay the principal of, or the premium, if any, or interest on, any Pledged Bonds.

(C) Except as provided below, any obligations of the Issuer under this Indenture and the Bonds or of the Company under the Installment Sale Agreement which are satisfied from the exercise of the Trustee's rights under the Letter of Credit or under this Section 408 shall be deemed to be satisfied, and no claim therefor shall be made by the Bondholders against the Issuer, the Trustee or the Company or by the Issuer, the Trustee or the Bondholders against the

Company in respect of such obligations; provided, however, that to the extent the Bank has not been reimbursed for amounts paid under the Letter of Credit or under any other Financing Document, such obligations shall not be deemed satisfied, and the Bank shall be subrogated to the rights of the Issuer under the Installment Sale Agreement (except the Unassigned Rights) and the rights of the Trustee hereunder and under the other Financing Documents (except the rights of the Trustee to receive payments for fees, expenses, indemnification's or other amounts which are payable to the Trustee individually under the Financing Documents and are not to be subsequently delivered to the Bondholders), and, further, such subrogation shall not release the Company from its obligations under the Reimbursement Agreement or under the other Financing Documents.

(D) (1) After a drawing on the Letter of Credit described in Section 408(A)(1) hereof, any and all moneys held by the Trustee in the Bond Fund shall be paid on the same day as the draw on the Letter of Credit to the Bank to be applied against the Company's obligations under the Reimbursement Agreement.

(2) After a drawing on the Letter of Credit described in Section 408(A)(2) hereof, any and all moneys held by the Trustee in any fund or account established by this Indenture (excepting moneys on deposit in the Rebate Fund) shall be paid on the same day as the draw on the Letter of Credit to the Bank to be applied against the Company's obligations under the Reimbursement Agreement.

(E) If at any time there shall cease to be any Bonds Outstanding hereunder, the Trustee shall promptly surrender the current Credit Facility to the Credit Facility Issuer for cancellation. The Trustee shall comply with the procedures set forth in the Credit Facility relating to the termination thereof.

(F) The Company may, at its option, provide for the delivery to the Trustee of an Alternate Credit Facility which, if the Interest Rate Mode is the Long-Term Rate, shall be a Qualified Alternate Credit Facility. Such Alternate Credit Facility shall have a term of not less than 1 year and set forth a maximum interest rate on the Bonds with respect to which drawings may be made. The Company shall give the Trustee an irrevocable written notice of its intention to replace the then current Credit Facility with an Alternate Credit Facility prior to the stated expiration date of the then current Credit Facility at least 35 days before the Interest Payment Date preceding (by at least 15 calendar days) the date of delivery of such Alternate Credit Facility stated in such notice. On or before the date of delivery of an Alternate Credit Facility to the Trustee, the Company shall provide the Trustee with (1) an opinion of Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under this Indenture and complies with the terms hereof, (2) an opinion of counsel to the issuer or provider of such Alternate Credit Facility stating that such Credit Facility is a legal, valid, binding and enforceable obligation of such issuer or obligor in accordance with its terms, and (3) if the stated amount of the Alternate Credit Facility is increased over that of the Credit Facility being replaced, an opinion of Independent Counsel stating that payments of principal and interest on the Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the subsequent bankruptcy of the Issuer or the Company under the Bankruptcy Code. The Trustee shall then accept such Alternate Credit Facility and surrender the previously

held Credit Facility, if any, to the previous Credit Facility Issuer for cancellation promptly on or after the 5th Business Day after the Alternate Credit Facility becomes effective, but not earlier than the 5th Business Day following the last Interest Payment Date covered by the Credit Facility to be canceled. Each Alternate Credit Facility shall have a term of not less than 1 year.

(G) Unless all of the conditions of Section 408(F) hereof shall have been satisfied, and the expiring Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) shall have been replaced with an Alternate Credit Facility, which if the Interest Rate Mode is the Long-Term Rate, shall be a Qualifying Alternate Credit Facility, and if the Interest Rate Mode is the Weekly Rate or the Semi-Annual Rate, shall be issued by the then current Credit Facility Issuer, at least 35 days before the Interest Payment Date immediately preceding (by at least 15 calendar days) the expiration date of the Credit Facility being replaced, the Trustee shall call the Bonds for purchase pursuant to Section 304(B) and Section 408(H) hereof. In any event, the Trustee shall not give notice of purchase of the Bonds on account of a failure to provide a Qualifying Alternate Credit Facility until the time specified in the preceding sentence for delivery of such Qualifying Alternate Credit Facility.

(H) (1) The Trustee shall notify the Bondholders of the expiration of the term of the Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) which will subject the Bonds to mandatory purchase in accordance with Section 3.04(B) hereof by first class mail delivered to each Bondholder's registered address at least 30 days but not more than 60 days before any Purchase Date resulting from such expiration. The notice will state (a) that the Credit Facility is expiring according to its terms, or will expire upon delivery of an Alternate Credit Facility, and (b) the Purchase Date for the Bonds.

(2) The Trustee shall notify Bondholders of the replacement of a Credit Facility with any Alternate Credit Facility by first class mail delivered to each Bondholder's registered address at least 30 days but not more than 60 days prior to the effective date of such replacement.

SECTION 409. NON-PRESENTMENT OF BONDS. (A) Subject to the provisions of Sections 205, 206 and 207 hereof, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, if Non-Preference Moneys sufficient to pay such Bond shall have been deposited with the Trustee for the benefit of the Holder thereof, such Bond shall be deemed canceled, redeemed or retired on such date even if not presented on such date and all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged; and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or with respect to such Bond.

(B) If any Bond shall not be presented for payment prior to the earlier of (1) two (2) years following the date when such Bond becomes due, either at maturity or at the date fixed for redemption or otherwise, or (2) the date on which such moneys would escheat to the State, such amounts shall be paid by the Trustee first to the Bank to the extent any amounts remain unpaid

by the Company under the Reimbursement Agreement or under any other Financing Document, with any balance to be paid to the Company. Thereafter, Bondholders shall be entitled to look only to the Company and/or the Bank, as the case may be, for payment, and then only to the extent of the amount so repaid to the respective parties, who shall not be liable for any interest thereon and shall not be regarded as trustees of such money. The Trustee shall, at least sixty (60) days prior to the expiration of the above described period, give notice to any Owner who has not presented any Bond for payment that any moneys held for the payment of any such Bond will be returned as provided in this Section 409 at the expiration of such period. The failure of the Trustee to give any such notice shall not affect the validity of any transfer of funds pursuant to this Section 409.

SECTION 410. INVESTMENT OF FUNDS. (A)Any moneys held as part of any fund created herein shall be continuously invested and reinvested, from time to time, by the Trustee in Authorized Investments at the written or oral direction of an Authorized Representative of the Company, but, if oral, to be promptly confirmed in writing by an Authorized Representative of the Company. The Company shall direct that any moneys held in any fund shall be invested so that (1) all investments shall mature or be subject to mandatory redemption by the holder of such investments (at not less than the principal amount thereof, or the cost of acquisition, whichever is lower), and all deposits in time accounts shall be subject to withdrawal, without penalty, not later than the date when the amounts will foreseeably be needed for purposes of this Indenture, (2)investments of moneys on deposit in the Bond Fund shall mature or be subject to mandatory redemption by the holder (at not less than the principal amount thereof) not more than ninety (90) days from the date of acquisition, and further shall mature or be redeemable at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay Debt Service Payments as they become due on the Bonds, whether at Stated Maturity or by redemption, (3)no portion of the proceeds derived from the sale of the Bonds or any other moneys held in any fund established under this Article shall be invested, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of that quoted term in Section 148 of the Code, (4) in no event shall any moneys transferred from the Project Fund to the Bond Fund pursuant to Section 404(D) hereof be invested at a "yield" (as defined in Section 148 of the Code) greater than the "yield" on the Bonds, (5) investments of moneys on deposit in the Rebate Fund shall mature or be redeemable at such time as may be necessary to make payments from the Rebate Fund required pursuant to Section 148 of the Code or Section 513 hereof, and (6)moneys received pursuant to a draw on the Letter of Credit and moneys in the Credit Facility Account, Defeasance Account, Remarketing Proceeds Account or Redemption Premium Account of the Bond Fund shall only be invested as described in Section 410(E) hereof. The investments so purchased shall be held by the Trustee and shall be deemed at all times to be a part of the fund in which such moneys were held.

(B) At no time shall any funds constituting gross proceeds of the Bonds be used in any manner to cause or result in a prohibited payment under applicable regulations pertaining to, or in any other fashion as would constitute failure of compliance with, Section 148 of the Code, or otherwise violate Section 513 hereof. The Trustee is directed to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in said fund shall be insufficient to cover a proper disbursement from said fund.

(C) Net income or gain received and collected from such investments shall be credited and losses charged to (1) the Rebate Fund Earnings Subaccount, with respect to the investment of amounts held in the Rebate Fund, and (2) the Project Fund, the Bond Fund, or the Insurance and Condemnation Fund, as the case may be, with respect to the investment of amounts held in such funds.

(D) Subject to any directions from an Authorized Representative of the Company with respect thereto, from time to time, the Trustee may sell any investments authorized hereunder and reinvest the proceeds therefrom in Authorized Investments maturing or redeemable as aforesaid. Any such investments may be purchased from or sold to the Trustee, the Bond Registrar, an Authenticating Agent or a Paying Agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee shall sell or redeem investments credited to the Bond Fund to produce sufficient moneys applicable hereunder to and at the times required for the purposes of paying Debt Service Payments on the Bonds when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order. For purposes of this Indenture, those investments shall be valued at face amount or market value, whichever is less. The Trustee shall not be liable (except for gross negligence or willful misconduct) for any depreciation in the value of any investment made pursuant to this Section 410 or for any loss arising from such investment.

(E) Moneys deposited in the Credit Facility Account in the Bond Fund shall be invested by the Trustee only in obligations described under clause (A) of the definition of Authorized Investments. Proceeds received from the remarketing of the Bonds and deposited in the Remarketing Proceeds Account shall be invested by the Trustee only in obligations described under clause (A) or clause (B) of the definition of Authorized Investments (provided that if the Bonds are then rated by a Rating Service or Rating Services, obligations described under clause (B) of such definition must be prerefunded or escrowed to maturity with obligations described in clause (A) of such definition and be rated "Aaa" by Moody's and/or "AAA" by Standard & Poor's, as applicable to the Rating Service or Rating Services then rating the Bonds). Such obligations shall be noncallable, and shall mature in 30 days or less and at the times and in the amounts necessary to make payments of the Debt Service Payments on, or the purchase price of, Bonds when due or the aforesaid moneys shall be held uninvested in their respective accounts pending application pursuant to the terms of this Article IV hereof, provided that the holding of such moneys uninvested will not cause the Bonds to be deemed "arbitrage bonds" within the meaning of Section 148 of the Code. Moneys deposited in the Defeasance Account in the Bond Fund shall be invested by the Trustee in accordance with Section 1001 hereof.

SECTION 411. FINAL DISPOSITION OF MONEYS. In the event there are no Bonds Outstanding, and subject to any applicable law to the contrary, after payment of all fees, charges and expenses, including, but not limited to reasonable attorney's fees, of the Issuer, the Trustee, the Company and the Bank and any Paying Agents or Authenticating Agents and all other amounts required to be paid hereunder and under the other Financing Documents and after payment of any amounts required to be rebated to the United States hereunder and under the Tax Documents or any provision of the Code, all amounts remaining in any fund established under this Indenture shall be transferred to the Company (except amounts held with respect to the Unassigned Rights, which amounts shall be paid to the Issuer) and, except for moneys held for

the payment or redemption of Bonds which have matured or been defeased or notice of the redemption of which has been duly given; provided, however, that, in the event that the Bonds are retired, redeemed or otherwise paid, in whole or in part, from amounts drawn on the Letter of Credit and the Bank remains unreimbursed for such amounts, such remaining amounts shall be transferred to the Bank to be applied against the obligation of the Company to repay the Bank for amounts paid under the Letter of Credit or any other Financing Document, and any amounts in excess thereof shall be paid to the Company; provided, however, that notwithstanding any provision to the contrary in this Indenture or elsewhere, any moneys in the Credit Facility Account, the Defeasance Account, the Remarketing Proceeds Account or the Redemption Premium Account may not be paid to the Company; and provided, further, that any amounts which were deposited in the Redemption Premium Account of the Bond Fund for the purpose of causing such amounts to constitute Available Moneys and which remain after all of the Outstanding Bonds shall be deemed paid and discharged under this Indenture, shall be retained by the Trustee and shall not be paid to or for the benefit of the Company, who shall have no right to take or control such amounts.

SECTION 412. PERIODIC REPORTS BY TRUSTEE. On or before the fifteenth (15th) day of each March, June, September and December, the Trustee shall furnish to the Issuer, the Company and the Bank, commencing on or before the fifteenth day of the first such date following the date in which the Bonds are delivered, a report on the status of each of the funds established under this Article IV, showing at least the balance in each such fund as of the final day of the period with respect to which the last such report described (or, if such report is to first such report, as of the Closing Date), the total of deposits into (including interest on investments) and the total of disbursements from each such fund, the dates of such deposits and disbursements, and the balance in each such fund on the last day of the period to which such report relates (which date shall be not earlier than the last day of the calendar month preceding the date of such report).

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ARTICLE V

GENERAL COVENANTS

SECTION 501. AUTHORITY OF ISSUER; VALIDITY OF INDENTURE AND BONDS. The Issuer hereby represents, warrants and covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby, to execute this Indenture and to pledge the revenues and receipts in the manner necessary for the issuance of the Bonds authorized hereby; that the execution and delivery of this Indenture has been duly and effectively authorized; and that such Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Issuer according to the import thereof.

SECTION 502. PAYMENT OF PRINCIPAL AND INTEREST. The Issuer covenants that it shall promptly pay the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof, subject to the provisions of Section 202 and Section 1109 hereof.

SECTION 503. PROCESSING OF TRANSFERS. Subject to the provisions of Section 206(D) hereof, the Trustee represents to and covenants with the Issuer and the Bondholders that it will take all reasonable action required and capable of performance on its part to process transfers of Bonds within three (3) Business Days of receipt of a request therefor.

SECTION 504. PERFORMANCE OF COVENANTS; AUTHORITY OF ISSUER. The Issuer covenants, and the Trustee by executing this Indenture covenants, that each will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The Issuer covenants and represents that it is duly authorized under the laws of the State to issue the Bonds authorized hereby and to execute and deliver this Indenture, to convey the interests described herein and conveyed hereby, to pledge the revenues, receipts and other moneys hereby pledged in the manner and to the extent herein set forth and to execute and deliver the Financing Documents to which it is a party; that all action on its part for the issuance of the Bonds and the execution and delivery of the Financing Documents to which it is a party has been duly and effectively taken; and that the Bonds in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the Issuer according to the import thereof.

SECTION 505. PRIORITY OF LIEN OF INDENTURE. The Issuer hereby represents, warrants and covenants that this Indenture is and will be a first Lien upon the Trust Revenues and the Issuer agrees not to create or suffer to be created any Lien having priority or preference over the Lien of this Indenture upon the Trust Revenues or any part thereof, except as otherwise specifically provided herein.

SECTION 506. INSTRUMENTS OF FURTHER ASSURANCE. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and

delivered such indentures supplemental hereto, and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confining unto the Trustee all and singular its interest in all Property purported to be made subject to the Lien hereof by the Granting Clauses hereof, and in the Trust Estate herein described and pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. Any and all interest in the Trust Estate or any other Property hereafter acquired which is of any kind or nature herein provided to be and become subject to the Lien hereof shall, without any further conveyance, assignment or act on the part of the Issuer or the Trustee, become and be subject to the Lien of this Indenture as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the Issuer under this Section. The Issuer covenants and agrees that, except as herein otherwise provided, it has not and will not sell, convey, mortgage, encumber or otherwise dispose of any part of its interest in the Trust Revenues.

SECTION 507. INSPECTION OF PROJECT BOOKS. The Issuer covenants and agrees that all books and documents in its possession relating to the Project Facility and the Bonds shall at all times be open to inspection by such accountants or other agencies as the Trustee or the Bank may from time to time reasonably designate.

SECTION 508. NO MODIFICATION OF SECURITY; LIMITATION ON LIENS. The Issuer covenants that it will not, without the written consent of the Trustee and the Bank, alter, modify or cancel, or agree to alter, modify or cancel, the Installment Sale Agreement or any other Financing Document to which the Issuer is a party, or which has been assigned to the Issuer, and which relates to or affects the security for the Bonds, except as contemplated hereby or pursuant to the terms of such document. The Issuer further covenants that, except for the Financing Documents and other Permitted Encumbrances, the Issuer will not incur, or suffer to be incurred, any mortgage, Lien, charge or encumbrance on or pledge of any of the Trust Revenues prior to or on a parity with the Lien of this Indenture.

SECTION 509. DAMAGE OR DESTRUCTION. The rights and obligations of the Company, the Issuer, the Trustee and the Bank in the event of damage or destruction of the Project Facility or part thereof shall be determined by reference to Section 7.1 of the Installment Sale Agreement and this Indenture.

SECTION 510. CONDEMNATION. The rights and obligations of the Company, the Issuer, the Trustee and the Bank in the event of a taking of part or all of the Project Facility by Condemnation shall be determined by reference to Section 7.2 of the Installment Sale Agreement and this Indenture.

SECTION 511. ACCOUNTS AND AUDITS. The Trustee shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Project Facility or any part thereof, and which, together with all other books and papers of the Trustee in connection with the Project Facility, shall at all reasonable times be subject to the inspection of the Company, the Bank and the Issuer, or the holder or holders of not less than five percent (5%) in aggregate principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

SECTION 512. RECORDATION; FINANCING STATEMENTS. (A) The security interests of the Trustee created by this Indenture and the other Financing Documents and the security interests of the Issuer assigned to the Trustee shall be perfected by the filing by the Company in the office of the New York State Department of State, Uniform Commercial Code Unit of financing and continuation statements required to be filed pursuant to the Uniform Commercial Code of the State in order to perfect and to maintain the perfection of the security interests created by this Indenture and the Financing Documents.

(B) The Company shall furnish, from time to time as reasonably requested by the Trustee, satisfactory evidence to the Trustee of the recording and filing of all financing statements, continuation statements and other instruments necessary to preserve, perfect and maintain the perfection of the Liens of the Financing Documents.

(C) The Issuer and the Company irrevocably appoint the Trustee as their lawful attorney and agent to execute and file such financing statements and continuation statements on their behalf (and without their signature where allowed by law) as in the opinion of the Trustee are necessary to preserve, perfect and maintain the perfection of the Liens created by this Indenture and the other Financing Documents. However this shall in no way relieve the Company from the duties and obligations of recording and filing of all financing statements, continuation statements and other instruments necessary to preserve, perfect and maintain the perfection of the Liens of the Financing Documents.

SECTION 513. COVENANT AGAINST ARBITRAGE BONDS. (A) Notwithstanding any other provision of this Indenture, so long as any Bonds shall be Outstanding, the Issuer shall not use or direct or permit the use of the proceeds of the Bonds or any other moneys in its control (including, without limitation, the proceeds of any insurance settlement or Condemnation award with respect to the Project Facility) in such manner as would cause any of the Bonds to be an "arbitrage bond" within the meaning of such quoted term in Section 148 of the Code.

(B) The Trustee shall not be responsible for the calculation, or the payment from its own funds, of any amount required to be rebated to the United States under Section 148 of the Code. The Trustee shall, however, make such transfers to the Rebate Fund and pay such amounts from the funds and accounts created hereunder and from the Company's funds to the United States as the Company, in accordance with this Indenture and the Tax Documents, shall direct.

SECTION 514. COVENANT REGARDING ADJUSTMENT OF DEBTS. In any case under Chapter 9 of Title 11 of the United States Code involving the Issuer as debtor, the Issuer, unless compelled by a court of competent jurisdiction, shall neither list the Trust Revenues or any part thereof or the Project Facility or any part thereof as an asset or property of the Issuer nor list any amounts owed upon the Bonds Outstanding as a debt of or claim against the Issuer.

SECTION 515. LIMITATION ON OBLIGATIONS OF THE ISSUER. Notwithstanding any provision of this Indenture to the contrary, no order or decree of specific performance with respect to any of the obligations of the Issuer hereunder shall be sought or enforced against the

Issuer unless (A) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Issuer shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten (10) days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten (10) day period) or failed to respond within such notice period, (B) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (C) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, directors, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (1)agree to indemnify and hold harmless the Issuer and its members, directors, officers, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (2) if requested by the Issuer, furnish to the Issuer satisfactory security to protect the Issuer and its members, directors, officers, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request; provided, however, that no limitation on the obligations of the Issuer contained in this Section 515 by virtue of any lack of assurance provided in (A), (B) or (C) hereof shall be deemed to prevent the occurrence and full force and effect of any Event of Default hereunder.

SECTION 516. AGREEMENT TO PROVIDE INFORMATION; CONTINUING DISCLOSURE. (A) The Trustee agrees, whenever requested in writing by the Issuer or the Company, to provide such information that is known to the Trustee relating to the Bonds as the Issuer or the Company from time to time may reasonably request at the Company's expense, including, but not limited to, such information as may be necessary to enable the Issuer or the Company to make any reports required by any Federal, state or local law or regulation.

(B) Upon notice being delivered pursuant to Section 209(E) (Notice of conversion of the Bonds to a Long-Term Rate Period), the Trustee shall enter into a written agreement with the Company (the "Continuing Disclosure Agreement"), in a form acceptable to the Remarketing Agent, for the benefit of the Holders of the Bonds, which shall be executed and delivered solely to assist the Remarketing Agent in complying with Rule 15C2-12(b)(5) of the Securities Exchange Act of 1934, as in effect on such date.

SECTION 517. CERTIFICATES WITH RESPECT TO $10,000,000 LIMITATION OF SECTION 144(a)(4) OF THE CODE. Upon receipt by the Trustee of a certificate of the Company delivered pursuant to the Tax Regulatory Agreement indicating that the $10,000,000 limit in Section 144(a)(4) of the Code has been or may have been exceeded at any time during the three-year period commencing on the date the Bonds are issued, the Company shall deliver to the Trustee an opinion of Bond Counsel as to whether, on the basis of the written statements, certificates, audits, filings and other documentation delivered to the Trustee in accordance with the Tax Regulatory Agreement, the $10,000,000 limit (or any greater or lesser limit that may hereafter be imposed by the Code) of Section 144(a)(4) of the Code was exceeded at any time

during such three-year period. If at any time Bond Counsel shall opine that the $10,000,000 limit of Section 144(a)(4) of the Code was exceeded during such three-year period, the Trustee shall call the Bonds for redemption pursuant to Section 301(D) hereof.

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ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 601. EVENTS OF DEFAULT. The following shall be "Events of Default" under this Indenture, and the terms "Event of Default" shall mean, when they are used in this Indenture, any one or more of the following events:

(A) Payment of the principal or redemption price of any Bond is not made when it becomes due and payable at maturity or upon call for redemption; or

(B) Payment of any interest on any Bond is not made when it becomes due and payable; or

(C) If no Credit Facility is then held by the Trustee, failure by the Issuer to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than any such failure which results in an Event of Default under Section 601 (A), Section 601 (B) or Section 601 (F) of this Indenture, for a period of 30 days after written notice of such failure requesting such failure to be remedied, given to the Issuer and the Company by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Bondholders of not less than 25 percent in aggregate principal amount of Bonds then outstanding; or

(D) The Trustee receives notice from the Credit Facility Issuer, if any, of the Credit Facility then held by the Trustee that an Event of Default under the Reimbursement Agreement has occurred and is continuing and the Trustee is to accelerate the maturity of the Bonds; or

(E) If a Credit Facility is then held by the Trustee, receipt by the Trustee, on or before the close of business on the 10th day following a drawing under such Credit Facility to pay interest on the Bonds on an Interest Payment Date or the portion of the purchase price of Bonds corresponding to interest on the Bonds, of notice by telephone (promptly confirmed in writing) or facsimile from the Credit Facility Issuer that the interest component of the Credit Facility will not be reinstated as of the date of such notice to the amount required to be maintained pursuant to this Indenture; or

(F) If payment of the purchase price of any Bond required to be purchased pursuant to Section 304 of this Indenture is not made when such payment has become due and payable; or

(G) If a Credit Facility is then held by the Trustee, the Credit Facility Issuer fails to honor any proper drawing under the Credit Facility; or

(H) If a Credit Facility is then held by the Trustee, a decree or order of a court or agency or supervisory authority, having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling or assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs,

shall have been entered against the Credit Facility Issuer or the Credit Facility Issuer shall have consented to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to the Credit Facility Issuer or of or relating to all or substantially all of its property and the lapse of 60 days during which an Alternate Credit Facility Issuer complying with the terms hereof has not been delivered to the Trustee; or

(1) The occurrence and continuance of an Event of Default under the Installment Sale Agreement.

SECTION 602. ACCELERATION. (A) Upon (1) the occurrence of an Event of Default under Section 601 (D), Section 601 (E) or Section 601 (H), the Trustee shall, or (2) the occurrence of any other Event of Default under Section 601 hereof and so long as such Event of Default is continuing, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding the Trustee shall, by notice in writing delivered to the Company, with copies of such notice being sent to the Issuer and the Bank, declare the entire principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any such declaration, the Trustee shall immediately declare an amount equal to all amounts then due and payable on the Bonds to be immediately due and payable under the Installment Sale Agreement.

(B) Upon the occurrence of any declaration by the Trustee under this Section 602, the principal of the Bonds then Outstanding and the interest accrued thereon shall thereupon become and be immediately due and payable, and interest shall cease to accrue thereon, and the Trustee shall immediately draw upon the Letter of Credit to the extent and in the manner provided in Section 408 hereof.

(C) Immediately after any acceleration hereunder, the Trustee, to the extent it has not already done so, shall notify in writing the Issuer, the Company, the Credit Facility Issuer, the Tender Agent and the Remarketing Agent of the occurrence of such acceleration. Within 5 days of the occurrence of any acceleration hereunder, the Trustee shall notify by first class mail, postage prepaid, the owners of all Bonds Outstanding of the occurrence of such acceleration.

(D) If, after the principal of the Bonds has become due and payable, all arrears of interest upon the Bonds are paid by the Company, and the Company also performs all other things in respect to which it may have been in default hereunder and pays the reasonable charges of the Trustee and the Bondholders, including reasonable attorneys' fees, then, and in every such case, the owners of a majority in principal amount of the Bonds then Outstanding, by notice to the Company and to the Trustee, may annul such acceleration and its consequences, and such annulment shall be binding upon the Trustee and upon all owners of Bonds issued hereunder; provided, however, that the Trustee shall not annul any declaration resulting from (1) an Event of Default specified in Section 601(E) hereof, (2) an Event of Default specified in Section 601(D) hereof without the prior written consent of the Credit Facility Issuer or (3) any Event of Default which has resulted in a drawing under the Credit Facility, unless the Trustee has received written confirmation from the Credit Facility Issuer that the Credit Facility has been reinstated to an

amount equal to the amount thereof prior to such drawing. No such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall forward a copy of any notice from Bondholders received by it pursuant to this paragraph to the Company and to the Credit Facility Issuer. Immediately upon such annulment, the Trustee shall cancel, by notice to the Issuer, the Company and to the Credit Facility Issuer, any demand for acceleration of payments hereunder and under the Bonds made by the Trustee pursuant to this Section 602. The Trustee shall promptly give written notice of such annulment to the Issuer, the Company, the Credit Facility Issuer, the Tender Agent, the Remarketing Agent, and, if notice of the acceleration of the Bonds shall have been given to the Bondholders, shall give notice thereof to the Bondholders.

SECTION 603. ENFORCEMENT OF REMEDIES. (A) Upon the occurrence and continuance of any Event of Default, the Trustee shall exercise such of the rights and powers vested in the Trustee by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. In considering what actions are or are not prudent in the circumstances, the Trustee shall consider whether or not to take such action as may be permitted to be taken by the Trustee under any of the Financing Documents.

(B) Upon the occurrence and continuance of any Event of Default, the Trustee shall give such notices and take all actions necessary to cause payments to be made under the Letter of Credit and may proceed forthwith to protect and enforce its rights under the Act, the Letter of Credit, the Installment Sale Agreement and the other Financing Documents by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient.

(C) Upon the occurrence and continuance of any Event of Default, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce payment of and receive any amounts due or becoming due from the Issuer, the Bank or the Company under any of the provisions of this Indenture, the Installment Sale Agreement and the other Financing Documents, without prejudice to any other right or remedy of the Trustee or the Bondholders.

(D) Regardless of the happening of an Event of Default, the Trustee may institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Indenture and the other Financing Documents by any acts which may be unlawful or in violation of this Indenture or of any other Financing Document or of any resolution authorizing the Bonds, or to preserve or protect the interest of the Trustee and/or the Bondholders.

(E) Notwithstanding anything to the contrary herein, so long as the Letter of Credit is in effect and the Bank is making all required payments with respect to the Letter of Credit in accordance with the terms of the Letter of Credit, the Trustee shall not exercise any remedies under this Article VI and the Trustee shall not, without the prior written consent of the Bank, take any actions which the Trustee is required or entitled to take under this Article VI unless and until the Trustee shall have accelerated the Bonds and drawn upon the Letter of Credit in accordance with Section 602 hereof and the Bank shall have defaulted in the performance of its

obligations under the Letter of Credit, in which case the Bank shall have no authority to exercise any further rights hereunder unless and until said default shall have been cured by the Bank to the reasonable satisfaction of the Trustee.

(F) In the event of a default by the Bank in the performance of its obligations under the Letter of Credit, notwithstanding the provisions of subparagraph (E) above, the Bank shall have no authority to exercise any further rights hereunder, unless and until said default shall have been cured by the Bank to the reasonable satisfaction of the Trustee.

SECTION 604. APPOINTMENT OF RECEIVERS. Upon the occurrence and continuance of an Event of Default and upon the filing of a suit or commencement of other judicial proceedings to enforce the rights of the Trustee under this Indenture and the other Financing Documents, the Trustee shall, to the extent permitted by law, be entitled, as a matter of right, to the appointment of a receiver or receivers of the Project Facility and of the revenues and receipts thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 605. RIGHTS OF BONDHOLDERS TO OBLIGATE TRUSTEE TO PROTECT BONDHOLDERS. Subject to the provisions of Section 603(E) hereof, if an Event of Default shall have happened, and if requested so to do by the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, and if secured and indemnified as provided in Section 701(I) herein, the Trustee shall be obligated to proceed to protect its rights and the rights of the Bondholders under applicable law, the Installment Sale Agreement, the Bonds, the Letter of Credit, this Indenture and the other Financing Documents, as the Trustee, being advised by Independent Counsel, shall deem most expedient in the interest of the Bondholders.

SECTION 606. REMEDIES NOT EXCLUSIVE; WAIVER AND NON-WAIVER OF EVENT OF DEFAULT. (A) No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

(B) No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(C) No waiver of any Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent or concurrent Event of Default or shall impair any rights or remedies consequent thereto.

SECTION 607. RIGHTS OF BONDHOLDERS TO DIRECT PROCEEDINGS. Anything in this Indenture to the contrary notwithstanding, but nonetheless subject to the provisions of Section 603(E) hereof, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right at any time, by an instrument in writing executed and delivered to the Trustee and upon offering the Trustee the security and indemnity provided for in Section

701(I) herein, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, the Letter of Credit, the Installment Sale Agreement or the other Financing Documents, or for the appointment of a receiver or any other proceedings hereunder, provided that such direction, in the sole opinion of the Trustee, is in accordance with the provisions of law and is not unduly prejudicial to the interests of the Bondholders not joining such direction.

SECTION 608. WAIVER BY ISSUER. Upon the occurrence of an Event of Default, to the extent that such right may then lawfully be waived, neither the Issuer, nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture; and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that it may lawfully do so, the benefit of all such laws and all rights of appraisal and redemption to which it may be entitled under the laws of the State.

SECTION 609. APPLICATION OF MONEYS. (A) Except as provided in subsection (C) below, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VI shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including reasonable attorneys' fees) incurred or made by the Trustee, be deposited into the Bond Fund; and all moneys in the Bond Fund shall be applied, together with the other moneys held by the Trustee hereunder (other than amounts in the Rebate Fund), as follows:

(1) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST - to the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - to the payment to the Persons entitled thereto of the unpaid principal of and any premium on the Bonds (other than Bonds called for redemption for the payment of which moneys shall be held pursuant to the provisions of this Indenture) which shall have become due, in order of their maturities, with interest from the date upon which they became due and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, and interest on the Bonds due on any particular date, then to the payment ratably, according to amounts due respectively for principal, interest and premium, if any, to the Persons entitled thereto, without any discrimination or privilege;

THIRD - to the payment to the Persons entitled thereto of the principal of, premium, if any, on, or interest on the Bonds which may thereafter become due and payable, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably

according to the amount of interest, principal and premium, if any, due on such date to the Persons entitled thereto, without any discrimination or privilege; and

FOURTH - to the payment to the Credit Facility Issuer of all amounts due to the Credit Facility Issuer pursuant to the Reimbursement Agreement.

(2) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal and premium over interest or of interest over principal and premium, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or privilege.

(B) Whenever moneys are to be applied pursuant to the provisions of Section 609(A)(1) hereof, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available in the future. Whenever the Trustee shall apply such moneys under Section 609(A)(1), it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. Whenever moneys are to be applied pursuant to the provisions of Section 609(A)(2), such moneys shall be applied as soon as practicable upon receipt thereof. In either case, the Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee and a new Bond is issued or the Bond is canceled if fully paid.

(C) Any moneys received by the Trustee from the Bank pursuant to the exercise of any rights granted hereunder or under the Letter of Credit shall first be applied in accordance with Section 408 hereof.

SECTION 610. REMEDIES VESTED IN TRUSTEE. All rights of action, including the right to file proof of claims, under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds. Subject to the provisions of Section 609 hereof, any recovery or judgment shall be for the equal benefit of the holders of the Outstanding Bonds.

SECTION 611. RIGHTS AND REMEDIES OF BONDHOLDERS. No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust under this Indenture or for the appointment to the extent permitted by law of a receiver or any other remedy hereunder, unless an Event of Default under Section 601(D), Section 601(E) or Section 601(H) hereof has occurred or a default under Section 601 hereof has occurred of which the Trustee has been notified as

provided in Section 614 hereof; nor unless also (A) such default, in the case of a default other than a default under Section 601(D), Section 601(E) or Section 601(H), shall have become an Event of Default, and (B) the Holders of at least 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; nor unless also they have offered to the Trustee indemnity as provided in Section 701(I) hereof; nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding for a period of thirty (30) days after receipt by the Trustee of such request and offer of indemnity; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment to the extent permitted by law of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Lien of this Indenture by any action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Holders of all Bonds then Outstanding. Nothing in this Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest on each of the Bonds issued hereunder to the respective Holders thereof, at the time and place and from the source and in the manner in the Bonds expressed. The rights of the Holder of the Bonds under this Section 611 are subject to the rights of the Bank under Section 603(E) hereof.

SECTION 612. TERMINATION OF PROCEEDINGS. In case the Trustee shall have undertaken any proceedings to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Issuer, the Company, the Bank and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 613. WAIVERS OF EVENTS OF DEFAULT. The Trustee, with the prior written consent of the Bank, shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of a majority of the aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived (A) any default in the payment of the principal of any Outstanding Bond at the date of maturity specified therein, or upon proceedings for mandatory redemption, (B) any Event of Default requiring a draw under the Letter of Credit unless the Trustee shall have received written notice from the Bank that the Letter of Credit has been reinstated to its full stated amount, if there has been a reduction thereon, or (C) any default in the payment when due of the interest or premium on any such Bonds, unless prior to such waiver or rescission all arrears of interest, with interest (to the extent permitted by law) at the rate bond by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due (whether at the stated maturity thereof or upon proceedings for redemption) as the case may be,

shall have been paid or provided for, and no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereto. The Trustee shall not grant any waiver or rescission hereunder unless all ordinary and extraordinary fees and expenses of the Trustee, including, but not limited to, reasonable attorneys' fees, incurred in connection with said default have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then, and in every such case, the Issuer, the Trustee, the Bank and the Bondholders, respectively, shall be restored to their former positions and rights hereunder.

SECTION 614. NOTICE OF DEFAULTS; OPPORTUNITY TO CURE. (A) Anything herein to the contrary notwithstanding, no default under Section 601 other than a default under Section 601(D), Section 601(E) or Section 601(H) hereof shall constitute an Event of Default until the Trustee shall have received written notice thereof or shall have actual notice thereof and until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Holders of not less than 25% percent of the aggregate principal amount of Bonds then Outstanding to the Issuer, the Bank and the Company, and the Issuer, the Bank and the Company shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer, the Bank or the Company within the applicable period and diligently pursued until the default is corrected.

(B) The Trustee shall immediately notify the Issuer, the Company and the Bank of any Event of Default known to the Trustee.

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ARTICLE VII

THE TRUSTEE

SECTION 701. ACCEPTANCE OF THE TRUSTS. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts upon the following terms and conditions:

(A) The Trustee may execute any of the trusts or powers hereof and perform any of its duties hereunder by or through attorneys, agents, receivers or employees, but shall not be answerable for the conduct of the same if appointed with due care, and shall be entitled to advice of counsel concerning all matters of the trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney appointed with due care, who may be the attorney or attorneys for the Issuer, and shall not be responsible for any loss or damage resulting from any action or nonaction in reliance upon any such opinion or advice.

(B) Except as expressly provided herein, the Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for insuring the Property subject to the Lien of the Financing Documents, or for the value or title of any of the Property subject to the Lien of the Financing Documents, or to see to the recording or filing of this Indenture or any financing statement or any other document or instrument whatsoever, or for the payment of, or for minimizing taxes, charges, assessments or Liens upon the same, or otherwise as to the maintenance of the security hereof, except as to the safekeeping of the pledged collateral and except that, in the event the Trustee enters into possession of part or all of the Property subject to the Lien of the Financing Documents pursuant to any provision thereof, it shall use due diligence in preserving the same, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the Issuer or the Company, but the Trustee may require of the Issuer and the Company full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the Property subject to the Lien of the Financing Documents.

(C) The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not the Trustee.

(D) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and of any Bond or Bonds issued in exchange therefore or in place thereof.

(E) The Trustee may accept a certificate of the Secretary or Assistant Secretary of the Issuer under its corporate seal to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted and is in full force and effect. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Company or the Bank signed by an Authorized Representative of the Company or the Bank, as the case may be, or a certificate of an Authorized Representative of the Issuer under seal, as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which it has been notified as provided in paragraph (M) of this Section or of which by said paragraph it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is or is not necessary or expedient, but may at its discretion, at the reasonable expense of the Company, in every case secure such further evidence as it may think necessary or advisable, but shall in no case be bound to secure the same.

(F) The permissive right of the Trustee to do things enumerated in the Financing Documents shall not be construed as a duty unless so specified herein, and in doing or not doing so the Trustee shall not be answerable for other than its own gross or willful misconduct.

(G) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Issuer pertaining to the Project Facility and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(H) Notwithstanding anything elsewhere in this Indenture, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any moneys, the release of any interest in Property or any action whatsoever, within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to those required herein.

(I) Before taking any action hereunder (except declaring an Event of Default or drawing under the Letter of Credit on an Interest Payment Date or a Bond Payment Date), the Trustee may require that a security and indemnity reasonably satisfactory to it be deposited with it for the reimbursement of all fees, costs and expenses including, but not limited to, reasonable attorney's fees to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct by reason of any action so taken.

(J) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or by this Indenture. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon with the Issuer.

(K) The Trustee, prior to an Event of Default hereunder and after curing all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in this Indenture. In case an Event of Default has happened which has not been cured, the Trustee shall exercise the rights, duties and powers vested in it by this Indenture in good faith and with that degree of diligence, care and skill which ordinarily prudent persons would exercise under similar circumstances in handling their own affairs.

(L) The Trustee shall furnish to the Issuer during the term of this Indenture upon the written request of the Issuer any reports or other account of the use of any of the Issuer's funds held by the Trustee that may be required by any governmental body.

(M) The Trustee shall not be required to take notice or be deemed to have notice of the occurrence of any Event of Default other than an Event of Default under Section 601(D), Section 601(E) or Section 601(H), unless the Trustee shall have actual notice of such Event of Default or unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer, the Bank or the Company or by the owners of at least 25% in aggregate principal amount of Bonds Outstanding hereunder, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default, except as aforesaid.

(N) The Trustee shall not be personally liable for any debts contracted or for damages to Persons or to personal Property injured or damaged, or for salaries or nonfulfillment of contracts, during any period in which it may be in the possession of or managing any Property subject to the Lien of the Financing Documents as in this Indenture provided.

(O) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(P) There shall be no additional fee charged by the Trustee for a draw under the Letter of Credit as contemplated by Section 408 hereof or by the terms of the Letter of Credit. Nothing in the foregoing sentence, however, shall limit the Trustee's right to charge additional fees in the event it is required to perform Extraordinary Services hereunder.

(Q) Before taking any action hereunder, or under any other Financing Document, which would result in the Trustee acquiring title to or taking possession of any portion or all of the Project Facility, the Trustee may require such environmental inspections and tests of the Project Facility and other environmental reviews as the Trustee deems necessary and, if the Trustee determines that the taking of title or possession of all or any portion of the Project Facility will expose the Trustee to claims or damages resulting from environmental or ecological conditions in any way relating to the Project Facility or any activities at the Project Facility, the Trustee may decline to take title to or possession of the Project Facility.

SECTION 702. FEES, CHARGES AND EXPENSES OF TRUSTEE. The Trustee shall be entitled to payment for its Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorney's fees, rendered or incurred hereunder and, in the event that it should

become necessary for the Trustee to perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses, including, but not limited to, reasonable attorney's fees, in connection therewith; provided that, if such Extraordinary Services or Extraordinary Expenses are occasioned by the gross negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor.

SECTION 703. NOTICE TO BONDHOLDERS OF DEFAULT. If an Event of Default occurs of which the Trustee is, by Section 614 or paragraph (M) of Section 701 hereof, required to take notice or if notice of an Event of Default has been given to it as in said Section 614 or paragraph (M) provided, then the Trustee shall give written notice thereof by mail to all owners of Bonds then Outstanding as shown on the bond register maintained by the Trustee.

SECTION 704. INTERVENTION BY TRUSTEE. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Bondholders, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least 25% in aggregate principal amount of all Bonds then Outstanding if offered the security and indemnity provided for in Section 701(I). The rights and obligations of the Trustee under this Section 704 are subject to the approval of a court of competent jurisdiction.

SECTION 705. SUCCESSOR TRUSTEE. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall, ipso facto, be and become successor Trustee hereunder and vested with all of the title to the Trust Revenues and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 706. RESIGNATION BY THE TRUSTEE. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice to the Issuer, the Bank and the Company and by registered or certified mail to each Owner of Bonds then Outstanding and such resignation shall take effect at the end of such sixty (60) day period, but not prior to the acceptance of appointment by a successor Trustee under Section 709 hereof. Such notice to the Issuer, the Bank and the Company may be served personally or sent by registered mail. If an instrument of acceptance by a successor Trustee shall not be delivered to the Trustee within sixty (60) days after the giving of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

SECTION 707. REMOVAL OF THE TRUSTEE. (A) The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee, the Issuer, the Bank and the Company, and signed by the Owners of a majority in aggregate principal amount

of all Bonds then Outstanding. Such notice shall specify the date that such removal shall take effect.

(B) No removal of the Trustee under this Section 707 shall be effective until a successor Trustee shall have been appointed and shall have accepted the terms and conditions imposed hereby.

SECTION 708. APPOINTMENT OF SUCCESSOR TRUSTEE BY THE BONDHOLDERS; TEMPORARY TRUSTEE. (A) In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their duly authorized attorneys; provided, nevertheless, that in case of vacancy, the Issuer by an instrument executed and signed by the Chairman or Vice Chairman and attested by the Secretary or Assistant Secretary of the Issuer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders.

(B) Every such successor or temporary Trustee appointed pursuant to the provisions of this Section 708 shall (1) be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, (2) be located within or outside the State, (3) be duly authorized to exercise trust powers in the State, (4) be subject to examination by a federal or state authority, and (5) maintain a reported capital and surplus of not less than $20,000,000 (or a combined capital and surplus in excess of $3,500,000 and the obligations of which, whether now in existence or hereafter incurred, are fully guaranteed by a corporation organized and doing business under the laws of the United States, any State or Territory thereof or of the District of Columbia, that has a combined capital and surplus of at least $50,000,000), if there be one able and willing to accept the trust on reasonable and customary terms.

SECTION 709. CONCERNING ANY SUCCESSOR TRUSTEE. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, Properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, and upon payment of all amounts due such predecessor, execute and deliver an instrument transferring to such successor Trustee all the estates, Properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by a successor Trustee for more fully and certainly vesting in such successor the estates, Properties, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and

delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article VII, shall be filed and/or recorded by the successor Trustee in each recording office where this Indenture shall have been filed and/or recorded.

SECTION 710. TRUSTEE PROTECTED IN RELYING UPON RESOLUTIONS, ETC. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of moneys hereunder.

SECTION 711. SUCCESSOR TRUSTEE AS TRUSTEE, PAYING AGENT AND BOND REGISTRAR. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or has been removed shall cease to be Trustee and paying agent on the Bonds and Bond Registrar, and the successor Trustee shall become such Trustee and paying agent and Bond Registrar.

SECTION 712. TRUST MAY BE VESTED IN SEPARATE OR CO-TRUSTEE. (A) It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction, including particularly the law of the State, denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, and in particular in case of the enforcement of any such instrument on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the trust herein created, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee.

(B) In the event that the Trustee appoints an additional institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee, but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies; and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

(C) Should any deed, conveyance or instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such Properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, Properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 713. TRUSTEE TO EXERCISE POWERS OF STATUTORY TRUSTEE. The Trustee shall be and is hereby vested with all of the rights, powers and duties of a Trustee which could be appointed by the Bondholders pursuant to Section 878 of the Act, and the right of the Bondholders to appoint a Trustee pursuant to Section 878 of the Act is hereby abrogated in accordance with the provisions of the Act.

SECTION 714. NEW YORK REAL PROPERTY LAW. (A) To the extent, if any, that Article 4-a of the New York Real Property Law, as in effect from time to time, may apply to this Indenture or the transactions contemplated hereby, then and in such event, notwithstanding any provision of this Indenture to the contrary, the following provisions of this Section 714 shall apply to this Indenture.

(B) The Trustee shall have, without limitation, the following additional powers and duties:

(1) To receive and collect directly and without the intervention or assistance of any fiscal agent or other intermediary all payments of monies required to be made under this Indenture and to disburse the same pursuant to the terms hereof.

(2) To act as tax withholding agent, and to receive, collect and pay the necessary taxes and hold the surplus, if any, in trust for the rightful owner thereof.

(3) In the event of a default in the payment or deposit of interest, amortization, taxes, assessments or principal (without any request from the Bondholders or any of them) with due diligence, prudence and care in its discretion:

(a) to take such action as may be necessary or proper to sequester the rents and income from the Project Facility and otherwise from the Trust Estate;

(b) to procure from the owner of the Project Facility and/or of the Trust Estate an assignment of rents and/or a consent to enter into possession of the Project Facility and/or the Trust Estate and to collect the rents and income therefrom;

(c) to apply to any court of competent jurisdiction for the appointment of a receiver of the rents and income from the Project Facility and the Trust Estate;

(d) to declare due and payable forthwith any principal amount remaining due and unpaid and commence an action to foreclose any Lien on the Project Facility and/or the Trust Estate;

(e) to apply the moneys received as rents and income from the Project Facility and/or the Trust Estate as well as moneys received by the Trustee from any receiver appointed for the Project Facility and/or the Trust Estate in his discretion, to the maintenance and operation of such Trust Estate, the payment of taxes, water rents and assessments levied thereon and any arrears thereof, to the payment of underlying Liens, and to the creation and maintenance of a reserve or sinking fund, and after the commencement of an action to foreclose any Lien on the

Project Facility and/or the Trust Estate, to distribute ratably among the Bondholders any moneys remaining in its hands; and

(f) to render annually to the Bondholders, after the occurrence of an Event of Default, unless such Event of Default be previously cured, a summarized statement of income and expenditures in connection with the Trust Estate.

(4) To permit the Issuer or other Person in possession or control of the Project Facility and/or the Trust Estate, or its successors in interest, to be free to select the insurance broker or agent through whom any insurance of any kind is to be placed or written on any property affected or covered by a mortgage held by such Trustee.

(C) The powers and duties conferred and imposed in subsection (B) of this Section 714 shall be in addition to those conferred and imposed by other provisions of this Indenture and, in case of a conflict, the provisions of said subsection (B) shall prevail; provided, however, that if Article 4-A of the Real Property Law of the State (or any successor provision) or any portion thereof should at any time be repealed or should be construed by a non-appealable judicial decision of a State or Federal court specifically to be inapplicable to this Indenture, said subsection (B) or the corresponding provisions of said subsection (B), as the case may be, shall cease to have any further force and effect; provided, further, that any modification of the powers and duties of a trustee pursuant to Article 4-A of the Real Property Law of the State shall be incorporated by reference herein as part of said subsection (B).

SECTION 715. CONFLICTS OF INTEREST. (A) To the extent, if any, that Article 4-A of the New York Real Property Law, as in effect from time to time, may apply to this Indenture or the transactions contemplated hereby, then and in such event, notwithstanding any provision of this Indenture to the contrary, the following provisions of this Section 715 shall apply to this Indenture. If the Trustee has or shall acquire any conflicting interest as hereinafter defined:

(1) the Trustee shall, within ninety (90) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign, such resignation to become effective upon the appointment of a successor trustee and such successor's acceptance of such appointment; and the Issuer shall take prompt steps to have a successor appointed in the manner provided in this Indenture;

(2) in the event that the Trustee shall fail to comply with the provisions of paragraph (1) of this subsection (A), the Trustee shall, within ten (10) days after the expiration of such ninety-day period, transmit notice of such failure by mail (a) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the registration books of the Issuer, (b)to such Holders of Bonds as have, within the two (2) years preceding such transmission, filed their names and addresses with the Trustee for the purpose of receiving notices or reports to Holders of Bonds and (c) to all Holders of Bonds whose names and addresses are contained in information currently preserved by the Trustee for such purpose in accordance with subsection (G) of this Section 715; and

(3) any Holder of Bonds who has been a bona fide Holder thereof for at least six (6) months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee, and the appointment of a successor, if the Trustee fails, after written request therefor by such Holder, to comply with the provisions of paragraph (1) of this subsection (A).

(B) For purposes of subsection (A) of this Section 715, the Trustee shall be deemed to have a conflicting interest if:

(1) the Trustee is trustee under another mortgage, deed of trust, trust indenture or other similar instrument (hereinafter in this Section 715 referred to as an "indenture") under which any other securities, or certificates of interest or participation in any other securities, of an obligor upon the Bonds are outstanding unless (1) such other indenture is a collateral trust indenture under which the only collateral consists of Bonds issued under this Indenture, or (2)such obligor has no substantial unmortgaged assets and is engaged primarily in the business of owning, or of owning and developing or operating, real estate, and this Indenture and such other indenture are secured by wholly separate and distinct parcels of real estate; provided, however, that there shall be excluded from the operation of this paragraph any other indenture or indentures which shall have been qualified with the United States Securities and Exchange Commission pursuant to the provisions of the Trust Indenture Act of 1939, as from time to time amended and in force;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Bonds or an underwriter for such an obligor;

(3) the Trustee directly or indirectly controls, or is directly or indirectly controlled by or is under direct or indirect common control with, an obligor upon the Bonds or an underwriter for such an obligor;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee or representative of an obligor upon the Bonds, or of an underwriter (other than the Trustee itself) for such an obligor who is currently engaged in the business of underwriting, except that (a) one individual may be a director or an executive officer of the Trustee and a director or an executive officer of such obligor, but may not be at the same time an executive officer of both the Trustee and of such obligor, and (b) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer of the Trustee and a director of such obligor, and (c) the Trustee may be designated by any such obligor or by any underwriter for any such obligor to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent or depositary, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this subsection (B), to act as trustee, whether under an indenture or otherwise;

(5) ten percent or more of the voting securities of the Trustee is beneficially owned either by an obligor upon the Bonds or by any director, partner or executive officer thereof, or twenty percent or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or ten per centum or more of the voting securities of the Trustee is

beneficially owned either by an underwriter for any such obligor or by any director, partner or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default as hereinafter defined, (a) five per centum or more of the voting securities, or ten per centum or more of any other class of security, of an obligor upon the Bonds, not including the Bonds and securities issued under any other indenture under which the Trustee is also such trustee, or (b) ten per centum or more of any class of securities of an underwriter for any such obligor;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default as hereinafter defined, five per centum or more of the voting securities of any person who, to the knowledge of the Trustee, owns ten per centum or more of the voting securities of, or controls directly or indirectly or is under direct or indirect control with, an obligor upon the Bonds;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default as hereinafter defined, ten per centum or more of any class of securities of any person who, to the knowledge of the Trustee, owns fifty per centum or more of the voting securities of an obligor upon the Bonds; or

(9) the Trustee owns, on October fifteenth in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of twenty-five per centum or more of the voting securities, or of any class of securities, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this subsection (B). As to any such securities of which the Trustee acquired ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of not more than two (2) years from the date of such acquisition, to the extent that such securities included in such estate do not exceed twenty-five per centum of such voting securities or twenty-five per centum of any such class of securities. Promptly after October fifteenth in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such October fifteenth. If the Issuer fails to make payment in full of principal or interest under this Indenture when and as the same becomes due and payable, and such failure continues for thirty (30) days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such thirty-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall be considered as though beneficially owned by the Trustee, for the purposes of paragraphs (6), (7) and (8) of this subsection (B).

(C) The specification of percentages of paragraphs (5) through (9), inclusive, of subsection (B) of this Section 715 shall not be construed as indicating that the ownership of such

percentages of the securities of a Person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of subsection (B) of this Section 7.15.

(D) For the purposes of paragraphs (6), (7), (8) and (9) of paragraph (B) of this Section 715, (1) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay monies lent to a Person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in any such note or evidence of indebtedness; (2) an obligation shall be deemed to be "in default" when a default in payment of principal shall have continued for thirty (30) days or more, and shall not have been cured; and (3) the Trustee shall not be deemed the owner or holder of (a) any security which it holds as collateral security (as trustee or otherwise) for an obligation which is not in default as above defined, or (b) any security which it holds as collateral security under this Indenture, irrespective of any default thereunder, or (c) any security which it holds as agent for collection, or as custodian, escrow agent or depositary, or in any similar representative capacity.

(E) For the purposes of subsection (B) of this Section 715, the term "underwriter", when used with reference to an obligor upon the Bonds, means every Person who, within three (3) years prior to the time as of which the determination is made, was an underwriter of any security of such obligor outstanding at such time.

(F) When used in subsections (B) through (E), inclusive, of this Section 715, unless the context otherwise requires:

(1) The term "underwriter" means any Person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a Person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" means any director of a corporation or any individual performing similar functions with respect to any organization, whether incorporated or unincorporated.

(3) The term "executive officer" means the president, every vice president, every trust officer, the cashier, the secretary, and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization, whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

(4) The term "obligor", when used with respect to the Bonds, means every person who is liable thereon.

(5) The term "voting security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or

agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a Person; and a specified percentage of the voting securities of a Person means such amount of the outstanding voting securities of such Person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such Person are entitled to cast in the direction or management of the affairs of such Person.

(G) The Issuer agrees that it will furnish or cause to be furnished to the Trustee as soon as reasonably practicable after receipt thereof and at such other times as the Trustee may request in writing all information in the possession or control of the Issuer as to the names and addresses of the Holders of the Bonds. The Trustee shall preserve, in as current a form as is reasonably practicable, all such information so furnished to it.

SECTION 716. DESIGNATION AND SUCCESSION OF TENDER AGENTS. (A) The Trustee hereby agrees to act as Tender Agent for the Bonds. In the event a Tender Agent, other than the Trustee, is required in connection with the remarketing of the Bonds, the Company is hereby authorized to appoint a Tender Agent meeting the requirements set forth in Section 717 hereof. Upon the appointment of a Tender Agent pursuant to Section 717 hereof, the Tender Agent shall agree to provide, as soon as practicable, the Trustee with copies of all written notices it receives in connection with its duties as Tender Agent.

(B) Any corporation or association into which a Tender Agent may be merged, or with which it may be consolidated, or to which it may sell, lease or transfer its corporate trust business and assets as a whole or substantially as a whole, shall be and become successor hereunder and shall be vested with all the powers, rights, obligations and duties hereunder as was its predecessor, without the execution or filing of any instrument by any party hereto. Any Tender Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days notice to the Issuer, the Company, the Bank and the Trustee; provided, that such resignation shall not take effect until a successor Tender Agent shall have accepted its duties and obligations hereunder. The Tender Agent may be removed at any time upon at least sixty (60) days' notice by an instrument, signed by the Issuer at the direction of the Company and delivered to the Tender Agent and filed with the Trustee.

(C) In the event of the resignation or removal of a Tender Agent, or in the event the Tender Agent shall be dissolved, or if the property or affairs of a Tender Agent shall be taken under the control of any state or federal court or administrative body by reason of insolvency or bankruptcy, the Issuer shall, or for any other reason the Issuer may, with the consent of the Bank and the Company, appoint a successor Tender Agent, meeting the requirements set forth in Section 717 hereof. The former Tender Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to the successor Tender Agent when appointed, or, if there be no successor Tender Agent appointed with thirty (30) days, to the Trustee. In the event that (1)the Issuer shall fail to propose for the consent of the Bank and the Company a successor Tender Agent hereunder or, (2) the position of Tender Agent shall be vacant for any other reason, the Trustee, shall accept the assignment and delivery of the moneys and Bonds held by the former Tender Agent and shall hold and dispose of them as set forth in this Section. It is expressly understood hereunder that if in the event the position of Tender Agent is vacant for any

reason, the Trustee shall assume the duties of Tender Agent hereunder. If the Issuer shall fail to propose a successor Tender Agent for the consent of the Bank and the Company within thirty (30) days after request, the Trustee may appoint a successor Tender Agent with the consent of the Bank and the Company. Neither the Issuer nor the Trustee shall incur any liability as a result of any appointment or failure to appoint the Tender Agent or a successor Tender Agent.

(D) The Trustee shall, within 10 days of the resignation or removal of the Tender Agent or the appointment of a successor Tender Agent, give notice thereof by first class mail, postage prepaid, to the owners of the Bonds.

SECTION 717. QUALIFICATIONS OF TENDER AGENT. (A) The Tender Agent shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, and, if the Bonds are rated by Moody's and, if not a bank or trust company, rated at least Baa3/P3 or otherwise qualified by Moody's, having a combined capital and surplus of at least $20,000,000 (or a combined capital and surplus in excess of $3,500,000 and the obligations of which, whether now in existence or hereafter incurred, are fully guaranteed by a corporation organized and doing business under the laws of the United States, and State or Territory thereof or of the District of Columbia, that has a combined capital and surplus of at least $50,000,000) and authorized by law to perform all the duties imposed upon it by this Indenture.

(B) Any successor Tender Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Trustee, the Issuer and the Credit Facility Issuer in which the Tender Agent will agree, particularly:

(1) to hold all Bonds delivered to it pursuant to Section 304 hereof, as agent and bailee of, and in escrow for the benefit of, the respective owners thereof until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such owners;

(2) to hold all moneys (without investment thereof) delivered to it hereunder for the purchase of Bonds pursuant to Section 304 hereof as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(3) to hold Bonds for the account of the Issuer as contemplated by Section 307(A)(3) hereof;

(4) to hold Bonds purchased pursuant to Section 304 hereof with moneys representing the proceeds of a drawing under the Credit Facility to be held pursuant to Section 3.08 hereof as agent and bailee; and

(5) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Trustee and the Issuer at all reasonable times.

SECTION 718. DESIGNATION AND SUCCESSION OF REMARKETING AGENT. (A) The Issuer hereby appoints McDonald Investments Inc., a Key Corp Company, as Remarketing Agent under this Indenture. The Issuer may appoint a different Remarketing Agent. Each Remarketing Agent, by written instrument delivered to the Trustee, the Company and the Issuer, shall accept the duties and obligations imposed on it under this Indenture and shall become a party to the Remarketing Agreement.

(B) In addition to the other obligations imposed on the Remarketing Agent hereunder, the Remarketing Agent shall agree to keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer and the Trustee at all reasonable times.

(C) If at any time a Remarketing Agent is unable or unwilling to act as a Remarketing Agent, such Remarketing Agent, upon 60 days' prior written notice to the Issuer, the Trustee, the Tender Agent, and any other Remarketing Agent, may resign. Any Remarketing Agent may be removed at any time by the Issuer, by written notice signed by the Issuer and delivered to the Trustee and such Remarketing Agent. Upon resignation or removal of a Remarketing Agent, the Issuer shall either appoint a successor Remarketing Agent or authorize the remaining Remarketing Agent or Agents to act alone in such capacity, in which case all reference in this Indenture to the Remarketing Agent shall mean the remaining Remarketing Agent or Agents. If the remaining Remarketing Agent resigns or is removed, the Issuer shall appoint a substitute Remarketing Agent or Agents.

(D) In the event that the Issuer shall fail to appoint a successor Remarketing Agent or Agents, upon the resignation or removal of the remaining Remarketing Agents or upon their dissolution, insolvency or bankruptcy, the Trustee shall appoint a Remarketing Agent or Agents.

(E) The Trustee shall, within 10 Business days of the resignation or removal of the Remarketing Agent or the appointment of a successor Remarketing Agent, give notice thereof by first class mail, postage prepaid, to the owners of the Bonds.

SECTION 719. QUALIFICATIONS OF REMARKETING AGENT. Any successor Remarketing Agent shall be an institution authorized by law to perform all the duties imposed upon it under this Indenture and the Remarketing Agreement.

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ARTICLE VIII

SUPPLEMENTAL INDENTURES

SECTION 801. SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BONDHOLDERS. (A) The Issuer and the Trustee, without the consent of, or notice to, any of the Bondholders, may enter into an indenture or indentures supplemental to this Indenture and not inconsistent with the terms and provisions hereof or, in the sole judgment of the Trustee, materially adverse to the interests of the Holders of the Bonds or to the Bank, for any one or more of the following purposes:

(1) to cure any ambiguity or formal defect or omission in this Indenture;

(2) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or any of them;

(3) to subject additional rights and revenues to the Lien of this Indenture, or to identify more precisely the Trust Estate;

(4) to obtain or maintain a rating on the Bonds from Moody's or Standard & Poor's;

(5) to comply with the provisions of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(6) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law;

(7) to enable the issuance of Additional Bonds; or

(8) for any other purpose not materially adverse to the interests of the Holders of the Bonds.

(B) The Issuer and the Trustee may rely on an opinion of Independent Counsel as conclusive evidence that the execution and delivery of any amendment or supplemental indenture has been effected in compliance with this Section 801.

SECTION 802. SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BONDHOLDERS. (A) Except for supplemental indentures as provided in Section 801 hereof, the Holders of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Issuer or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any

supplemental indenture; provided, however, that nothing contained in this Section 802 shall permit or be construed as permitting (1) without the consent of the Holder of such Bond, (a) a reduction in the rate, or extension of the time of payment, of interest on any Bond, (b) a reduction of any premium payable on the redemption of any Bond, or an extension of time for such payment, or (c) a reduction in the principal amount payable on any Bond, or an extension of time in which the principal amount of any Bond is payable, whether at the stated or declared maturity or redemption thereof, (2) the creation of any Lien prior to or on a parity with the Lien of this Indenture (other than that parity Lien created to secure the Additional Bonds), (3) a reduction in the aforesaid aggregate principal amount of Bonds, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of all the Bonds at the time Outstanding which would be affected by the action to be taken, (4) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee, or (5) a privilege or priority of any Bond or Bonds over any other Bond or Bonds.

(B) If at any time the Issuer and the Trustee propose to enter into any such supplemental indenture for any of the purposes specified in this Section 802, the Trustee shall, upon being satisfactorily secured and indemnified as provided in Section 701(I) hereof with respect to fees, costs and expenses, including, but not limited to, reasonable attorneys' fees, cause notice of the proposed execution of such supplemental indenture to be mailed to each Bondholder. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Holders of not less than two-thirds in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section 802 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

(C) The Issuer and the Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Section 802.

SECTION 803. SUPPLEMENTAL INDENTURES; CONSENT OF CREDIT FACILITY ISSUER. Notwithstanding anything to the contrary herein contained, if there is in effect a Credit Facility or an Alternate Credit Facility relating to the Bonds and there exists no wrongful dishonor of any drawing presented under the Credit Facility or Alternate Credit Facility then in effect, the Issuer and the Trustee shall in no event enter into any indenture supplemental to this Indenture under Section 801 or Section 802 hereof without the prior written consent of the Credit Facility Issuer and such other assurance from the Credit Facility Issuer as counsel to the Trustee may require that the Credit Facility Issuer's obligations under the Credit Facility have not been diminished or otherwise affected by such supplemental indenture. The Issuer and the Trustee

shall be entitled to rely upon such certificates or opinions delivered by the Credit Facility Issuer or its counsel to such effect.

SECTION 804. SUPPLEMENTAL INDENTURES; CONSENT OF THE COMPANY. Notwithstanding anything contained in this Indenture to the contrary, no supplemental indenture which affects any rights or liabilities of the Company shall become effective unless or until the Company shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to be mailed by certified or registered mail to the Company at least fifteen (15) days prior to the proposed date of execution and delivery of any supplemental indenture. The Company shall be deemed to have consented to the execution and delivery of any supplemental indenture if the Trustee has not received a letter of protest or objection signed by the Company within fifteen (15) days after the mailing of said notice and a copy of the supplemental indenture. The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence whether or not a supplemental indenture affects any rights or liabilities of the Company within the meaning of, and for the purposes of, this Section 804.

SECTION 805. EFFECT OF SUPPLEMENTAL INDENTURES. Any supplemental indenture executed in accordance with the provisions of this Article VIII shall thereafter form part of the terms and conditions of this Indenture for any and all purposes.

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ARTICLE IX

AMENDMENT TO INSTALLMENT SALE AGREEMENT, CREDIT FACILITY OR OTHER FINANCING DOCUMENTS

SECTION 901. AMENDMENTS TO INSTALLMENT SALE AGREEMENT OR OTHER FINANCING DOCUMENTS NOT REQUIRING CONSENT OF BONDHOLDERS. (A) The Issuer, the Company and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Installment Sale Agreement or any other Financing Document (other than this Indenture) as may be required (1) by the provisions of any Financing Document, (2) for the purpose of curing any ambiguity or formal defect therein or omission therefrom, (3) so as to identify more precisely the Project Facility, (4) in connection with any supplemental indenture entered into pursuant to Section 8.01 hereof, (5) to obtain or maintain a rating on the Bonds from Moody's or Standard & Poor's, (6) to permit the issuance of Additional Bonds, (7) to comply with the provisions of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, (8) in connection with any other supplemental indenture, but only if any such amendment, change or modification, in the sole judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders, or (9) as may be requested by the Credit Facility Issuer pursuant to Section 905 hereof.

(B) The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of any amendment, change or modification to the Installment Sale Agreement or any other Financing Document other than this Indenture has been effected in compliance with the provisions of this Section 901.

SECTION 902. AMENDMENTS TO INSTALLMENT SALE AGREEMENT OR OTHER FINANCING DOCUMENTS REQUIRING CONSENT OF BONDHOLDERS. (A) Except for the amendments, changes or modifications as provided in Section 901 hereof, neither the Issuer, the Company nor the Trustee shall consent to any other amendment, change or modification of the Installment Sale Agreement or any other Financing Document (other than this Indenture) without the mailing of notice and the written approval or consent thereto of the Holders of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given as in this Section 902 provided.

(B) If at any time the Issuer and the Company shall request the consent of the Trustee to any such proposed amendment, change or modification of the Installment Sale Agreement or any other Financing Document (other than this Indenture) not authorized by Section 901 hereof, the Trustee shall, upon being satisfactorily secured and indemnified as provided in Section 701(I) hereof with respect to fees, costs and expenses including, but not limited to, reasonable attorney's fees, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 702 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Office of the Trustee for inspection by all Bondholders.

(C) The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that the execution and delivery of this Indenture has been effected in compliance with the provisions of this Section 902.

SECTION 903. AMENDMENTS TO INSTALLMENT SALE AGREEMENT OR OTHER FINANCING DOCUMENTS; CONSENT OF CREDIT FACILITY ISSUER. Notwithstanding anything to the contrary herein contained, if there is in effect a Credit Facility relating to the Bonds and there exists no wrongful dishonor of any drawing presented under the Credit Facility then in effect, the Issuer and the Trustee shall in no event consent to any amendment, change or modification of the Installment Sale Agreement or any other Financing Document (other than this Indenture, amendments to which are provided for in Article VIII) without the prior written consent of the Credit Facility Issuer and such other assurance from the Credit Facility Issuer as counsel to the Trustee may require that the Credit Facility Issuer's obligations under the Credit Facility have not been diminished or otherwise affected by such amendment, change or modification of the Installment Sale Agreement. The Issuer and the Trustee shall be entitled to rely upon such certificates or opinions delivered by the Credit Facility Issuer or its counsel to such effect.

SECTION 904. AMENDMENTS TO CREDIT FACILITY. The Trustee shall notify Bondholders of a proposed amendment of the Credit Facility which would materially adversely affect the interests of the Bondholders and may consent thereto with the consent of the owners of at least a majority in aggregate principal amount of the Bonds then Outstanding which would be affected by the action proposed to be taken; provided, that the Trustee shall not, while the Interest Rate Mode is the Long-Term Rate, without the unanimous consent of the owners of all Bonds then Outstanding, consent to any amendment which would (1) decrease the amount payable under the Credit Facility or (2) reduce the term of the Credit Facility.

SECTION 905. AMENDMENTS REQUESTED BY CREDIT FACILITY ISSUER. If there is in effect a Credit Facility relating to the Bonds and there exists no wrongful dishonor of any drawing presented under the Credit Facility then in effect, the Issuer, the Company and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Installment Sale Agreement or any other Financing Document (other than this Indenture) requested by the Credit Facility Issuer, but only if such amendment, change or modification is requested in writing by the Credit Facility Issuer, the Credit Facility Issuer has not failed to make any payment required to be made by it under the Letter of Credit and the Trustee shall receive such assurance from the Credit Facility Issuer as counsel to the Trustee may require that the Credit Facility Issuer's obligations under the Credit Facility have not been diminished or otherwise affected by such amendment, change or modification.

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ARTICLE X

SATISFACTION AND DISCHARGE OR ASSIGNMENT OF INDENTURE

SECTION 1001. SATISFACTION AND DISCHARGE OR ASSIGNMENT OF LIEN. (A) If the Issuer (1) shall pay or cause to be paid, from sources other than the proceeds of a draw under the Credit Facility, to the Holders and Owners of the Bonds, the principal of the Bonds and premium, if any, due on the Bonds, at the times and in the manner stipulated therein and herein, (2) shall pay or cause to be paid from any source, to the Holders and Owners of Bonds, the interest to become due on the Bonds at the times and in the manner stipulated therein and herein, (3) shall have paid all fees, costs and expenses including, but not limited to, reasonable attorney's fees of the Trustee and each paying agent, (4) shall pay or cause to be paid the entire Rebate Amount to the United States in accordance with the Tax Documents and Section 407 hereof, and (5) shall pay or cause to be paid to the Bank any and all sums due and to become due under the Reimbursement Agreement or any other Financing Document, then these presents and the trust and rights hereby granted shall cease, terminate and be void, and thereupon the Trustee shall (a)cancel and discharge the Lien of this Indenture upon the Trust Estate and the Trustee's rights under the other Financing Documents and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy same, (b) reconvey to the Issuer the Installment Sale Agreement and the trust hereby conveyed, (c) assign and deliver to the Company any interest in Property at the time subject to the Lien of this Indenture which may then be in its possession, except amounts held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds, and (d) deliver to the Credit Facility Issuer the Credit Facility for cancellation.

(B) If the Trustee draws on the Credit Facility for payment of the entire principal of, premium, if any, and interest on the Bonds Outstanding in accordance with the provisions of this Indenture, then, simultaneously with the delivery to the Credit Facility Issuer of a sight draft and required accompanying documentation, the Trustee shall deliver to the Credit Facility Issuer, in escrow, an instrument or instruments in form for recording, executed by the Trustee evidencing the assignment to the Credit Facility Issuer without recourse of the Lien of this Indenture and the rights of the Trustee under the other Financing Documents, together with instructions to the Bank that such instrument or instruments be released from escrow upon confirmation from a member bank of the Federal Reserve wire system that same day funds in the amount of the Trustee's draw on the Credit Facility have been transmitted for the account of the Trustee, and the amount paid by the Letter of Credit Issuer under the Credit Facility and any additional sums due the Bank pursuant to the Reimbursement Agreement shall thereafter constitute the debt secured by this Indenture.

(C) All Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 1001(A) if, under circumstances which, in the opinion of Bond Counsel, do not adversely affect the exclusion under the Code of interest on the Bonds from the gross income of the Holders thereof for Federal income tax purposes, the following conditions shall have been fulfilled: (1) in case any of the Bonds are to be redeemed on any date prior to their maturity, the provisions in Article III hereof relating to such redemption shall have been satisfied; and (2) there shall be on deposit with the Trustee in the Defeasance Account, in trust and irrevocably set aside exclusively for

such payment in the Defeasance Account, (a) moneys sufficient to make such payment and any payment of the purchase price of Bonds pursuant to Section 304 hereof; provided, that if a Credit Facility is then held by the Trustee, any such moneys necessary for the payment of Bonds not yet due shall constitute Available Moneys and/or (b) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys (without consideration of any reinvestment thereof) to make such payment and any payment of the purchase price of Bonds pursuant to Section 304 hereof, and which are not subject to prepayment, redemption or call prior to their stated maturity; provided, that if a Credit Facility is then held by the Trustee, such Governmental Obligations shall have been on deposit with the Trustee in a separate and segregated account for a period of 95 days during which no Event of Bankruptcy has occurred, or shall have been purchased with Available Moneys.

(D) No Bonds in respect of which a deposit under clause (a) or (b) of Section 1001(C)(2) above has been made shall be deemed paid within the meaning of this Article unless the Trustee is satisfied that the amounts deposited are sufficient to make all payments that might become due on the Bonds; provided that notwithstanding any other provision of this Indenture, any Bonds purchased with such moneys pursuant to Section 304 hereof shall be surrendered to the Trustee for cancellation and shall not be remarketed. Notwithstanding the foregoing, no delivery to the Trustee under this Section 1001(C) hereof shall be deemed a payment of any Bonds which are to be redeemed prior to their stated maturity until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of this Indenture and proper notice of such redemption shall have been given in accordance with Article III or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to give, in the manner and at the times prescribed by Article III, notice of redemption. Neither the obligations nor moneys deposited with the Trustee pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of, redemption price of and interest on the Bonds with respect to which such deposit has been made. In the event that such moneys or obligations are to be applied to the payment of principal or redemption price of any Bonds more than 60 days following the deposit thereof with the Trustee, the Trustee shall mail once to all owners of Bonds for the payment of which such moneys or obligations are being held at their registered addresses a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held and shall mail copies of all such notices to the Rating Service, if the Bonds are then rated by a Rating Service.

(E) The Trustee may rely upon (1) an opinion of an Accountant as to the sufficiency of the cash or such Government Obligations on deposit and (2) an opinion of counsel reasonably acceptable to the Trustee and to each Rating Service by which the Bonds are then rated and experienced in bankruptcy matters to the effect that such moneys constitute Available Moneys.

(F) Anything in Article VIII to the contrary notwithstanding, if moneys or Governmental Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of the principal or redemption price of the Bonds and the interest thereon and the principal or redemption price of such Bonds and the interest thereon shall not have in

fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the owner of each of the Bonds affected thereby.

(G) Notwithstanding the foregoing, those provisions relating to the purchase of Bonds, the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, and repayments to the Company and the Bank from the Bond Fund, the rebate of moneys to the United States in accordance with Section 505 hereof, and the duties of the Trustee and the Registrar in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee, the Registrar, the Authenticating Agents, Paying Agents and the Bondholders notwithstanding the release and discharge of this Indenture. The provisions in this Article shall survive the release, discharge and satisfaction of this Indenture.

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ARTICLE XI

MISCELLANEOUS

SECTION 1101. CONSENTS AND OTHER INSTRUMENTS OF BONDHOLDERS. Any consent, request, direction, approval, waiver, objection, appointment or other instrument required by this Indenture to be signed and executed by the Bondholders may be signed and executed in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such instrument, namely:

(A) The fact and date of the execution by any Person of any such instrument may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying to the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such affidavit or certificate shall also constitute sufficient proof of his authority.

(B) The ownership of Bonds shall be proven by the bond register.

(C) Any request, consent or vote of the Holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or permitted to be done by the Trustee or the Issuer pursuant to such request, consent or vote.

(D) In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Issuer, the Company, the Bank or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer, the Bank or the Company shall be disregarded and deemed not to be Outstanding for the purposes of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver. Only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 1101 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 1102. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto and the holders of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions hereof.

SECTION 1103. NOTICES. (A) All notices, certificates or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) delivered to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE ISSUER:

Counties of Warren and Washington Industrial Development Agency
5 Warren Street
Glens Falls, New York 12801

Attention: Chairman

WITH A COPY TO:

Fitzgerald Morris Baker Firth, P.C.
One Broad Street Plaza
Glens Falls, New York 12801

Attention: Robert C. Morris, Esq.

IF TO THE COMPANY:

ANGIODYNAMICS, INC.
603 Queensbury Avenue
Queensbury, New York 12804

Attention: Eamonn P. Hobbs, Joseph Gerardi

WITH A COPY TO:

Kevin J. Kelley, Esq.
Bond, Schoeneck & King
111 Washington Avenue
Albany, New York 12210

IF TO THE TRUSTEE:

The Huntington National Bank
7 Easton Oval - EA4E63
Columbus, Ohio 43219

Attention: Corporate Trust Department

IF TO THE BANK:

KeyBank National Association
66 South Pearl Street
Albany, New York 12207
Attention: Bryant Cassella

WITH A COPY TO:

Lemery Greisler, LLC
10 Railroad Place
Saratoga Springs, New York 12866

Attention: James A. Carminucci, Esq.

(C) A duplicate copy of each notice, certificate and other communication given hereunder by (1) the Company or the Issuer shall also be given to the Trustee, and (2) the Company, the Issuer or the Trustee shall also be given to the Bank.

(D) The Issuer, the Company, the Bank and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificate or other communications shall be sent.

SECTION 1104. TRUSTEE AS PAYING AGENT AND BOND REGISTRAR. The Trustee is hereby designated and agrees to act as paying agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1105. COUNTERPARTS. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1106. SUCCESSORS AND ASSIGNS. All the covenants and representations contained in this Indenture, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

SECTION 1107. INFORMATION UNDER UNIFORM COMMERCIAL CODE. The Issuer is the Debtor. The Trustee is the Secured Party. The address of the Trustee from which

information concerning the security interest may be obtained and the address of the Issuer are set forth in Section 1103 of this Indenture.

SECTION 1108. APPLICABLE LAW. This Indenture shall be governed exclusively by the applicable laws of the State.

SECTION 1109. NO RECOURSE; SPECIAL OBLIGATION. (A) The obligations and agreements of the Issuer contained herein and in the other Financing Documents and any other instrument or document executed in connection therewith, and any other instrument or document supplemental hereto or thereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, officer, director, agent (other than the Company) or employee of the Issuer in his individual capacity, and the members, officers, directors, agents (other than the Company) and employees of the Issuer shall not be liable personally hereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Issuer contained herein shall not constitute or give rise to any obligations of the State or the Counties of Warren and Washington, New York, and neither the State nor the Counties of Warren and Washington, New York shall be liable thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

(C) No order or decree of specific performance with respect to any of the obligations of the Issuer hereunder (other than pursuant to Section 502 hereof, and then only to the extent of the Issuer's obligations thereunder) shall be sought or enforced against the Issuer unless the party seeking such order or decree shall first have complied with Section 515 hereof.

(D) The Issuer shall be entitled to the advice of counsel (who may be counsel to any party or to any Bondholder) appointed with due care and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Issuer may rely conclusively on any notice, certificate or other document furnished to it under any Financing Document and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under any Financing Document, or omitted to be taken by it by reason of the lack of direction or instruction required for such action under any Financing Document, and shall not be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by this Indenture, the Issuer may defer such action pending an investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of

funds or for other acts or defaults by any Person except by its own members, officers and employees.

(E) In approving, concurring in or consenting to any action or in exercising any discretion or in making any determination under this Indenture, the Issuer may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondholders; provided, however, that nothing herein shall be construed as conferring on any Person other than the Trustee, the Bank and the Bondholders any right to notice, hearing or participation in the Issuer's consideration, and nothing in this Section 1109 shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Issuer shall not unreasonably withhold any approval or consent to be given by it hereunder.

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IN WITNESS WHEREOF, the Issuer has caused these presents to be signed in its name and behalf by its Chairman or Vice Chairman, and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and behalf by one of its duly authorized trust officers, all as of the day and year first hereinabove written.

COUNTIES OF WARREN AND
WASHINGTON INDUSTRIAL
DEVELOPMENT AGENCY

BY: /s/ Bruce A. Ferguson

Chairman

THE HUNTINGTON NATIONAL BANK,
as Trustee

BY: /s/ Cheri Scott Geraci

Authorized Officer

The Company hereby approves, consents to and agrees to be bound by all of the terms and provisions of this Indenture insofar as such terms or provisions, directly or indirectly, relate to, apply to, require or prohibit action by or deal with the Company, or Property of the Company, including, without limitation, the Project Facility, and including, but not limited to, all provisions for the deposit or payment of moneys to funds held by the Trustee under this Indenture. The Company hereby agrees, at its own expense, to do all things and take all actions as shall be necessary to enable the Issuer to perform its obligations under this Indenture. This paragraph shall bind the Company and its successors and assigns.

ANGIODYNAMICS, INC.

BY: /s/ Eamonn P. Hobbes

Authorized Officer

STATE OF NEW YORK)
COUNTY OF WARREN) ss.:

On the 27 day of August in the year 2002 before me, the undersigned, a notary public in and for the said State, personally appeared BRUCE FERGUSON personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ Justin S. Miller

Notary Public

[Notary Stamp]

STATE OF NEW YORK)
COUNTY OF ALBANY) ss.:

On the 28/th/ day of August in the year 2002 before me, the undersigned, a notary public in and for the said State, personally appeared Cheri Scott Geraci personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ K. J. Kelly

Notary Public
[Notary Stamp]

STATE OF NEW YORK)
COUNTY OF ALBANY) ss.:

On the 28 day of August in the year 2002 before me, the undersigned, a notary public in and for the said State, personally appeared Eamonn P. Hobbs personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ Carolyn A. Wildman

Notary Public
[Notary Stamp]

SCHEDULE I

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK LIMITED PURPOSE TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OR DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BOND (ANGIODYNAMICS, INC. PROJECT - -LETTER OF CREDIT SECURED), SERIES 2002

NO.: R- 1 MATURITY DATE: August 1, 2022

INTEREST RATE: as described below CUSIP No.: _____

DATED DATE: _____

REGISTERED OWNER: CEDE & COMPANY

PRINCIPAL AMOUNT: _____ DOLLARS ($_____)

Counties of Warren and Washington Industrial Development Agency, a public benefit corporation of the State of New York (the "Issuer"), for value received, hereby promises to pay, solely from the sources hereinafter described, to CEDE & CO. or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter provided for), the Principal Sum set forth above (subject to reduction as hereinafter provided) and interest thereon from the Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid, to the Maturity Date identified above (or such earlier date on which the principal hereof has been paid or duly provided for), initially at the Weekly Rate (as defined below) (subject to conversion to an alternate interest rate as described below), on the following dates (each, an "Interest Payment Date"): (A) while this Bond bears

interest at the Weekly Rate, the first Thursday of each February, May, August and November, commencing with the first Thursday of November, 2002; and (B) while this Bond bears interest at the Semi-Annual Rate or the Long-Term Rate (as defined below), on April 1 and October 1 of each year; provided, that in any case the final Interest Payment Date shall be the Maturity Date.

The principal of, premium, if any, on and interest on this Bond are payable in coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. The principal or redemption price of this Bond, and the interest due upon this Bond at maturity, shall be paid upon presentation and surrender hereof at the corporate trust office presently located at Corporate Trust Department, 7 Easton Oval - EA4E63, Columbus, Ohio 43219 (the Office of the Trustee ") of The Huntington National Bank, as trustee (together with its successors in trust, the "Trustee") under the trust indenture dated as of August 1, 2002 (from time to time, as amended or supplemented, the "Indenture") by and between the Issuer and the Trustee, or at the duly designated office of any successor trustee under the Indenture. Reference is made to the Indenture for a more complete description of the Project, the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the Issuer, the Trustee and the Bondholders, and the terms and conditions upon which the Bonds are issued and secured. All terms used herein with initial capitalization where the rules of grammar or context do not otherwise require shall have the meanings as set forth in the Indenture. Each Bondholder assents, by its acceptance hereof, to all of the provisions of the Indenture.

Except when the Bonds are Book Entry Bonds, the installments of interest due on this Bond prior to maturity shall, as provided in the Indenture, be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on the Business Day next preceding any Interest Payment Date (the "Regular Record Date"), and shall be paid by check or draft of the Trustee mailed by the Trustee on such Interest Payment Date to such registered owner at his address appearing on the registration books of the Issuer, or at the option of any holder of Bonds in an aggregate principal amount of $250,000 or greater be transmitted on such Interest Payment Date by wire transfer in immediately available funds at such owner's written request to the bank account number on file with the Trustee, provided such Holder has delivered adequate instructions regarding same to the Trustee at least ten (10) Business Days prior to such Bond Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a date for the payment of such Defaulted Interest to be fixed by the Trustee (the "Special Record Date"), notice whereof being mailed one time, first-class postage prepaid to registered owners of the Bonds not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner as shall be determined by the Trustee. Notwithstanding anything herein to the contrary, when this Bond is registered in the name of a Depository (as hereinafter defined) or its nominee, the principal and redemption price of and interest on this Bond shall be payable in next day or federal funds delivered or transmitted to the Depository or its nominee.

This Bond is one of a duly authorized issue of bonds of the Issuer designated "Counties of Warren and Washington Industrial Development Agency Industrial Development Revenue

Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002" in the aggregate principal amount of $3,500,000 (the "Initial Bonds"). The Initial Bonds are issued for the purpose of assisting in providing financing to the Issuer for a project (the "Project") consisting of the following: (A)(i) the acquisition of an interest in a certain parcel or parcels of land located at 603 Queensbury Avenue, Town of Queensbury, County of Warren, State of New York (the "Land"), (ii) the acquisition thereon of an approximately 32,000 square foot facility (the "Existing Facility"), together with equipment therein (the "Existing Equipment"), (iii) the making of certain renovations to the Existing Facility (as so renovated, the "Facility") consistent with its present and authorized use, (iv) the construction of approximately 32,000 square feet of additions(s) to the Existing Facility, (v) the purchase of additional equipment (together with the Existing Equipment, the "Equipment" and, together with the Land and the Facility, the "Project Facility") and (B) the financing of a part of the cost of the foregoing by issuing its tax-exempt Industrial Development Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $4,500,000.00, all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act"), as amended, the proceeds of which may be applied to the costs of issuance, and, as necessary and appropriate, the provision of a debt service reserve fund, capitalized interest or other means of providing credit enhancement for the Bonds; and (C) to lease (with the option to purchase) and/or sell the Project Facility to the Company, all pursuant to the Act;

To provide for the payment of the Debt Service Payments on the Bonds, the Issuer, in the Indenture, has (A) absolutely and irrevocably assigned to the Trustee all of the Issuer's right, title and interest in and to (1) the Installment Sale Agreement (except for the Issuer's Unassigned Rights), and (2) the Credit Facility Account, Redemption Premium Account, Remarketing Proceeds Account and the Defeasance Account of the Bond Fund and all moneys and investments therein, including without limitation the proceeds of the Letter of Credit (as hereinafter defined), and (B) granted a security interest in all moneys and investments in the Project Fund and the Revenues (other than the above-referenced accounts of the Bond Fund, all moneys and investments therein and the proceeds of the Credit Facility).

The Debt Service Payments on the Bonds are payable solely from moneys held by the Trustee under the Indenture for such purpose, including moneys drawn by the Trustee under the Letter of Credit referred to below or such other credit facility, if any, as may then be held by the Trustee under the Indenture for the benefit of the Bondholders (the Letter of Credit or any such other credit facility is hereinafter referred to as the "Credit Facility").

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER AND DO NOT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NEW YORK OR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT BE SECURED BY AN OBLIGATION OR PLEDGE OF ANY MONEYS RAISED BY TAXATION. THE DEBT SERVICE PAYMENTS ON THE BONDS WILL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED AND ASSIGNED BY THE ISSUER TO SECURE PAYMENT THEREOF BY THE INDENTURE.

As provided in the Indenture, additional series of Bonds (the "Additional Bonds", and collectively with the Initial Bonds, the "Bonds") may be issued from time to time pursuant to supplements to the Indenture on a parity with, and secured and payable equally and ratably with, all other series of Bonds issued under the Indenture, which Additional Bonds may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Indenture and the supplement thereto authorizing any such series of Additional Bonds. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited, except as otherwise provided in the Indenture.

If an Event of Default as defined in the Indenture occurs, the principal of all Bonds issued under the Indenture may become due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

This Bond is not valid unless the Certificate of Authentication endorsed hereon is duly executed.

(Determination of Interest Rates)

The Initial Bonds initially shall bear interest at the Weekly Rate (hereinafter described), which rate shall continue in effect until converted to a different interest rate or rates determined for the "Interest Rate Mode" (as described more fully in the Indenture) selected by the Company. The "Interest Rate Modes" which may be selected are as follows: (A) a Weekly Rate, in which the interest rate is determined on the 7th day preceding conversion to a Weekly Rate and on each Tuesday thereafter or, if not a Business Day, on the next succeeding Business Day; (B) a Semi-Annual Rate, in which the interest rate is determined on the tenth Business Day preceding each Semi-Annual Rate Period; and (C) a Long-Term Rate for a period of one year or more ending on an Interest Payment Date selected by the Company, in which the interest rate is determined not later than the 15th Business Day preceding the 1st day of such Long-Term Rate Period.

On any Interest Payment Date upon which the Bonds are subject to optional redemption, the Company may from time to time cause the conversion of the Interest Rate Mode for the Bonds to another Interest Rate Mode (a "Conversion") in accordance with the terms of the Indenture. To cause a Conversion, the Company shall deliver, at least 4 Business Days prior to the 15th day (the 30th day in the case of Conversion to or from the Long-Term Rate) prior to the proposed effective date of such Conversion, written notice to the Trustee, the Credit Facility Issuer, the Tender Agent and the Remarketing Agent of the Company's election to cause a Conversion. Notice of the intended Conversion of the interest rate on this Bond shall be given not more than 60 days nor less than 30 days prior to the proposed effective date of such Conversion by the Trustee one time by first class mail postage prepaid to the registered owner of this Bond at the address of such owner shown on the Trustee's bond register. The failure to give any such notice, or any defect therein, shall not affect the validity of any proceeding for the Conversion of any Bond with respect to which no such failure to give notice, or defect therein, has occurred. On the Conversion Date, this Bond shall be subject to a Mandatory Tender for purchase as provided in Section 304 of the Indenture. Notwithstanding anything to the contrary contained in the Indenture or herein, such notice shall not be effective unless the Bank shall have consented thereto in writing and such notice is accompanied by:

(A) an opinion of Counsel stating that the Conversion is authorized by the Indenture;

(B) if the stated amount of the Credit Facility, if any, to be held by the Trustee after such Conversion is increased over that of the then current Credit Facility, an opinion of reputable bankruptcy counsel stating that payments of principal and interest on the Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the bankruptcy of the Company under the Bankruptcy Code;

(C) a resolution of the members of the Issuer authorizing and approving the Conversion; and

(D) an opinion of Bond Counsel to the effect that the exercise of the Conversion Option is lawful under the Act and permitted by the Indenture and that the Conversion will not, in and of itself, adversely affect the exclusion of interest on the Initial Bonds from gross income for federal income tax purposes.

If the Trustee has given notice of a proposed Conversion as aforesaid and such proposed Conversion shall thereafter be canceled or rescinded, the Trustee shall promptly notify all Bondholders of such cancellation or recision.

Interest on the Initial Bonds shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, while the Interest Rate Mode is the Weekly Rate, and on the basis of a 360-day year consisting of twelve 30-day months for the actual number of days elapsed, while the Interest Rate Mode is the Semi-Annual Rate or the Long-Term Rate. The interest rate or rates for each Interest Rate Mode for the Initial Bonds shall be determined by the Remarketing Agent on the dates and at such times as specified in the Indenture. If the Remarketing Agent fails to determine the interest rate on the Initial Bonds in accordance with the Indenture, the interest rate on the Initial Bonds shall be the interest rate in effect for the previous interest rate period. Each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Initial Bonds at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate bond by the Initial Bonds shall not exceed the lesser of (A) 15 % per annum or (B) so long as the Initial Bonds are entitled to the benefit of a Credit Facility, the maximum interest rate specified in the Credit Facility.

(Mandatory Tender and Purchase)

The Initial Bonds are subject to mandatory purchase in whole (A) on the effective date of any Conversion of the Interest Rate Mode for the Initial Bonds and (B) if the Initial Bonds are then bearing interest at the Weekly or Semi-Annual Rate, on the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of the expiration of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility), if any, unless the then current Credit Facility Issuer has provided an Alternate

Credit Facility in accordance with the Indenture, at a purchase price equal to 100% of the principal amount hereof plus accrued interest, if any.

In addition, the Initial Bonds are subject to mandatory purchase in whole if the Initial Bonds are then bearing interest at the Long-Term Rate and the Initial Bonds are then subject to optional redemption by the Issuer upon the direction of the Company pursuant to the Indenture, on the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of the expiration of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility), if any, unless a Qualifying Alternate Credit Facility has been provided in accordance with the Indenture, at a purchase price equal to 100% of the principal amount hereof, plus the optional redemption premium, if any, which would be payable under the Indenture if the Initial Bonds were redeemed on such date, plus accrued interest, if any. If the Initial Bonds are bearing interest at the Long-Term Rate, but the Initial Bonds are not then subject to optional redemption by the Company pursuant to the Indenture, upon expiration of the then current Credit Facility, the Company must replace the Credit Facility with a Qualifying Alternate Credit Facility.

If the Interest Rate Mode on the Initial Bonds is the Weekly Rate, this Bond shall be purchased at the option of the registered owner hereof upon demand by such registered owner, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent on or before 4:00 p.m. (New York time) on a Business Day not later than the 7th calendar day prior to the Purchase Date. If the Interest Rate Mode on the Initial Bonds is the Semi-Annual Rate, this Bond shall be purchased on the demand of the registered owner hereof, on any Interest Payment Date at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the 8th Business Day prior to such Purchase Date. If the Interest Rate Mode on the Initial Bonds is the Long-Term Rate, this Bond shall be subject to mandatory purchase only as set forth in the immediately preceding paragraphs.

If the Interest Rate Mode on the Initial Bonds is the Weekly Rate or the Semi-Annual Rate, this Bond is also subject to mandatory purchase, in whole, upon any replacement, removal or other substitution of the then current Credit Facility Issuer.

Any notice in connection with a demand for purchase of this Bond as set forth in the preceding paragraphs hereof shall be given at the address of the Tender Agent designated to the Trustee and shall (A) state the number and principal amount (or portion thereof in an authorized denomination) of this Bond to be purchased, (B) state the Purchase Date on which this Bond shall be purchased and (C) irrevocably request such purchase and agree to deliver this Bond to the Tender Agent on the Purchase Date. ANY SUCH NOTICE SHALL BE IRREVOCABLE WITH RESPECT TO THE PURCHASE FOR WHICH SUCH DIRECTION WAS DELIVERED AND, UNTIL SURRENDERED TO THE TENDER AGENT, THIS BOND OR ANY PORTION HEREOF WITH RESPECT TO WHICH SUCH DIRECTION WAS DELIVERED SHALL NOT BE TRANSFERABLE. This Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) at the principal office of the Tender Agent at or prior to 12:00 noon (New York time) on the date specified in the aforesaid notice in order for the owner hereof to receive payment in

same day funds of the purchase price due on such Purchase Date. NO REGISTERED OWNER SHALL BE ENTITLED TO PAYMENT OF THE PURCHASE PRICE DUE ON SUCH PURCHASE DATE EXCEPT UPON SURRENDER OF THIS BOND AS SET FORTH HEREIN. Notwithstanding the foregoing, this Bond shall not be purchased during the existence of a Default under the Indenture relating to failure to pay principal due on any Bond, or the redemption price or purchase price due with respect to any Bond, or the interest due on any Bond. No purchase of Bonds pursuant to the Indenture shall be deemed to be a payment or redemption of such Bonds or any portion thereof within the meaning of the Indenture.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, (A) ON THE APPLICABLE PURCHASE DATE IN CONNECTION WITH THE CONVERSION OF THE INTEREST RATE MODE FOR THE BONDS OR ANY EXPIRATION OF THE CREDIT FACILITY AS DESCRIBED ABOVE, OR ANY REPLACEMENT OF THE THEN CURRENT CREDIT FACILITY ISSUER, IF THE BONDS ARE IN THE WEEKLY RATE MODE OR THE SEMI-ANNUAL RATE MODE AS DESCRIBED ABOVE, OR (B) ON ANY PURCHASE DATE SPECIFIED BY THE REGISTERED OWNER HEREOF IN THE EXERCISE OF THE RIGHT TO DEMAND PURCHASE OF THIS BOND AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND OR THE INDENTURE EXCEPT TO PAYMENT OF THE PURCHASE PRICE HELD THEREFOR, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE TENDER AGENT.

(Letter of Credit Provisions)

Pursuant to the Reimbursement Agreement, the Company has caused a Letter of Credit issued by KeyBank National Association (the "Bank") to be delivered to the Trustee (the "Letter of Credit"). Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of a sight draft and required accompanying documentation, the amount necessary to pay the principal or purchase price (but not the redemption premium) of the outstanding Initial Bonds plus an amount equal to 98 days' accrued interest on the outstanding Initial Bonds at a rate of eight percent (8%) per annum (other than Initial Bonds which are Pledged Bonds or Bonds owned by the Company) then due and payable (whether by mandatory redemption or by maturity due to acceleration or otherwise). On each Bond Payment Date and immediately upon (A) a declaration that all the Initial Bonds have become due and payable by acceleration, or (B) a mandatory redemption of all the Initial Bonds Outstanding, the Trustee shall present to the Bank a sight draft and required accompanying documentation and draw upon the Letter of Credit for the principal amount, and accrued interest then due on the Initial Bonds. The Letter of Credit provides that it shall expire on August _____, 2005 or earlier under certain circumstances. Subject to the provisions of the Indenture, the Company may, but is not required to, provide another Credit Facility upon the termination of the Letter of Credit or the then current Credit Facility. While the Initial Bonds bear interest at the Weekly Rate or the Semi-Annual Rate, the Initial Bonds shall be subject to mandatory tender for purchase upon any change in the then current Credit Facility Issuer. While the Initial Bonds bear interest at the Long-Term Rate, the

Company may substitute any Qualifying Credit Facility for the then current Letter or Credit or other Credit Facility and the Trustee shall give written notice of such substitute to the Registered Owners thereof.

(Extraordinary Redemption Without Premium)

The Initial Bonds are subject to redemption prior to maturity (A) as a whole, without premium, in the event of (1) a taking in Condemnation of, or failure of title to, all or substantially all of the Project Facility, (2) damage to or destruction of part or all of the Project Facility and election by the Company or the Bank to redeem the Initial Bonds, or (3) a taking in Condemnation of part of the Project Facility and election by the Company or the Bank to redeem the Bonds, or (B) in part, without premium, in the event that (1) to the extent excess moneys remain in the Insurance and Condemnation Fund following damage or condemnation of a portion of the Project Facility and completion of the repair, rebuilding or restoration of the Project Facility by the Company and, pursuant to the Indenture, such excess moneys are not paid to the Company, (2) excess moneys remain in the Project Fund after the Completion Date or (3) excess proceeds of title insurance or recoveries from contractors are applied to redeem Bonds pursuant to the Installment Sale Agreement. In any such event, the Initial Bonds shall be redeemed, as a whole or in part, at such time as the Trustee determines, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(Extraordinary Redemption Without Premium at Election of Bank)

The Initial Bonds are also subject to redemption prior to maturity upon receipt by the Trustee of a written notice from the Bank of the occurrence and continuance of a default by the Company under the Reimbursement Agreement and the Bank's election to compel redemption of the Bonds. In such event, the Initial Bonds shall be redeemed, as a whole, in the manner provided in Article III of the Indenture, on the earliest date for which the Trustee can give notice of redemption pursuant to Section 303 of the Indenture, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(Mandatory Redemption With Premium in an Event of Taxability)

The Initial Bonds are also subject to redemption prior to maturity upon the occurrence of a Determination of Taxability (as defined in the Indenture). In such event, the Initial Bonds shall be subject to redemption, as a whole, as soon as possible after the discovery of such Determination of Taxability, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. If any Initial Bonds are paid at maturity or purchased by the Trustee or redeemed subsequent to a Tax Incidence Date without payment of an amount at least equal to the redemption price that would have been received if such Bonds had been redeemed as a result of a Determination of Taxability, the owners of such Bonds at the time of maturity, purchase or redemption, upon establishing their then ownership thereof, shall be entitled to receive, as an additional premium thereon, an amount equal to the difference between the amounts actually received and the amounts that would have been received if such Bonds had been redeemed as a result of a Determination of Taxability.

(Optional Redemption Without Premium at Company's Option During Weekly or Semi-Annual Rate Periods)

Whenever the Interest Rate Mode is the Weekly Rate or the Semi-Annual Rate, the Initial Bond shall be subject to redemption, in whole on any date or in part on any Interest Payment Date, at the option of the Issuer, upon the direction of the Company, at a redemption price of 100% of the principal amount hereof, plus accrued interest to the redemption date, without premium.

(Optional Redemption With Premium at Company's Option During Long-Term Rate Period)

Whenever the Interest Rate Mode is the Long-Term Rate, the Initial Bonds shall be subject to redemption at the option of the Issuer, upon the direction of the Company, at any time prior to the end of the then current Long-Term Rate Period at the redemption prices set forth below, plus interest accrued to the redemption date (which redemption price and accrued interest shall be paid only from Available Moneys):

Length of Current Long-Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than 9 years	5th anniversary of commencement of Long-Term Rate Period	102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 7, but not more than 9 years	4th anniversary of commencement of Long-Term Rate Period	101%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 5, but not more than 7 years	3rd anniversary of commencement of Long-Term Rate Period	101%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%.

If, at the time of the Issuer's notice of Conversion of the Interest Rate Mode for the Initial Bonds to the Long-Term Rate pursuant to the Indenture, the Issuer provides a certification of the Remarketing Agent to the Trustee and the Issuer that the foregoing schedule is not consistent with prevailing market conditions, the foregoing redemption periods and redemption prices may

be revised, effective as of the Conversion Date, as determined by the Remarketing Agent in its judgment, taking into account the then prevailing market conditions, as stipulated in such certification, which shall be appended by the Trustee to its counterpart of this Indenture.

(Procedures for Redemption)

Notice of the intended redemption of each Bond subject to redemption shall be given not more than 60 days nor less than 30 days prior to the redemption date by the Trustee one time by first class mail postage prepaid to the registered owner at the address of such owner shown on the Trustee's bond register. The failure to give any such notice, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure to give notice, or defect therein, has occurred. Notice of any redemption hereunder with respect to Bonds held under a book entry system shall be given by the Registrar or the Trustee only to the Depository, or its nominee, as the holder of such Bonds. Selection of book entry interests in the Bonds called for redemption is the responsibility of the Depository and any failure of any Direct Participant, Indirect Participant or Beneficial Owner to receive such notice and its contents or effect will not affect the validity of such notice or any proceedings for the redemption of such Bonds.

In the event of any partial redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the redemption date in inverse order of maturity, and within each maturity by lot or by such other such method as the Trustee shall deem fair and appropriate; provided, however, that in connection with any redemption of Bonds the Trustee shall first select for redemption any Bonds held by or pledged to the Bank pursuant to the Indenture. The Trustee may provide for the redemption of portions (equal to $100,000 or any integral multiple of $5,000 in excess thereof) of Outstanding Bonds. In no event shall the principal amount of Bonds subject to any partial redemption be other than $100,000 or any integral multiple of $5,000 in excess thereof.

Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the Lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

(Additional Security for the Bonds)

The Bonds are issued under and are equally and ratably secured by the Indenture. The Indenture grants the Trustee a first security interest in the Trust Revenues (as defined in the Indenture).

As security for payment of the principal of, premium, if any, and interest on the Bonds, the Issuer and the Company have granted a mortgage Lien on and a security interest in the Project Facility to the Bank pursuant to a mortgage and security agreement dated as of August 1, 2002 (the "Mortgage") from the Issuer and the Company to the Bank. As additional security for the payment of principal of, premium, if any, and interest on the Bonds, the Issuer has assigned to the Trustee all of the Issuer's rights and remedies under the Installment Sale Agreement (except the Unassigned Rights), including the right to receive installment purchase payments and

other amounts payable thereunder pursuant to a pledge and assignment dated as of August 1, 2002 (the "Pledge and Assignment") from the Issuer to the Trustee. Further security for the repayment of the Bonds is provided by a guaranty dated as of August 1, 2002 (the "Guaranty") from the Company to the Trustee.

Reference is hereby made to the Indenture, the Installment Sale Agreement, the Reimbursement Agreement, the Mortgage, the Pledge and Assignment, the Guaranty and the Letter of Credit, and to all amendments and supplements thereto, for a description of the nature and extent of the security for the Bonds, the terms and conditions upon which the Bonds are issued and secured and the rights, duties and obligations of the Issuer, the Trustee, the Company, the Bank and the Bondholders. Copies of such documents are on file in the Office of the Trustee.

(General Provisions)

The initial Remarketing Agent under the Indenture is McDonald Investments Inc., a Key Corp Company, and the initial Tender Agent under the Indenture is The Huntington National Bank. The Remarketing Agent and the Tender Agent may be changed at any time in accordance with the Indenture.

The Initial Bonds are issuable only as fully registered bonds in the denominations of $100,000 and in any integral multiple of $5,000 in excess thereof and shall be originally issued only to a Depository to be held in a book entry system and, while so held in book entry only form, (A) the Initial Bonds shall be registered in the name of the Depository or its nominee, as Bondholder, and immobilized in the custody of the Depository, (B) unless otherwise requested by the Depository, there shall be a single Bond certificate for each maturity of the Initial Bonds, and (C) the Initial Bonds shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository, without further action by the Issuer. While the Initial Bonds are in book entry only form, Bonds in the form of physical certificates shall only be delivered to the Depository. If any Depository determines not to continue to act as a Depository for the Initial Bonds for use in a book entry system, the Issuer may attempt to have established a securities depository/book entry system relationship with another qualified Depository under the Indenture. If the Issuer does not or is unable to do so, the Issuer and the Trustee, after the Trustee has made provision for notification to the Beneficial Owners of book entry interests by the then Depository, shall permit withdrawal of the Bonds from the Depository, and authenticate and deliver Bond certificates in fully registered form (in denominations of $100,000 and in any integral multiple of $5,000 in excess thereof) to the assignees of the Depository or its nominee.

While a Depository is the sole holder of the Initial Bonds, delivery or notation of partial redemption or tender for purchase of Bonds shall be effected in accordance with the provisions of the Letter of Representations, as defined in the Indenture.

This Bond is transferable by the registered owner hereof or his duly authorized attorney upon surrender of this Bond to the Trustee, as Bond Registrar, at the Office of the Trustee, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, subject to such reasonable regulations as the Company, the

Issuer or the Bond Registrar may prescribe, PROVIDED, THAT, IF MONEYS FOR THE MANDATORY PURCHASE OF THIS BOND HAVE BEEN DEPOSITED WITH THE TRUSTEE UNDER THE INDENTURE, THIS BOND SHALL NOT BE TRANSFERABLE TO ANYONE UNTIL DELIVERED TO THE TENDER AGENT. Upon any such transfer, a new Bond or Bonds in the same aggregate principal amount will be issued to the transferee. No service charge shall be made for any transfer or exchange of Bonds, but the Issuer or the Trustee may make a charge for transfer or exchange of Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and such charge shall be paid before any new Bond shall be delivered.

Except as set forth in this Bond and as otherwise provided in the Indenture, the person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and payment or on account of the principal of, or premium if any interest on, this Bond shall be made only to or upon the order of the registered owner thereof or his duly authorized legal representative, and the Issuer, the Company, any Paying Agents, the Bond Registrar, the Tender Agent, the Remarketing Agent and the Trustee shall not be affected by any notice to the contrary. Such registration may be changed only as provided in this Bond and in the Indenture, and no other notice to the Issuer or the Trustee shall affect the rights or obligations with respect to the transference of a Bond or be effective to transfer any Bond. All payments to the Person in whose name any Bond shall be registered shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums to be paid.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE BANK UNDER THE LETTER OF CREDIT AND BY THE COMPANY UNDER THE INSTALLMENT SALE AGREEMENT, MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE, AND THE SECURITY PROVIDED BY THE MORTGAGE, THE PLEDGE AND ASSIGNMENT AND THE GUARANTY.

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Indenture permits certain amendments or supplements to the Installment Sale Agreement, the Indenture and the other Financing Documents not prejudicial to the Bondholders to be made without the consent of or notice to the Bondholders, and other amendments or supplements thereto to be made with the consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

The principal hereof may be declared or may become due on the conditions and in the manner and at the time set forth in the Indenture upon the occurrence of an Event of Default as provided in the Indenture.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PRICE OF OR THE INTEREST ON THIS BOND OR FOR ANY CLAIM

BASED HEREON OR ON THE INDENTURE, AGAINST ANY PAST, PRESENT OR FUTURE MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT (EXCEPT THE COMPANY), AS SUCH, OF THE ISSUER OR OF ANY PREDECESSOR OR SUCCESSOR CORPORATION, EITHER DIRECTLY OR THROUGH THE ISSUER OR OTHERWISE, WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY, OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE HEREOF, EXPRESSLY WAIVED AND RELEASED.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication of the Trustee shall be endorsed hereon.

THE BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK AND NEITHER THE STATE OF NEW YORK NOR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture, and the issuance of this Bond, do exist, have happened and have been performed in the time, form and manner as required by law, and that the issuance of the Bonds does not violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Counties of Warren and Washington Industrial Development Agency has caused this Bond to be duly executed in its name by the manual or facsimile signature of its Chairman or Vice Chairman, and its corporate seal to be impressed or reproduced hereon, attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of the Dated Date identified above.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

BY:

(Vice) Chairman

(SEAL)

ATTEST:

- ------------------------------------
(Assistant) Secretary

(Form of Certificate of Authentication)

This Bond is one of the Bonds of the issue described in the within-mentioned Indenture.

THE HUNTINGTON NATIONAL BANK,
as Trustee

BY:

Authorized Officer

- ---
Date of Authentication

[Form of Assignment for Transfer]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto (please insert name, address and social security or tax identification number of assignee): _____ the within Bond and does hereby irrevocably constitute and appoint _____ to transfer the said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

NOTICE: The signatures) on this assignment must correspond with the name(s) as it (they) appear(s) on the face of the within Bond in every particular.

In the presence of:

- ---

EXHIBIT A

DESCRIPTION OF THE PROJECT FACILITY

EXHIBIT B

FORM OF REQUEST FOR DISBURSEMENT

To: The Huntington National Bank, as Trustee
7 Easton Oval - EA4E63
Columbus, Ohio 43219
Attention: Corporate Trust Group

Re: Counties of Warren and Washington Industrial Development Agency
Angiodynamics, Inc. Project

Requisition Number: 1

Dated:

You are hereby authorized and directed to make, from the Project Fund as defined in the trust indenture dated as of August 1, 2002 (the "Indenture") by and between Counties of Warren and Washington Industrial Development Agency (the "Issuer") and The Huntington National Bank, as trustee (capitalized terms used herein, and not otherwise defined herein, shall have the meanings assigned to them in the Indenture) the disbursements set forth in this Request for Disbursement. In connection with this request, the Company hereby represents and warrants to the Issuer and Trustee as follows:

(A) The items for which payment is to be made were not paid or incurred prior to June 24, 2002, and the payment of all amounts requested hereby is consistent in all material respects with the Tax Regulatory Agreement;

(B) With respect to the item(s) for which payment is to be made, the undersigned has no knowledge of any Lien which should be satisfied or discharged before the payment as requested is made or which will not be discharged by such payment;

(C) If the amount requested is to reimburse to the Company for costs or expenses of the Company incurred by reason of work performed or supervised by officers or employees of the Company, (1) such officers or employees were specifically employed or designated by the Company for such purpose, (2) the amount to be paid does not exceed the actual cost thereof to the Company, and (3) such costs or expenses will be treated by the Company on its books as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis (or would have been so treated either with an election by the Company or but for an election by the Company to deduct the amount of such payment);

(D) The payment of the amount requested is chargeable to the capital account of the Project for federal income tax purposes, or would be so chargeable either with an election by the Company or but for an election by the Company to deduct the amount of such payment.

(E) The payment of the amount requested, when added to all other payments previously made from the Project Fund, will not result in (1) less than ninety-five percent (95%) of the proceeds of the Initial Bonds (including any investment earnings on the Initial Bonds) being used for the acquisition, construction, reconstruction or improvement of land or Property subject to the allowance for depreciation provided in Section 167 of the Code paid or incurred after June 24, 2002 or (2) more than two percent (2%) of the proceeds of the Initial Bonds being used to pay issuance costs of the Initial Bonds;

(F) As of the date of this Request for Disbursement, the representations and covenants made in Section 2.2 of the Installment Sale Agreement are true and correct, and there is no Event of Default under any of the Financing Documents, nor any event, condition or act that, with the passage of time or the giving of notice or both, would ripen into such an Event of Default;

(G) The names and addresses of the persons to whom disbursement is to be made, the amount to be paid to each, and the description of the purpose for which the requested disbursement from the Project Fund is to be made and the general classification of the expenditure are as set forth on Schedule "A" attached hereto;

(H) The disbursement is for a proper expenditure of moneys under Section 4.3 of the Installment Sale Agreement;

(I) _____ percent of the work on the construction and installment of the Project Facility (as defined in the Indenture) has been completed and the undisbursed portion of the Bond Proceeds is sufficient to complete the construction and installation of the Project Facility in accordance with the Plans and Specifications;

(J) No item(s) for which payment is requested has (have) been the basis for any prior advance of the Bond Proceeds (requests for advances of retainage amounts under any contract relating to the construction of the Facility shall not be deemed made for an item which has been the basis of a prior advance by virtue of requests for advance of amounts covering the cost of such construction, less the retainage amounts);

(K) The Project Facility has not been materially injured or damaged by fire or other casualty;

(L) All sums due workmen, suppliers, employees and materialmen have been paid or will be paid from the proceeds of this Advance;

(M) That none of the items for which requisition is made constitutes personal property (including, without limitation, fixtures and equipment) other than that listed on all accompanying schedules sufficient for identification purposes in connection with the filing of UCC-1 and/or UCC-3 financing statements;

(N) That all advances for construction and non-construction items shall be for costs actually expended; and

(O) This Request for Advance is accompanied by bills, bills of sale, invoices or other proof to substantiate the amount requested and the payee.

ANGIODYNAMICS, INC.

BY:

Authorized Officer

Payment of the foregoing
Request for Disbursement
is hereby approved by the
undersigned, as issuer
of the Letter of Credit
securing the Bonds.

KeyBank National Association

BY:

Authorized Officer

EXHIBIT 10.13

REMARKETING AGREEMENT

among

ANGIODYNAMICS, INC.

and

MCDONALD INVESTMENTS INC., AS
REMARKETING AGENT

and

COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY

Dated as of August 1, 2002

$3,500,000
Counties of Warren and Washington Industrial Development Agency
Multi-Mode Variable Rate Industrial Development Revenue Bonds
(Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002

REMARKETING AGREEMENT

This REMARKETING AGREEMENT, dated as of August 1, 2002 (the "Agreement"), is made by and among Angiodynamics, Inc. (the "Company"), McDonald Investments Inc., as remarketing agent (the "Remarketing Agent"), and Counties of Warren and Washington Industrial Development Agency (the "Issuer"), and is entered in connection with the issuance by the Issuer of its Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002 in the total aggregate principal amount of $3,500,000 (the "Bonds").

ARTICLE I

Definitions

Section 1.01. Capitalized Terms.

Capitalized terms used in this Remarketing Agreement, unless otherwise defined herein, shall have the meanings assigned to them in the Trust Indenture, dated as of August 1, 2002 (the "Indenture"), between the Issuer and The Huntington National Bank, as Trustee, with respect to the Bonds.

Section 1.02. Rules of Interpretation.

(a) This Remarketing Agreement shall be interpreted in accordance with and governed by the laws of the State of New York.

(b) The words "herein" and "hereof" and words of similar import, without reference to any particular Article, Section or subsection, refer to this Remarketing Agreement as a whole rather than to any particular Article, Section or subsection hereof.

(c) The headings of Articles and Sections herein are for convenience only and shall not affect the construction hereof.

ARTICLE II

Remarketing of Bonds

Section 2.01. Representations and Warranties of the Company.

The Company hereby represents and warrants, for the benefit of the Remarketing Agent, that:

(a) The Company is a corporation, organized and existing and in good standing under the laws of the State of New York, and has full power and authority to enter into the Installment Sale Agreement, the Bond Purchase Agreement, this Remarketing Agreement and the Reimbursement Agreement and to carry out the provisions hereof and thereof.

(b) The Installment Sale Agreement, the Bond Purchase Agreement, the Reimbursement Agreement and this Remarketing Agreement have been duly authorized, executed and delivered by the Company and, assuming the due execution and delivery of such agreements by the other parties thereto, are valid obligations legally binding upon the Company and enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy or other laws affecting the enforcement of creditors' rights generally or by general principles of equity and public policy. The Company has approved the use and distribution of the Offering Circular dated August 28, 2002 (the "Offering Circular") in connection with the limited offering and remarketing of the Bonds.

(c) Except for all consents, approvals or authorizations of, or declarations or filings under any federal or state securities or "blue sky" laws, no consent, approval or authorization of, or declaration or filing with, any governmental authority or any other third party is a condition to the execution and delivery by the Company of the Installment Sale Agreement, the Bond Purchase Agreement, this Remarketing Agreement or the Reimbursement Agreement, or is required in connection with the offer, issuance and delivery by the Company of the instruments contemplated hereby. Neither the execution and delivery of the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, the Reimbursement Agreement, this Remarketing Agreement or the Bonds nor consummation of the transaction contemplated hereby or thereby or by the Offering Circular, will violate any provision of law or any applicable regulation, order, writ or decree of any court or governmental authority or will conflict or will be inconsistent with, or will result in any breach of any of the terms of, or will constitute a default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Company is a party or by which it may be bound, or will violate any provision of the Company's certificate of incorporation or by-laws.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or, to the best knowledge of the Company, threatened which challenges the validity of or seeks to enjoin the execution and delivery by the Company of, or the performance by the Company of its obligations with respect to, the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, the Remarketing Agreement, the Reimbursement Agreement or the Bonds, and there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or, to the best knowledge of the Company, threatened against or affecting the Company (and to the best knowledge of the Company there is no basis therefor) wherein there is a reasonable possibility of an unfavorable decision, ruling or finding which would materially adversely affect any of the transactions contemplated by the Offering Circular, or which might result in any material adverse change in the properties, condition (financial or otherwise) or operations of the Company.

(e) Subject to the proviso that the Offering Circular is a summary and does not contain detailed information about the Company or its intended use of proceeds from the sale of the Bonds, and that the Company makes no representation as to the financial

condition of the Bank, or the information contained in the Offering Circular on the cover page and under the captions "THE ISSUER," "THE LETTER OF CREDIT BANK," "UNDERWRITING OF THE BONDS," APPENDIX A-1, APPENDIX A-2, APPENDIX B and APPENDIX C of the Offering Circular does not contain an untrue or misleading statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Section 2.02. Representations and Warranties of the Issuer.

The Issuer hereby represents and warrants, for the benefit of the Remarketing Agent, as remarketing agent, that:

(a) The Issuer is a public benefit corporation duly organized and existing under the laws of the State of New York and has full power and authority to enter into the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, this Remarketing Agreement and to issue the Bonds and to carry out the provisions hereof and thereof.

(b) The Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, this Remarketing Agreement and the Bonds have been duly authorized, executed and delivered by the Issuer and, assuming the due execution and delivery of such agreements by the other parties thereto, are valid special obligations legally binding upon the Issuer and enforceable in accordance with their respective terms, except as enforceability may be limited by bankruptcy or other laws affecting the enforcement of creditors' rights generally or by general principles of equity and public policy.

(c) Except for all consents, approvals or authorizations of, or declarations or filings under any federal or state securities or "blue sky" laws, no consent, approval or authorization of, or declaration or filing with, any governmental authority or any other third party is a condition to the execution and delivery by the Issuer of the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement or this Remarketing Agreement, or is required in connection with the execution, issuance and delivery by the Issuer of the instruments contemplated hereby. To the Issuer's knowledge, neither the execution and delivery of the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, this Remarketing Agreement or the Bonds nor consummation of the transaction contemplated hereby or thereby, will constitute on the part of the Issuer a violation of or will conflict or will be inconsistent with, or will result in any breach of any of the terms of, or will constitute a default under, any provision of law or any applicable regulation, order, unit or decree of any court or governmental authority or any indenture, mortgage, deed of trust, agreement or other instrument to which the Issuer is a party or by which it may be bound.

(d) To the Issuer's knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, as to which the Issuer has been served or otherwise received official notice, is any such action, suit, proceeding, inquiry or investigation threatened, which challenges the validity of or

seeks to enjoin the execution and delivery by the Issuer of, or the performance by the Issuer of its obligations with respect to, the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, the Remarketing Agreement or the Bonds.

Section 2.03 Representations and Warranties of the Remarketing Agent

The Remarketing Agent represents and warrants as the basis for the undertakings on the part of the Remarketing Agent herein contained and throughout the term of this Remarketing Agreement, that (i) the Remarketing Agent is a corporation organized and existing under the laws of the State of Ohio that is registered as a broker-dealer with the Securities and Exchange Commission; (ii) the Remarketing Agent has all requisite power to execute and deliver this Remarketing Agreement, and has by proper action duly authorized the execution and delivery of this Remarketing Agreement, and (iii) this Remarketing Agreement constitutes the legal, valid and binding obligation of the Remarketing Agent enforceable against the Remarketing Agent in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar law or principles of equity relating to or affect the enforcement of creditors' rights or contractual obligations generally.

Section 2.04. Remarketing Agent's Acceptance.

McDonald Investments Inc. hereby accepts the appointment made by the Issuer pursuant to the Indenture to serve as Remarketing Agent for the Bonds. Acceptance of that appointment as Remarketing Agent under the Indenture is expressly subject to the condition that the Remarketing Agent shall not undertake to perform any duties or assume any obligations to the Issuer, the Trustee, the Holders or the Company other than those expressly set forth herein and in the Indenture.

Section 2.05. Remarketing Agent's Obligations.

McDonald Investments Inc. agrees to accept the duties and obligations imposed upon it as Remarketing Agent under the Indenture, and agrees particularly in accordance with Article 718 of the Indenture:

(i) to determine the interest rates on the Bonds in accordance with Section 209 of the Indenture;

(ii) to give notice, by wire, telex, telegraph or telecopier or other similar means of communication, of each interest rate on the Bonds on the determination date of said interest rates as provided in Section 209 of the Indenture to the Company and the Trustee;

(iii) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer and the Trustee at all reasonable times;

(iv) to use its best efforts to remarket the Bonds in accordance with Section 305 of the Indenture; and

(v) to comply with all applicable laws in connection with its efforts to remarket the Bonds.

ARTICLE III

Disclosure

Section 3.01. Provision of Disclosure Materials.

If the Remarketing Agent determines that it is necessary or desirable to use an amended or supplemented Offering Circular in connection with any remarketing of Bonds, the Remarketing Agent will so notify the Company and the Company agrees that it shall provide an amended or supplemented Offering Circular satisfactory to the Remarketing Agent for use in connection with the marketing of the Bonds. The Company agrees to supply to the Remarketing Agent such number of copies of any Offering Circular and documents related thereto as are reasonably requested from time to time by the Remarketing Agent and further agrees to amend or supplement such Offering Circular (and/or any documents incorporated by reference therein), in connection with any future remarketing, so that at all times the Offering Circular and documents related thereto will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. The Issuer has not confirmed, and assumes no responsibility for, the accuracy, sufficiency or fairness of any statements in the Offering Circular or any supplements thereto, or in any reports, financial information, offering or disclosure documents or other information in any way relating to the Project, the Company, the Bank or the Original Purchaser.

Section 3.02. Continuing Disclosures.

The Company and Issuer agree that the Bonds are exempt from the requirement of Paragraph (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule") pursuant to Paragraph (d)(1) of the Rule. The Company hereby covenants and agrees that if as a result of a conversion of Interest Rate Mode or as a result of any amendment or supplement to the Indenture or the Installment Sale Agreement, the Bonds cease to be exempt under the Rule, the Company will enter into an agreement or contract, constituting an undertaking, to provide ongoing disclosure as may be necessary to comply with the Rule as then in effect. The covenant and agreement contained herein is for the benefit of the Bondholders and Beneficial Owners as required by the Rule.

ARTICLE IV

General

Section 4.01. Indemnification.

The Company agrees to indemnify the Remarketing Agent and the Issuer for and to hold each harmless against all liabilities, claims, costs and expenses incurred on the part of the Issuer or without negligence or bad faith on the part of the Remarketing Agent on account of any action taken or omitted to be taken by the Remarketing Agent or the Issuer, respectively, in accordance with the terms of the Bonds, the Reimbursement Agreement, the Installment Sale Agreement, the Bond Purchase Agreement, the Letter of Credit or the Indenture, or in connection with the remarketing of the Bonds, including the use of the Offering Circular, or any action taken at the request of or with the consent of the Company, including the reasonable costs and expenses of the Remarketing Agent or the Issuer in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under the Bonds, the Indenture, the Installment Sale Agreement, the Bond Purchase Agreement, the Reimbursement Agreement or the Letter of Credit; except to the extent that any such claim, liability, cost or expense arises in connection with (i) in respect of the Remarketing Agent, the failure by the Remarketing Agent to deliver any amended or supplemented Offering Circular or amendment or supplement to the Offering Circular, to any purchaser of the Bonds if the Company has provided any amended or supplemented Offering Circular or amendment or supplement to the Offering Circular (in accordance with Section 3.01 hereof), as the case may be, to the Remarketing Agent for use in connection with the remarketing of the Bonds, or (ii) in respect of the Remarketing Agent, any untrue or misleading statement, or alleged untrue or misleading statement, or omission or alleged omission in information relating to the Remarketing Agent provided by the Remarketing Agent for inclusion in any amended or supplemented Offering Circular or any amendment or supplement to the Offering Circular.

In case any claim, action or proceeding is brought against the Remarketing Agent or the Issuer in respect of which indemnity may be sought hereunder, the Remarketing Agent or the Issuer, as appropriate, promptly shall give notice of that claim, action or proceeding to the Company, and the Company, upon receipt of that notice, shall have the right, or, if requested by either the Remarketing Agent or the Issuer, the obligation to assume the defense of the claim, action or proceeding at the Company's expense. Such notice shall be given in sufficient time to allow the Company to defend or participate in such claim, action or proceeding; provided, that failure of the Remarketing Agent or the Issuer, as appropriate to give that notice shall not relieve the Company from any of its obligations under this Section. At their own expense, the Remarketing Agent and the Issuer may employ separate counsel and participate in the defense. The Company shall not be liable for any settlement made without its consent, which consent shall not be unreasonably withheld.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Remarketing Agent and the Issuer. Such indemnification is intended to and shall be enforceable by the Remarketing Agent and the Issuer to the full extent permitted by law.

Section 4.02. Remarketing Fees.

The Company shall pay the Remarketing Agent, for its services as Remarketing Agent, an annual fee equal to 10 basis points (1/10h of 1%) per annum of the amount of Bonds outstanding, payable semi-annually in arrears, on each February 1 and August 1, beginning with February 1, 2003. For any semi-annual payment of the annual fee not paid within fifteen (15)

days after date of invoice corresponding to such payment due, the Company shall pay a late charge of an amount equal to the greater of ten percent (10%) of the amount of the payment or $100.

The Company also shall pay (i) all expenses in connection with the provision of information required for the preparation of any amendment or supplement to the Offering Circular provided pursuant to Section 3.01 of this Remarketing Agreement, (ii) all fees and expenses incurred with the prior consent of the Company in connection with the registration of the Bonds under any state securities laws or the procurement of an exemption therefrom, (iii) all expenses and costs to effect the authorization, preparation, issuance, registration under any federal securities laws or the procurement of an exemption therefrom, delivery and sale of the Bonds, (iv) a fee equal to $5,000.00, plus all expenses and costs (including, but not limited to, related attorney's fees) in connection with every and any change of the Credit Facility Issuer and (v) the reasonable cost of obtaining any rating on the Bonds.

Section 4.03. Term.

This Remarketing Agreement will terminate upon the effective date of the resignation or removal of McDonald Investments Inc. as Remarketing Agent in accordance with the provisions of this Remarketing Agreement and Section 718 of the Indenture.

Upon the termination of this Remarketing Agreement, the provisions of Section 4.01 hereof will continue to remain in effect and any Bonds or moneys then held by McDonald Investments Inc. as Remarketing Agent will be delivered to the successor remarketing agent or, if there is no successor, to the Trustee.

Section 4.04 Suspension of Remarketing.

The Remarketing Agent may suspend its remarketing efforts immediately upon the occurrence of any of the following events, but only after notice (a "Discretionary Suspension Notice") to the Issuer, the Company, the Trustee, and the Credit Facility Issuer, which suspension will continue only so long as the event continues to exist if, in the Remarketing Agent's reasonable judgment, the continuance of the event has a material adverse effect on its ability to remarket the Bonds:

(a) a suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(b) a general moratorium on commercial banking activities in New York or Ohio is declared by either federal or New York State or Ohio State authorities;

(c) the engagement by the United States in hostilities resulting in a declaration of war or national emergency, or the occurrence of any other outbreak of hostilities or national or international calamity or crisis, financial or otherwise;

(d) the enactment of a federal law, or the rendering of a decision by a court of the United States, or the issuance or making of a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter, in any such case to the effect that, the offering or sale of obligations of the general character of the Bonds, or the remarketing of the Bonds, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended (the "Securities Act") and as then in effect, or the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as then in effect, or the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby;

(e) any event shall occur or information shall become known, which, in the Remarketing Agent's reasonable judgment, makes untrue, incorrect or misleading in any material respect any statement or information contained in the then most current Offering Circular provided to the Remarketing Agent in connection with the performance of its duties hereunder, or causes such document to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(f) any governmental authority shall impose, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force;

(g) any of the material representations and warranties of the Company made hereunder shall not have been true and correct on the date made; or

(h) the Company fails to observe any of the material covenants or agreements made herein.

Section 4.05. Remarketing Agent's Performance.

The duties and obligations of the Remarketing Agent shall be determined solely by the express provisions of this Remarketing Agreement and the Indenture, and the Remarketing Agent shall not be responsible for the performance of any duties and obligations other than as are specifically set forth in this Remarketing Agreement and the Indenture, and no implied covenants or obligations shall be read into this Remarketing Agreement or the Indenture against the Remarketing Agent. The Remarketing Agent may conclusively rely upon any notice or document given or furnished to it, and conforming to the requirements of this Remarketing Agreement or the Indenture, and the Remarketing Agent may rely and shall be protected in acting upon such notice or any document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties. The Remarketing Agent will

endeavor to comply with all applicable laws and regulations in the performance of its duties hereunder and under the Indenture and the Installment Sale Agreement.

Section 4.06 Remarketing Agent Not to Act as Underwriter.

It is understood and agreed that the Remarketing Agent, in entering into this Remarketing Agreement, is obligated to remarket the Bonds upon consideration of prevailing financial market conditions pursuant to the Indenture. The Remarketing Agent shall not, in fulfilling its obligations hereunder, act as an underwriter for Bonds and is in no way obligated, directly or indirectly, to advance its own funds to purchase Bonds delivered to it pursuant to the Indenture; provided, however, that the Remarketing Agent, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds offered and sold by the Remarketing Agent pursuant to this Remarketing Agreement, and may join in any action that any holder may be entitled to take with like effect as if it did not act in any capacity hereunder.

Section 4.07. Notices.

Unless otherwise specified, any notices, requests or other communications given or made hereunder or pursuant hereto shall be made in writing and shall be deemed to have been validly given or made if either duly mailed by certified or registered mail, return receipt requested, or hand delivered, addressed as follows: if to the Company, 603 Queensbury Avenue, Queensbury, NY 12804, Attention: Joseph G. Gerardi; if to the Issuer, Counties of Warren and Washington Industrial Development Agency, 5 Warren Street, Glens Falls, NY 12801, Attention: Chairman, and if to the Remarketing Agent, McDonald Investments Inc., 800 Superior Avenue, 17th Floor, Municipal Department, Cleveland, Ohio 44114. The Notice Address shall constitute, for the purposes set forth in the Indenture, the principal office of McDonald Investments Inc. as Remarketing Agent.

IN WITNESS WHEREOF, the Issuer, the Company and the Remarketing Agent have caused this Remarketing Agreement to be duly executed by their duly authorized representatives, respectively, as of the date first above written.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

By: /s/ Bruce A. Ferguson

Its: Chairman

ANGIODYNAMICS, INC.

By: /s/ Eamonn P. Hobbes

Its: President & CEO

MCDONALD INVESTMENTS INC.

By: /s/ [Illegible]

Its: V.P.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK LIMITED PURPOSE TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OR DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BOND (ANGIODYNAMICS, INC. PROJECT - -LETTER OF CREDIT SECURED), SERIES 2002

NO.: R- 1 MATURITY DATE: AUGUST 1, 2022

INTEREST RATE: as described below CUSIP No.: 934653DQ6

DATED DATE: AUGUST 29, 2002

REGISTERED OWNER: CEDE & COMPANY

PRINCIPAL AMOUNT: THREE MILLION FIVE HUNDRED THOUSAND DOLLARS ($3,500,000)

Counties of Warren and Washington Industrial Development Agency, a public benefit corporation of the State of New York (the "Issuer"), for value received, hereby promises to pay, solely from the sources hereinafter described, to CEDE & CO. or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter provided for), the Principal Sum set forth above (subject to reduction as hereinafter provided) and interest thereon from the Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid, to the Maturity Date identified above (or such earlier date on which the principal hereof has been paid or duly provided for), initially at the Weekly Rate (as defined below) (subject to conversion to an alternate interest rate as described below), on the following dates (each, an "Interest Payment Date"): (A) while this Bond bears interest at the Weekly Rate, the first Thursday of each February, May, August and November, commencing with the first Thursday of November, 2002; and (B) while this Bond bears interest at

the Semi-Annual Rate or the Long-Term Rate (as defined below), on February 1 and August 1 of each year; provided, that in any case the final Interest Payment Date shall be the Maturity Date.

The principal of, premium, if any, on and interest on this Bond are payable in coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. The principal or redemption price of this Bond, and the interest due upon this Bond at maturity, shall be paid upon presentation and surrender hereof at the corporate trust office presently located at Corporate Trust Department, 7 Easton Oval - EA4E63, Columbus, Ohio 43219 (the Office of the Trustee ") of The Huntington National Bank, as trustee (together with its successors in trust, the "Trustee") under the trust indenture dated as of August 1, 2002 (from time to time, as amended or supplemented, the "Indenture") by and between the Issuer and the Trustee, or at the duly designated office of any successor trustee under the Indenture. Reference is made to the Indenture for a more complete description of the Project, the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the Issuer, the Trustee and the Bondholders, and the terms and conditions upon which the Bonds are issued and secured. All terms used herein with initial capitalization where the rules of grammar or context do not otherwise require shall have the meanings as set forth in the Indenture. Each Bondholder assents, by its acceptance hereof, to all of the provisions of the Indenture.

Except when the Bonds are Book Entry Bonds, the installments of interest due on this Bond prior to maturity shall, as provided in the Indenture, be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on the Business Day next preceding any Interest Payment Date (the "Regular Record Date"), and shall be paid by check or draft of the Trustee mailed by the Trustee on such Interest Payment Date to such registered owner at his address appearing on the registration books of the Issuer, or at the option of any holder of Bonds in an aggregate principal amount of $250,000 or greater be transmitted on such Interest Payment Date by wire transfer in immediately available funds at such owner's written request to the bank account number on file with the Trustee, provided such Holder has delivered adequate instructions regarding same to the Trustee at least ten (10) Business Days prior to such Bond Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the Person in whose name this Bond (or one or more Predecessor Bonds) is registered at the close of business on a date for the payment of such Defaulted Interest to be fixed by the Trustee (the "Special Record Date"), notice whereof being mailed one time, first-class postage prepaid to registered owners of the Bonds not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner as shall be determined by the Trustee. Notwithstanding anything herein to the contrary, when this Bond is registered in the name of a Depository (as hereinafter defined) or its nominee, the principal and redemption price of and interest on this Bond shall be payable in next day or federal funds delivered or transmitted to the Depository or its nominee.

This Bond is one of a duly authorized issue of bonds of the Issuer designated "Counties of Warren and Washington Industrial Development Agency Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002" in the aggregate principal amount of $3,500,000 (the "Initial Bonds"). The Initial Bonds are issued for the

purpose of assisting in providing financing to the Issuer for a project (the "Project") consisting of the following: (A)(i) the acquisition of an interest in a certain parcel or parcels of land located at 603 Queensbury Avenue, Town of Queensbury, County of Warren, State of New York (the "Land"), (ii) the acquisition thereon of an approximately 32,000 square foot facility (the "Existing Facility"), together with equipment therein (the "Existing Equipment"), (iii) the making of certain renovations to the Existing Facility (as so renovated, the "Facility") consistent with its present and authorized use, (iv) the construction of approximately 32,000 square feet of additions(s) to the Existing Facility, (v) the purchase of additional equipment (together with the Existing Equipment, the "Equipment" and, together with the Land and the Facility, the "Project Facility") and (B) the financing of a part of the cost of the foregoing by issuing its tax-exempt Industrial Development Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $4,500,000.00, all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act"), as amended, the proceeds of which may be applied to the costs of issuance, and, as necessary and appropriate, the provision of a debt service reserve fund, capitalized interest or other means of providing credit enhancement for the Bonds; and (C) to lease (with the option to purchase) and/or sell the Project Facility to the Company, all pursuant to the Act;

To provide for the payment of the Debt Service Payments on the Bonds, the Issuer, in the Indenture, has (A) absolutely and irrevocably assigned to the Trustee all of the Issuer's right, title and interest in and to (1) the Installment Sale Agreement (except for the Issuer's Unassigned Rights), and (2) the Credit Facility Account, Redemption Premium Account, Remarketing Proceeds Account and the Defeasance Account of the Bond Fund and all moneys and investments therein, including without limitation the proceeds of the Letter of Credit (as hereinafter defined), and (B) granted a security interest in all moneys and investments in the Project Fund and the Revenues (other than the above-referenced accounts of the Bond Fund, all moneys and investments therein and the proceeds of the Credit Facility).

The Debt Service Payments on the Bonds are payable solely from moneys held by the Trustee under the Indenture for such purpose, including moneys drawn by the Trustee under the Letter of Credit referred to below or such other credit facility, if any, as may then be held by the Trustee under the Indenture for the benefit of the Bondholders (the Letter of Credit or any such other credit facility is hereinafter referred to as the "Credit Facility").

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER AND DO NOT REPRESENT OR CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NEW YORK OR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK OR ANY POLITICAL SUBDIVISION THEREOF, AND WILL NOT BE SECURED BY AN OBLIGATION OR PLEDGE OF ANY MONEYS RAISED BY TAXATION. THE DEBT SERVICE PAYMENTS ON THE BONDS WILL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED AND ASSIGNED BY THE ISSUER TO SECURE PAYMENT THEREOF BY THE INDENTURE.

As provided in the Indenture, additional series of Bonds (the "Additional Bonds", and collectively with the Initial Bonds, the "Bonds") may be issued from time to time pursuant to supplements to the Indenture on a parity with, and secured and payable equally and ratably with,

all other series of Bonds issued under the Indenture, which Additional Bonds may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Indenture and the supplement thereto authorizing any such series of Additional Bonds. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited, except as otherwise provided in the Indenture.

If an Event of Default as defined in the Indenture occurs, the principal of all Bonds issued under the Indenture may become due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

This Bond is not valid unless the Certificate of Authentication endorsed hereon is duly executed.

(Determination of Interest Rates)

The Initial Bonds initially shall bear interest at the Weekly Rate (hereinafter described), which rate shall continue in effect until converted to a different interest rate or rates determined for the "Interest Rate Mode" (as described more fully in the Indenture) selected by the Company. The "Interest Rate Modes" which may be selected are as follows: (A) a Weekly Rate, in which the interest rate is determined on the 7th day preceding conversion to a Weekly Rate and on each Tuesday thereafter or, if not a Business Day, on the next succeeding Business Day; (B) a Semi-Annual Rate, in which the interest rate is determined on the tenth Business Day preceding each Semi-Annual Rate Period; and (C) a Long-Term Rate for a period of one year or more ending on an Interest Payment Date selected by the Company, in which the interest rate is determined not later than the 15th Business Day preceding the lst day of such Long-Term Rate Period.

On any Interest Payment Date upon which the Bonds are subject to optional redemption, the Company may from time to time cause the conversion of the Interest Rate Mode for the Bonds to another Interest Rate Mode (a "Conversion") in accordance with the terms of the Indenture. To cause a Conversion, the Company shall deliver, at least 4 Business Days prior to the 15th day (the 30th day in the case of Conversion to or from the Long-Term Rate) prior to the proposed effective date of such Conversion, written notice to the Trustee, the Credit Facility Issuer, the Tender Agent and the Remarketing Agent of the Company's election to cause a Conversion. Notice of the intended Conversion of the interest rate on this Bond shall be given not more than 60 days nor less than 30 days prior to the proposed effective date of such Conversion by the Trustee one time by first class mail postage prepaid to the registered owner of this Bond at the address of such owner shown on the Trustee's bond register. The failure to give any such notice, or any defect therein, shall not affect the validity of any proceeding for the Conversion of any Bond with respect to which no such failure to give notice, or defect therein, has occurred. On the Conversion Date, this Bond shall be subject to a Mandatory Tender for purchase as provided in Section 304 of the Indenture. Notwithstanding anything to the contrary contained in the Indenture or herein, such notice shall not be effective unless the Bank shall have consented thereto in writing and such notice is accompanied by:

(A) an opinion of Counsel stating that the Conversion is authorized by the Indenture;

(B) if the stated amount of the Credit Facility, if any, to be held by the Trustee after such Conversion is increased over that of the then current Credit Facility, an opinion of reputable bankruptcy counsel stating that payments of principal and interest on the Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the bankruptcy of the Company under the Bankruptcy Code;

(C) a resolution of the members of the Issuer authorizing and approving the Conversion; and

(D) an opinion of Bond Counsel to the effect that the exercise of the Conversion Option is lawful under the Act and permitted by the Indenture and that the Conversion will not, in and of itself, adversely affect the exclusion of interest on the Initial Bonds from gross income for federal income tax purposes.

If the Trustee has given notice of a proposed Conversion as aforesaid and such proposed Conversion shall thereafter be canceled or rescinded, the Trustee shall promptly notify all Bondholders of such cancellation or recision.

Interest on the Initial Bonds shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, while the Interest Rate Mode is the Weekly Rate, and on the basis of a 360-day year consisting of twelve 30-day months for the actual number of days elapsed, while the Interest Rate Mode is the Semi-Annual Rate or the Long-Term Rate. The interest rate or rates for each Interest Rate Mode for the Initial Bonds shall be determined by the Remarketing Agent on the dates and at such times as specified in the Indenture. If the Remarketing Agent fails to determine the interest rate on the Initial Bonds in accordance with the Indenture, the interest rate on the Initial Bonds shall be the interest rate in effect for the previous interest rate period. Each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Initial Bonds at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate bond by the Initial Bonds shall not exceed the lesser of (A) 15 % per annum or (B) so long as the Initial Bonds are entitled to the benefit of a Credit Facility, the maximum interest rate specified in the Credit Facility.

(Mandatory Tender and Purchase)

The Initial Bonds are subject to mandatory purchase in whole (A) on the effective date of any Conversion of the Interest Rate Mode for the Initial Bonds and (B) if the Initial Bonds are then bearing interest at the Weekly or Semi-Annual Rate, on the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of the expiration of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility), if any, unless the then current Credit Facility Issuer has provided an Alternate Credit Facility in accordance with the Indenture, at a purchase price equal to 100% of the principal amount hereof plus accrued interest, if any.

In addition, the Initial Bonds are subject to mandatory purchase in whole if the Initial Bonds are then bearing interest at the Long-Term Rate and the Initial Bonds are then subject to optional redemption by the Issuer upon the direction of the Company pursuant to the Indenture, on the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of the expiration of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility), if any, unless a Qualifying Alternate Credit Facility has been provided in accordance with the Indenture, at a purchase price equal to 100% of the principal amount hereof, plus the optional redemption premium, if any, which would be payable under the Indenture if the Initial Bonds were redeemed on such date, plus accrued interest, if any. If the Initial Bonds are bearing interest at the Long-Term Rate, but the Initial Bonds are not then subject to optional redemption by the Company pursuant to the Indenture, upon expiration of the then current Credit Facility, the Company must replace the Credit Facility with a Qualifying Alternate Credit Facility.

If the Interest Rate Mode on the Initial Bonds is the Weekly Rate, this Bond shall be purchased at the option of the registered owner hereof upon demand by such registered owner, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent on or before 4:00 p.m. (New York time) on a Business Day not later than the 7th calendar day prior to the Purchase Date. If the Interest Rate Mode on the Initial Bonds is the Semi-Annual Rate, this Bond shall be purchased on the demand of the registered owner hereof, on any Interest Payment Date at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the 8th Business Day prior to such Purchase Date. If the Interest Rate Mode on the Initial Bonds is the Long-Term Rate, this Bond shall be subject to mandatory purchase only as set forth in the immediately preceding paragraphs.

If the Interest Rate Mode on the Initial Bonds is the Weekly Rate or the Semi-Annual Rate, this Bond is also subject to mandatory purchase, in whole, upon any replacement, removal or other substitution of the then current Credit Facility Issuer.

Any notice in connection with a demand for purchase of this Bond as set forth in the preceding paragraphs hereof shall be given at the address of the Tender Agent designated to the Trustee and shall (A) state the number and principal amount (or portion thereof in an authorized denomination) of this Bond to be purchased, (B) state the Purchase Date on which this Bond shall be purchased and (C) irrevocably request such purchase and agree to deliver this Bond to the Tender Agent on the Purchase Date. ANY SUCH NOTICE SHALL BE IRREVOCABLE WITH RESPECT TO THE PURCHASE FOR WHICH SUCH DIRECTION WAS DELIVERED AND, UNTIL SURRENDERED TO THE TENDER AGENT, THIS BOND OR ANY PORTION HEREOF WITH RESPECT TO WHICH SUCH DIRECTION WAS DELIVERED SHALL NOT BE TRANSFERABLE. This Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) at the principal office of the Tender Agent at or prior to 12:00 noon (New York time) on the date specified in the aforesaid notice in order for the owner hereof to receive payment in same day funds of the purchase price due on such Purchase Date. NO REGISTERED OWNER SHALL BE ENTITLED TO PAYMENT OF THE PURCHASE PRICE DUE ON SUCH PURCHASE DATE EXCEPT UPON SURRENDER OF THIS BOND AS SET FORTH

HEREIN. Notwithstanding the foregoing, this Bond shall not be purchased during the existence of a Default under the Indenture relating to failure to pay principal due on any Bond, or the redemption price or purchase price due with respect to any Bond, or the interest due on any Bond. No purchase of Bonds pursuant to the Indenture shall be deemed to be a payment or redemption of such Bonds or any portion thereof within the meaning of the Indenture.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, (A) ON THE APPLICABLE PURCHASE DATE IN CONNECTION WITH THE CONVERSION OF THE INTEREST RATE MODE FOR THE BONDS OR ANY EXPIRATION OF THE CREDIT FACILITY AS DESCRIBED ABOVE, OR ANY REPLACEMENT OF THE THEN CURRENT CREDIT FACILITY ISSUER, IF THE BONDS ARE IN THE WEEKLY RATE MODE OR THE SEMI-ANNUAL RATE MODE AS DESCRIBED ABOVE, OR (B) ON ANY PURCHASE DATE SPECIFIED BY THE REGISTERED OWNER HEREOF IN THE EXERCISE OF THE RIGHT TO DEMAND PURCHASE OF THIS BOND AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND OR THE INDENTURE EXCEPT TO PAYMENT OF THE PURCHASE PRICE HELD THEREFOR, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE TENDER AGENT.

(Letter of Credit Provisions)

Pursuant to the Reimbursement Agreement, the Company has caused a Letter of Credit issued by KeyBank National Association (the "Bank") to be delivered to the Trustee (the "Letter of Credit"). Under the Letter of Credit, the Bank is obligated to pay to the Trustee, upon presentation of a sight draft and required accompanying documentation, the amount necessary to pay the principal or purchase price (but not the redemption premium) of the outstanding Initial Bonds plus an amount equal to 98 days' accrued interest on the outstanding Initial Bonds at a rate of eight percent (8%) per annum (other than Initial Bonds which are Pledged Bonds or Bonds owned by the Company) then due and payable (whether by mandatory redemption or by maturity due to acceleration or otherwise). On each Bond Payment Date and immediately upon (A) a declaration that all the Initial Bonds have become due and payable by acceleration, or (B) a mandatory redemption of all the Initial Bonds Outstanding, the Trustee shall present to the Bank a sight draft and required accompanying documentation and draw upon the Letter of Credit for the principal amount, and accrued interest then due on the Initial Bonds. The Letter of Credit provides that it shall expire on August 29, 2005 or earlier under certain circumstances. Subject to the provisions of the Indenture, the Company may, but is not required to, provide another Credit Facility upon the termination of the Letter of Credit or the then current Credit Facility. While the Initial Bonds bear interest at the Weekly Rate or the Semi-Annual Rate, the Initial Bonds shall be subject to mandatory tender for purchase upon any change in the then current Credit Facility Issuer. While the Initial Bonds bear interest at the Long-Term Rate, the Company may substitute any Qualifying Credit Facility for the then current Letter or Credit or other Credit Facility and the Trustee shall give written notice of such substitute to the Registered Owners thereof.

(Extraordinary Redemption Without Premium)

The Initial Bonds are subject to redemption prior to maturity (A) as a whole, without premium, in the event of (1) a taking in Condemnation of, or failure of title to, all or substantially all of the Project Facility, (2) damage to or destruction of part or all of the Project Facility and election by the Company or the Bank to redeem the Initial Bonds, or (3) a taking in Condemnation of part of the Project Facility and election by the Company or the Bank to redeem the Bonds, or (B) in part, without premium, in the event that (1) to the extent excess moneys remain in the Insurance and Condemnation Fund following damage or condemnation of a portion of the Project Facility and completion of the repair, rebuilding or restoration of the Project Facility by the Company and, pursuant to the Indenture, such excess moneys are not paid to the Company, (2) excess moneys remain in the Project Fund after the Completion Date or (3) excess proceeds of title insurance or recoveries from contractors are applied to redeem Bonds pursuant to the Installment Sale Agreement. In any such event, the Initial Bonds shall be redeemed, as a whole or in part, at such time as the Trustee determines, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(Extraordinary Redemption Without Premium at Election of Bank)

The Initial Bonds are also subject to redemption prior to maturity upon receipt by the Trustee of a written notice from the Bank of the occurrence and continuance of a default by the Company under the Reimbursement Agreement and the Bank's election to compel redemption of the Bonds. In such event, the Initial Bonds shall be redeemed, as a whole, in the manner provided in Article III of the Indenture, on the earliest date for which the Trustee can give notice of redemption pursuant to Section 303 of the Indenture, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

(Mandatory Redemption With Premium in an Event of Taxability)

The Initial Bonds are also subject to redemption prior to maturity upon the occurrence of a Determination of Taxability (as defined in the Indenture). In such event, the Initial Bonds shall be subject to redemption, as a whole, as soon as possible after the discovery of such Determination of Taxability, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. If any Initial Bonds are paid at maturity or purchased by the Trustee or redeemed subsequent to a Tax Incidence Date without payment of an amount at least equal to the redemption price that would have been received if such Bonds had been redeemed as a result of a Determination of Taxability, the owners of such Bonds at the time of maturity, purchase or redemption, upon establishing their then ownership thereof, shall be entitled to receive, as an additional premium thereon, an amount equal to the difference between the amounts actually received and the amounts that would have been received if such Bonds had been redeemed as a result of a Determination of Taxability.

(Optional Redemption Without Premium at Company's Option
During Weekly or Semi-Annual Rate Periods)

Whenever the Interest Rate Mode is the Weekly Rate or the Semi-Annual Rate, the Initial Bond shall be subject to redemption, in whole on any date or in part on any Interest Payment Date, at the option of the Issuer, upon the direction of the Company, at a redemption price of 100% of the principal amount hereof, plus accrued interest to the redemption date, without premium.

(Optional Redemption With Premium at Company's Option During Long-Term Rate Period)

Whenever the Interest Rate Mode is the Long-Term Rate, the Initial Bonds shall be subject to redemption at the option of the Issuer, upon the direction of the Company, at any time prior to the end of the then current Long-Term Rate Period at the redemption prices set forth below, plus interest accrued to the redemption date (which redemption price and accrued interest shall be paid only from Available Moneys):

Length of Current Long-Term Rate Period (Years)	Commencement of Redemption Period	Redemption Price as Percentage of Principal
More than 9 years	5th anniversary of commencement of Long-Term Rate Period	102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 7, but not more than 9 years	4th anniversary of commencement of Long-Term Rate Period	101%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 5, but not more than 7 years	3rd anniversary of commencement of Long-Term Rate Period	101%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%.

If, at the time of the Issuer's notice of Conversion of the Interest Rate Mode for the Initial Bonds to the Long-Term Rate pursuant to the Indenture, the Issuer provides a certification of the Remarketing Agent to the Trustee and the Issuer that the foregoing schedule is not consistent with prevailing market conditions, the foregoing redemption periods and redemption prices may be revised, effective as of the Conversion Date, as determined by the Remarketing Agent in its judgment, taking into account the then prevailing market conditions, as stipulated in such certification, which shall be appended by the Trustee to its counterpart of this Indenture.

(Procedures for Redemption)

Notice of the intended redemption of each Bond subject to redemption shall be given not more than 60 days nor less than 30 days prior to the redemption date by the Trustee one time by first class mail postage prepaid to the registered owner at the address of such owner shown on the Trustee's bond register. The failure to give any such notice, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure to give notice, or defect therein, has occurred. Notice of any redemption hereunder with respect to Bonds held under a book entry system shall be given by the Registrar or the Trustee only to the Depository, or its nominee, as the holder of such Bonds. Selection of book entry interests in the Bonds called for redemption is the responsibility of the Depository and any failure of any Direct Participant, Indirect Participant or Beneficial Owner to receive such notice and its contents or effect will not affect the validity of such notice or any proceedings for the redemption of such Bonds.

In the event of any partial redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee not more than sixty (60) days prior to the redemption date in inverse order of maturity, and within each maturity by lot or by such other such method as the Trustee shall deem fair and appropriate; provided, however, that in connection with any redemption of Bonds the Trustee shall first select for redemption any Bonds held by or pledged to the Bank pursuant to the Indenture. The Trustee may provide for the redemption of portions (equal to $100,000 or any integral multiple of $5,000 in excess thereof) of Outstanding Bonds. In no event shall the principal amount of Bonds subject to any partial redemption be other than $100,000 or any integral multiple of $5,000 in excess thereof.

Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Indenture shall thereupon cease to be entitled to the Lien of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

(Additional Security for the Bonds)

The Bonds are issued under and are equally and ratably secured by the Indenture. The Indenture grants the Trustee a first security interest in the Trust Revenues (as defined in the Indenture).

As security for payment of the principal of, premium, if any, and interest on the Bonds, the Issuer and the Company have granted a mortgage Lien on and a security interest in the Project Facility to the Bank pursuant to a mortgage and security agreement dated as of August 1, 2002 (the "Mortgage") from the Issuer and the Company to the Bank. As additional security for the payment of principal of, premium, if any, and interest on the Bonds, the Issuer has assigned to the Trustee all of the Issuer's rights and remedies under the Installment Sale Agreement (except the Unassigned Rights), including the right to receive installment purchase payments and other amounts payable thereunder pursuant to a pledge and assignment dated as of August 1, 2002 (the "Pledge and Assignment") from the Issuer to the Trustee. Further security for the

repayment of the Bonds is provided by a guaranty dated as of August 1, 2002 (the "Guaranty") from the Company to the Trustee.

Reference is hereby made to the Indenture, the Installment Sale Agreement, the Reimbursement Agreement, the Mortgage, the Pledge and Assignment, the Guaranty and the Letter of Credit, and to all amendments and supplements thereto, for a description of the nature and extent of the security for the Bonds, the terms and conditions upon which the Bonds are issued and secured and the rights, duties and obligations of the Issuer, the Trustee, the Company, the Bank and the Bondholders. Copies of such documents are on file in the Office of the Trustee.

(General Provisions)

The initial Remarketing Agent under the Indenture is McDonald Investments Inc., a Key Corp Company, and the initial Tender Agent under the Indenture is The Huntington National Bank. The Remarketing Agent and the Tender Agent may be changed at any time in accordance with the Indenture.

The Initial Bonds are issuable only as fully registered bonds in the denominations of $100,000 and in any integral multiple of $5,000 in excess thereof and shall be originally issued only to a Depository to be held in a book entry system and, while so held in book entry only form, (A) the Initial Bonds shall be registered in the name of the Depository or its nominee, as Bondholder, and immobilized in the custody of the Depository, (B) unless otherwise requested by the Depository, there shall be a single Bond certificate for each maturity of the Initial Bonds, and (C) the Initial Bonds shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository, without further action by the Issuer. While the Initial Bonds are in book entry only form, Bonds in the form of physical certificates shall only be delivered to the Depository. If any Depository determines not to continue to act as a Depository for the Initial Bonds for use in a book entry system, the Issuer may attempt to have established a securities depository/book entry system relationship with another qualified Depository under the Indenture. If the Issuer does not or is unable to do so, the Issuer and the Trustee, after the Trustee has made provision for notification to the Beneficial Owners of book entry interests by the then Depository, shall permit withdrawal of the Bonds from the Depository, and authenticate and deliver Bond certificates in fully registered form (in denominations of $100,000 and in any integral multiple of $5,000 in excess thereof) to the assignees of the Depository or its nominee.

While a Depository is the sole holder of the Initial Bonds, delivery or notation of partial redemption or tender for purchase of Bonds shall be effected in accordance with the provisions of the Letter of Representations, as defined in the Indenture.

This Bond is transferable by the registered owner hereof or his duly authorized attorney upon surrender of this Bond to the Trustee, as Bond Registrar, at the Office of the Trustee, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, subject to such reasonable regulations as the Company, the Issuer or the Bond Registrar may prescribe, PROVIDED, THAT, IF MONEYS FOR THE MANDATORY PURCHASE OF THIS BOND HAVE BEEN DEPOSITED WITH THE

TRUSTEE UNDER THE INDENTURE, THIS BOND SHALL NOT BE TRANSFERABLE TO ANYONE UNTIL DELIVERED TO THE TENDER AGENT. Upon any such transfer, a new Bond or Bonds in the same aggregate principal amount will be issued to the transferee. No service charge shall be made for any transfer or exchange of Bonds, but the Issuer or the Trustee may make a charge for transfer or exchange of Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and such charge shall be paid before any new Bond shall be delivered.

Except as set forth in this Bond and as otherwise provided in the Indenture, the person in whose name this Bond is registered shall be deemed the owner hereof for all purposes, and payment or on account of the principal of, or premium if any interest on, this Bond shall be made only to or upon the order of the registered owner thereof or his duly authorized legal representative, and the Issuer, the Company, any Paying Agents, the Bond Registrar, the Tender Agent, the Remarketing Agent and the Trustee shall not be affected by any notice to the contrary. Such registration may be changed only as provided in this Bond and in the Indenture, and no other notice to the Issuer or the Trustee shall affect the rights or obligations with respect to the transference of a Bond or be effective to transfer any Bond. All payments to the Person in whose name any Bond shall be registered shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums to be paid.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM PAYMENTS MADE BY THE BANK UNDER THE LETTER OF CREDIT AND BY THE COMPANY UNDER THE INSTALLMENT SALE AGREEMENT, MONEYS AND SECURITIES HELD BY THE TRUSTEE UNDER THE INDENTURE, AND THE SECURITY PROVIDED BY THE MORTGAGE, THE PLEDGE AND ASSIGNMENT AND THE GUARANTY.

The owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

The Indenture permits certain amendments or supplements to the Installment Sale Agreement, the Indenture and the other Financing Documents not prejudicial to the Bondholders to be made without the consent of or notice to the Bondholders, and other amendments or supplements thereto to be made with the consent of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

The principal hereof may be declared or may become due on the conditions and in the manner and at the time set forth in the Indenture upon the occurrence of an Event of Default as provided in the Indenture.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PRICE OF OR THE INTEREST ON THIS BOND OR FOR ANY CLAIM BASED HEREON OR ON THE INDENTURE, AGAINST ANY PAST, PRESENT OR FUTURE MEMBER, OFFICER, DIRECTOR, EMPLOYEE OR AGENT (EXCEPT THE

COMPANY), AS SUCH, OF THE ISSUER OR OF ANY PREDECESSOR OR SUCCESSOR CORPORATION, EITHER DIRECTLY OR THROUGH THE ISSUER OR OTHERWISE, WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY, OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE HEREOF, EXPRESSLY WAIVED AND RELEASED.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication of the Trustee shall be endorsed hereon.

THE BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK AND NEITHER THE STATE OF NEW YORK NOR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK SHALL BE LIABLE THEREON. THE BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR THE COUNTIES OF WARREN AND WASHINGTON, NEW YORK.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture, and the issuance of this Bond, do exist, have happened and have been performed in the time, form and manner as required by law, and that the issuance of the Bonds does not violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Counties of Warren and Washington Industrial Development Agency has caused this Bond to be duly executed in its name by the manual or facsimile signature of its Chairman or Vice Chairman, and its corporate seal to be impressed or reproduced hereon, attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of the Dated Date identified above.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

BY: /s/ Bruce A. Ferguson

Bruce A. Ferguson, Chairman

(SEAL)

ATTEST:

/s/ N. A. Caimano
- ---
Nicholas A. Caimano, Secretary

(Form of Certificate of Authentication)

This Bond is one of the Bonds of the issue described in the within-mentioned Indenture.

THE HUNTINGTON NATIONAL BANK,
as Trustee

BY: /s/ Cheri Scott Geraci

Authorized Officer

8/29/02
- ---
Date of Authentication

[Form of Assignment for Transfer]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto (please insert name, address and social security or tax identification number of assignee): _____ the within Bond and does hereby irrevocably constitute and appoint _____ to transfer the said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

NOTICE: The signatures) on this assignment must correspond with the name(s) as it (they)appear(s) on the face of the within Bond in every particular.

In the presence of:

- ---

EXHIBIT 10.15

CLOSING ITEM NO.: A-4

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COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

AND

ANGIODYNAMICS, INC.

INSTALLMENT SALE AGREEMENT

DATED AS OF AUGUST 1, 2002

CERTAIN RIGHTS OF COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY (THE "ISSUER") UNDER THIS INSTALLMENT SALE AGREEMENT AND CERTAIN MONEYS DUE AND TO BECOME DUE TO THE ISSUER HEREUNDER, HAVE BEEN ASSIGNED (A) TO THE HUNTINGTON NATIONAL BANK, AS TRUSTEE (THE "TRUSTEE"), PURSUANT TO A PLEDGE AND ASSIGNMENT DATED AS OF AUGUST 1, 2002 FROM THE ISSUER TO THE TRUSTEE AND (B) TO KEYBANK NATIONAL ASSOCIATION (THE "BANK") PURSUANT TO A MORTGAGE AND SECURITY AGREEMENT DATED AS OF AUGUST 1, 2002 FROM THE ISSUER AND ANGIODYNAMICS, INC. TO THE BANK.

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THIS INSTALLMENT SALE AGREEMENT IS INTENDED TO CONSTITUTE A SECURITY AGREEMENT UNDER THE UNIFORM COMMERCIAL CODE OF THE STATE OF NEW YORK.

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT dated as of August 1, 2002 (the "Installment Sale Agreement") by and between COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York (the "State") having an office for the transaction of business located at the 5 Glen Street, Glens Falls, New York 12801 (the "Issuer"), and ANGIODYNAMICS, INC., a business corporation organized and existing under the laws of the State of Delaware having an office for the transaction of business located at 603 Queensbury Avenue, Queensbury, New York 12804 (the "Company");

WITNESSETH:

WHEREAS, Title 1 of Article 18-A of the General Municipal Law of the State of New York (the "Enabling Act") was duly enacted into law as Chapter 1030 of the Laws of 1969 of the State of New York; and

WHEREAS, the Enabling Act authorizes and provides for the creation of industrial development agencies for the benefit of the several counties, cities, villages and towns in the State of New York (the "State") and empowers such agencies, among other things, to acquire, construct, reconstruct, lease, improve, maintain, equip and dispose of land and any building or other improvement, and all real and personal properties, including, but not limited to, machinery and equipment deemed necessary in connection therewith, whether or not now in existence or under construction, which shall be suitable for manufacturing, warehousing, research, civic, commercial or industrial purposes, in order to advance the job opportunities, health, general prosperity and economic welfare of the people of the State and to improve their standard of living; and

WHEREAS, the Enabling Act further authorizes each such agency to lease or sell any or all of its facilities, to issue its bonds, for the purpose of carrying out any of its corporate purposes and, as security for the payment of the principal and redemption price of and interest on any such bonds so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities, whether then owned or thereafter acquired, and to pledge the revenues and receipts from the lease or sale thereof to secure the payment of such bonds and interest thereon; and

WHEREAS, the Issuer was created, pursuant to and in accordance with the provisions of the Enabling Act, by Chapter 862 of the Laws of 1971 of the State, as amended, constituting Section 890-C of the General Municipal Law (said Section and the Enabling Act being collectively referred to as the "Act") and is empowered under the Act to undertake the Project (as hereinafter defined) in order to so advance the job opportunities, health, general prosperity and economic welfare of the people of the State and improve their standard of living; and

WHEREAS, in April 2002, the Company presented an application (the "Application") to the Issuer, which Application requested that the Issuer consider undertaking a project (the

"Project") consisting of the following: (A)(i) the acquisition of an interest in a certain parcel or parcels of land located at 603 Queensbury Avenue, Town of Queensbury, County of Warren, State of New York (the "Land"), (ii) the acquisition thereon of an approximately 32,000 square foot facility (the "Existing Facility"), together with equipment therein (the "Existing Equipment"), (iii) the making of certain renovations to the Existing Facility (as so renovated, the "Facility") consistent with its present and authorized use, (iv) the construction of approximately 32,000 square feet of additions(s) to the Existing Facility, (v) the purchase of additional equipment (together with the Existing Equipment, the "Equipment" and, together with the Land and the Facility, the "Project Facility") and (B) the financing of a part of the cost of the foregoing by issuing its tax-exempt Industrial Development Revenue Bonds (the "Bonds") in an aggregate principal amount not to exceed $4,500,000.00, all pursuant to Title 1 of Article 18-A of the General Municipal Law of the State of New York (collectively, the "Act"), as amended, the proceeds of which may be applied to the costs of issuance, and, as necessary and appropriate, the provision of a debt service reserve fund, capitalized interest or other means of providing credit enhancement for the Bonds; and (C) to lease (with the option to purchase) and/or sell the Project Facility to the Company, all pursuant to the Act;

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act"), and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6 NYCRR Part 617, as amended (the "Regulations," and collectively with the SEQR Act, "SEQRA"), the Issuer has made a preliminary determination that the Project will not have a significant impact on the environment; and

WHEREAS, by resolution adopted by the members of the Issuer on June 24, 2002 (the "Preliminary Inducement Resolution"), the members of the Issuer agreed, subject to numerous conditions, including (A) all requirements of the SEQR Act that relate to the Project and (B) the public hearing and notice requirements and other procedural requirements contained in Section 859-a of the Act, to accept the Application and enter into a preliminary agreement (the "Preliminary Agreement") relating to the Project; and

WHEREAS, pursuant to the authorization contained in the a resolution of the Issuer dated May 20, 2002, the Executive Director of the Issuer (A) caused notice of a public hearing of the Issuer (the "Public Hearing") pursuant to Section 859-a of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to hear all persons interested in the Project and the financial assistance being contemplated by the Issuer with respect to the Project, to be mailed to the chief executive officers of the county and of each city, town, village and school district in which the Project Facility is to be located, (B) caused notice of the Public Hearing to be published on May 15, 2002 in The Post Star, a newspaper of general circulation available to residents of the Town of Queensbury, (C) conducted the Public Hearing on June 17, 2002 at 3:00 o'clock p.m., local time in the Board of Supervisors in the Warren County Municipal Center, Queensbury, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Issuer and to the County Legislatures of both Warren and Washington County, New York (collectively, the "County Legislature"). By resolutions dated

June 21, 2002 and July 17, 2002 (the "Public Approval"), the County Legislature approved the issuance of the bonds for purposes of Section 147(f) of the Code; and

WHEREAS, by resolution adopted by the members of the Issuer on July 15, 2002 (the "Bond Resolution"), the Issuer determined to (A) issue its Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - - Letter of Credit Secured), Series 2002 in the aggregate principal amount of $3,500,000 (the "Initial Bonds") pursuant to the provisions of a trust indenture dated as of August 1, 2002 (the "Indenture") by and between the Issuer and The Huntington National Bank, as trustee (the "Trustee") for the holders of the Initial Bonds and any additional bonds (the "Additional Bonds", and collectively with the Initial Bonds, the "Bonds") issued pursuant to the Indenture, (B) enter into this Installment Sale Agreement, and (C) enter into certain other documents related to the foregoing; and

WHEREAS, simultaneously with the issuance of the Initial Bonds, for the purpose of undertaking and completing the Project, the Issuer proposes to acquire from the Company all right, title and interest of the company in the Project Facility pursuant to (a) a bill of sale dated as of August 1, 2002 (the "Bill of Sale to Issuer") from the Company, as grantor, to the Issuer, as grantee; and (b) a deed to Issuer dated as of August 1, 2002 (the "Deed to Issuer") from the Company to the Issuer;

WHEREAS, the Issuer proposes to undertake the Project, to appoint the Company as agent of the Issuer to undertake the acquisition and installation of the Project Facility, and to sell the Project Facility to the Company, and the Company desires to act as agent of the Issuer to undertake the acquisition, and installation of the Project Facility and to purchase the Project Facility from the Issuer, all pursuant to the terms and conditions hereinafter set forth in this Installment Sale Agreement; and

WHEREAS, as security for the Initial Bonds, the Company will enter into a reimbursement agreement dated as of August 1, 2002 (the "Reimbursement Agreement") with KeyBank National Association, a national banking corporation organized and existing under the laws of the United States (the "Bank"), pursuant to which the Bank is to issue in favor of the Trustee an irrevocable transferable direct-pay letter of credit (the "Letter of Credit"), said Letter of Credit to be in a maximum amount (which shall decline at fixed intervals) equal to $3,500,000, plus an amount sufficient to cover accrued interest and interest premium if necessary; and

WHEREAS, as security for the Bonds, the Issuer will assign to the Trustee certain of the Issuer's rights and remedies under this Installment Sale Agreement, including the right to receive installment purchase payments and other amounts payable thereunder, but not including the Unassigned Rights (as hereinafter defined), pursuant to a pledge and assignment dated as of August 1, 2002 (the "Pledge and Assignment") from the Issuer to the Trustee; and

WHEREAS, as additional security for the Bonds and the Company's obligations under the Reimbursement Agreement, the Issuer and the Company will grant to the Bank a first priority mortgage Lien on and a security interest in the Project Facility pursuant to a mortgage and

security agreement dated as of August 1, 2002 from the Issuer and the Company to the Bank (the "Mortgage"); and

WHEREAS, the Company's obligation to make all installment purchase payments due under this Installment Sale Agreement, and to perform all obligations related thereto, and the Issuer's obligation to repay the Initial Bonds, will be further secured by a guaranty dated as of August 1, 2002 (the "Guaranty") from the Company to the Trustee; and

WHEREAS, the providing of the Project Facility and the sale of the Project Facility to the Company pursuant to this Installment Sale Agreement is for a proper purpose, to wit, to advance the job opportunities, health, general prosperity and economic welfare of the inhabitants of the State, pursuant to the provisions of the Act; and

WHEREAS, all things necessary to constitute this Installment Sale Agreement a valid and binding agreement by and between the parties hereto in accordance with the terms hereof have been done and performed, and the creation, execution and delivery of this Installment Sale Agreement have in all respects been duly authorized by the Issuer and the Company;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES AND THE MUTUAL COVENANTS HEREINAFTER CONTAINED, THE PARTIES HERETO HEREBY FORMALLY COVENANT, AGREE AND BIND THEMSELVES AS FOLLOWS TO WIT:

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ARTICLE I

DEFINITIONS

SECTION 101. DEFINITIONS. The following words and terms used in this Indenture shall have the respective meanings set forth below unless the context or use indicates another or different meaning or intent:

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected by the Company and acceptable to the Bank.

"Act" means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 862 of the Laws of 1971 of the State, as amended from time to time.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against the Bank, the Company or the Issuer under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

"Additional Bonds" means any bonds issued by the Issuer pursuant to Section 214 of the Indenture.

"Additional Facility" means any additional property financed with the proceeds of Additional Bonds.

"Additional Project" means the purposes for which any Additional Bonds may be issued.

"Affiliate" of any specified entity means any other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified entity and "control", when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Alternate Credit Facility" means any direct pay letter of credit or other credit enhancement or support facility that has terms which are the same in all material respects (except for the term and maximum interest rate but including coverage of accrued interest on the Bonds for 98 days if the Bonds bear interest at the Weekly Rate or for 183 days if the Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate) as the then current Credit Facility and (A) shall have a term of not less than one year, (except if the Long-Term Rate shall then be in effect, the term of such Alternate Credit Facility shall not expire prior to (a) the first par redemption date plus 15 days or (b) the first redemption date plus 15 days if the Alternate Credit Facility covers the redemption premium) (B) shall be issued by a bank, a trust company or other

financial institution or credit provider, and (C) with respect to which the Trustee shall have received the opinions required by Section 408(F) of the Indenture.

"Applicable Laws" means all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all Governmental Authorities, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to or affect the Project Facility or any part thereof or the conduct of work on the Project Facility or any part thereof or to the operation, use, manner of use or condition of the Project Facility or any part thereof (the applicability of such statutes, codes, laws, acts, ordinances, orders, rules, regulations, directions and requirements to be determined both as if the Issuer were the owner of the Project Facility and as if the Company and not the Issuer were the owner of the Project Facility), including but not limited to (1)applicable building, zoning, environmental, planning and subdivision laws, ordinances, rules and regulations of Governmental Authorities having jurisdiction over the Project Facility, (2)restrictions, conditions or other requirements applicable to any permits, licenses or other governmental authorizations issued with respect to the foregoing, and (3) judgments, decrees or injunctions issued by any court or other judicial or quasi-judicial Governmental Authority.

"Arbitrage Certificate" means the certificate dated the Closing Date for the Initial Bonds executed by the Issuer and relating to certain requirements set forth in Section 148 of the Code.

"Authenticating Agent" means the Trustee and any agent so designated in and appointed pursuant to Section 204 of the Indenture.

"Authorized Investments" means any of the following: (A) Government Obligations; (B)obligations issued or guaranteed by any state or political subdivision thereof rated A or higher by Moody's and by S&P; (C) open market commercial or finance paper of any corporation having a net worth in excess of $100,000,000 and which is rated either P-1 or A-1 or an equivalent by Moody's and S&P; (D) bankers' acceptances drawn on and accepted by commercial banks including the Trustee or its affiliates; (E) investments due within 12 months in certificates of deposit issued by, or bankers' acceptances of, the Trustee or its affiliates, or of banks or trust companies organized under the laws of the United States of America or any state thereof, which must have a reported capital and surplus of at least $25,000,000 in dollars of the United States of America; (F) bank repurchase agreements, including the Trustee's or its affiliate's, fully secured by obligations of the type described in (A) above; (G) variable rate demand securities redeemable within 7 days or able to be tendered for remarketing or purchase upon no more than 7 days' notice and secured by a credit facility issued by a financial institution, which financial institution (or its corporate parent) maintains a long term debt rating assigned by Moody's and S&P which is not lower than the third highest long term debt category (without regard to numerical or other modifiers assigned within the category) by either Rating Service, or by both Rating Services, if rated by both Rating Services; and (H)shares of any so called "money market mutual fund", including any "money market mutual fund" which the Trustee or any of its affiliates provide services for a fee, whether as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, manager or otherwise, which invests solely in obligations described in items (A) through (G) above; and further provided that any such investment or deposit is not prohibited by law.

"Authorized Newspaper" means a newspaper in English customarily published each Business Day and generally circulated in the Borough of Manhattan, City and State of New York.

"Authorized Representative" means the Person or Persons at the time designated to act on behalf of the Issuer, the Bank or the Company, as the case may be, by written certificate furnished to the Issuer, the Company, the Bank and the Trustee containing the specimen signature of each such Person and signed on behalf of (A) the Issuer by its Chairman or Vice Chairman, or such other person as may be authorized by resolution of the members of the Issuer to act on behalf of the Issuer, (B) the Bank by a Vice President or an Assistant Vice President, or such other person as may be authorized by the board of directors of the Bank to act on behalf of the Bank, and (C) the Company by its President or any Vice President, or such other person as may be authorized by the board of directors of the Company to act on behalf of the Company.

"Available Moneys" means, with respect to any date, (A) funds which (1) have been paid to the Trustee by the Issuer, the Company, any Affiliate of the Company, any Guarantor or any Insider of any of the foregoing and deposited into and held in a separate and segregated subaccount or subaccounts in the Redemption Premium Account of the Bond Fund in which no moneys not deposited on the same date were at any time held, (2) have been on deposit in the Redemption Premium Account of the Bond Fund for a period of at least one hundred twenty-three (123) consecutive days prior to such date, during and prior to which period no Event of Bankruptcy has occurred and (3) are represented by cash or its equivalent as of such date; (B) moneys drawn under the Letter of Credit and deposited directly into the Credit Facility Account of the Bond Fund; (C) the proceeds deposited directly into the Defeasance Account of the Bond Fund from the sale of refunding obligations other than, directly or indirectly, to the Issuer, the Company, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them or any entity who at the time of the purchase of the Bonds, is a secured creditor of the Company or any Guarantor; (D) proceeds deposited directly into the Remarketing Proceeds Account of the Bond Fund from the marketing or remarketing of Bonds to any purchaser other than, directly or indirectly, the Company, the Issuer, any Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them or any entity who at the time of the purchase of the Bonds, is a secured creditor of the Company or any Guarantor; (E) proceeds from investment of the foregoing, provided such proceeds are retained in the Account in which they were earned; and (F) any other funds or payments so long as, in the opinion of reputable bankruptcy counsel, such payments will not constitute an avoidable preference under the standards set forth in the Bankruptcy Code.

"Bank" means the Credit Facility Issuer.

"Bank Documents" means the Letter of Credit, the Reimbursement Agreement, the Mortgage, the Bond Pledge Agreement, the Security Agreement and any other document now or hereafter executed by the Issuer, the Company or any Guarantor in favor of the Bank which affects the rights of the Bank in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under any Bank Document.

"Bank Rate" means the rate of interest being charged to the Company by the Credit Facility Issuer under the Reimbursement Agreement.

"Bankruptcy Code" means Title 11 of the United States Code, as it is amended from time to time.

"Beneficial Owner" means, with respect to the Bonds, a Person owning a Beneficial Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"Beneficial Ownership Interest" means the beneficial right to receive payments and notices with respect to the Bonds which are held by the Depository under a book entry system.

"Bill of Sale to Company" means the bill of sale from the Issuer to the Company conveying all of the Issuer's interest in the Project Facility to the Company, substantially in the form attached as Exhibit B to the Installment Sale Agreement.

"Bill of Sale to Issuer" means the bill of sale delivered on the Closing Date from the Company to the Issuer conveying all of the Company's interest in the Project Facility to the Issuer.

"Bond" or "Bonds" means, collectively, (A) the Initial Bonds and (B) any Additional Bonds.

"Bond Counsel" means the law firm of Bond, Schoeneck & King, LLP, Albany, New York or such other attorney or firm of attorneys located in the State whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and who are acceptable to the Issuer.

"Bond Fund" means the fund so designated established pursuant to Section 401 (A) (2) of the Indenture.

"Bond Payment Date" means each Interest Payment Date and each date on which principal, interest or premium, if any, shall be payable on the Bonds according to their terms and the Indenture, including without limitation, scheduled mandatory redemption dates, unscheduled mandatory redemption dates, optional redemption dates and Stated Maturity, so long as any Bonds shall be Outstanding.

"Bond Pledge Agreement" means (A) the bond pledge agreement dated as of August 1, 2002 from the Company to the KeyBank National Association, as may be amended or supplemented from time to time, and (B) any similar bond pledge agreement by and between the Company and any Substitute Bank, as said bond pledge agreement may be amended or supplemented from time to time.

"Bond Proceeds" means (A) with respect to the Initial Bonds, the amount paid to the Issuer by the initial purchasers of the Initial Bonds as the purchase price for the Initial Bonds and

(B) with respect to any Additional Bonds, the amount paid to the Issuer by the initial purchasers of the Additional Bonds as the purchase price for the Additional Bonds.

"Bond Purchase Agreement" means the bond purchase agreement dated August 28, 2002 among the Issuer, the Company and the Underwriter.

"Bond Rate" means with respect to any Bond, the applicable rate of interest on such Bond, as set forth in such Bond.

"Bond Register" means the register maintained by the Bond Registrar in which, subject to such reasonable regulations as it, the Trustee or the Bond Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and for the registration of transfers of the Bonds.

"Bond Registrar" means the Trustee, acting in its capacity as bond registrar under the Indenture, and its successors and assigns as bond registrar under the Indenture.

"Bond Resolution" means the resolution of the members of the Issuer duly adopted on July 15, 2002 authorizing the Issuer to undertake the Project, to issue and sell the Initial Bonds and to execute and deliver the Financing Documents to which the Issuer is a party.

"Bond Year" means each one (1) year period ending on the anniversary of the Closing Date, or such other annual period provided for the computation of arbitrage rebate selected by the Company in the manner allowed under Section 148 of the Code.

"Bondholder" or "Holder" or "Owner of the Bonds" means the registered owner of any Bond as indicated on the bond register maintained by the Bond Registrar, other than the registered owner of any Bond which has been purchased pursuant to Section 304 of the Indenture and not surrendered for payment of the purchase price thereof.

"Book Entry Bonds" means the Bonds held in Book Entry Form, with respect to which the provisions of Section 213 of the Indenture shall apply.

"Book Entry Form" or "Book Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (A) the Beneficial Ownership Interests may be transferred only through a book entry and (B) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Bondholder, with the physical Bond certificates "immobilized" in the custody of the Depository. The Book Entry System maintained by and the responsibility of the Depository and not maintained by or the responsibility of the Issuer or the Trustee is the record that identifies, and records the transfer of the interests of, the owners of book entry interests in the Bonds.

"Building Loan Agreement" means the Building Loan agreement dated as of August 1, 2002 by and between the Bank and the Company, as said building loan agreement may be amended or supplemented from time to time.

"Business Day" means any day other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) any day on which banks located in the city in which the principal corporate trust office of the Trustee is located, or city in which the office of the Credit Facility Issuer at which demands for payment are to be presented is located are required or authorized by applicable law to remain closed.

"Certificate of Authentication" means the certificate of authentication in substantially the form attached to the forms of the Initial Bonds attached as Schedule I to the Indenture.

"Closing Date" means (A) with respect to the Initial Bonds, the date on which authenticated Initial Bonds are delivered to or upon the order of the Placement Agent and payment is received therefor by the Trustee on behalf of the Issuer, and (B) with respect to any Additional Bonds, the date on which such Additional Bonds are authenticated and delivered to the purchaser thereof and payment therefor is received by the Trustee on behalf of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of said Code, and the applicable regulations (whether proposed, temporary or final) of the United States Treasury Department promulgated under said Code and the statutory predecessor of said Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

"Company" means Angiodynamics, Inc., a business corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, to the extent permitted by Section 8.4 of the Installment Sale Agreement.

"Completion Date" means the earlier of (A) August 1, 2005 or (B) the date of substantial completion of the Project Facility as evidenced in the manner provided in Section 4.4 of the Installment Sale Agreement.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any Governmental Authority.

"Construction Period" means the period (A) beginning on the Inducement Date and (B) ending on the Completion Date.

"Continuing Disclosure Agreement" means, if required by Section 516 of the Indenture, the continuing disclosure agreement by and between the Company and the Trustee, as said continuing disclosure agreement may be amended or supplemented from time to time.

"Conversion" means (A) any conversion from time to time in accordance with the terms of the Indenture of the Bonds from one Interest Rate Mode to another Interest Rate Mode and (B) the end of any Long-Term Rate Period.

"Conversion Date" means the first date any Conversion becomes effective.

"Conveyance Documents" means the Bill of Sale to Issuer and the Deed to Issuer.

"Cost of the Project" means all those costs and items of expense enumerated in Section 4.3 of the Installment Sale Agreement.

"Credit Facility" means the Letter of Credit or any Alternate Credit Facility delivered to the Trustee pursuant to the provisions of the Indenture.

"Credit Facility Account" means the special account so named established within the Bond Fund pursuant to Section 401(A)(2)(a) of the Indenture.

"Credit Facility Issuer" means (A), initially, KeyBank National Association, a national banking association organized under the laws of the United States, as issuer of the initial Letter of Credit, and (B) in the event an Alternate Credit Facility is outstanding, the institution issuing such Alternate Credit Facility.

"Debt Service Payment" means, with respect to any Bond Payment Date, (A) the interest payable on the Bonds on such Bond Payment Date, plus (B) the principal, if any, payable on the Bonds on such Bond Payment Date, plus (C) the premium, if any, payable on the Bonds on such Bond Payment Date, plus (D) the purchase price, if any, payable on the Bonds on such Bond Payment Date.

"Deed to Issuer" means the deed dated as of August 1, 2002 from the Company to the Issuer.

"Default Interest Rate" means a per annum rate of interest equal to the lesser of (A) the Prime Rate plus one percent (1%) per annum, or (B) the maximum permitted by law.

"Defaulted Interest" shall have the meaning ascribed to such term in Section 207(C) of the Indenture.

"Depository" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other securities depository designated in any supplemental resolution of the Issuer to serve as securities depository for the Bonds that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Book Entry Bonds.

"Determination of Taxability" means, with respect to the Initial Bonds, (A) the enactment of legislation or the adoption of final regulations or a final decision, ruling or technical advice by any federal judicial or administrative authority which has the effect of requiring interest on the Initial Bonds to be included in the gross income of the Bondholders for federal income tax purposes (other than a Bondholder who is a "substantial user" of the Project or a "related person", as said quoted terms are used in Section 144 and Section 147(a) of the Code), (B) the receipt by the Trustee of a written opinion of Bond Counsel to the effect that interest on the Initial Bonds must be included in the gross income of the Bondholders for federal income tax purposes (other than a Bondholder who is a "substantial user" of the Project or a "related

person", as said quoted terms are used in Section 144 and Section 147(a) of the Code) or (C) the delivery to the Trustee of a written statement signed by an Authorized Representative of the Company to the effect that (1) the Company has exceeded or will exceed the maximum amount of capital expenditures permitted under Section 144(a)(4) of the Code or (2) the Company or another "test-period beneficiary" (as said quoted term is defined in Section 144(a)(10)(D) of the Code) has exceeded or will exceed the maximum amount of tax-exempt obligations permitted to be outstanding under Section 144(a)(10) of the Code; provided that no decision by any court or decision, ruling or technical advice by any administrative authority shall be considered final (A)unless the Bondholder involved in the proceeding or action giving rise to such decision, ruling or technical advice (1) gives the Company and the Trustee prompt notice of the commencement thereof and (2) offers the Company the opportunity to control the contest thereof, provided the Company shall have agreed to bear all expenses in connection therewith and to indemnify that Bondholder against all liabilities in connection therewith, and (B) until the expiration of all periods for judicial review or appeal.

"Direct Participant" means a Participant as defined in the Letter of Representations.

"Environmental Claim" shall mean, with respect to any person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or oral) by any other person (including any governmental authority, citizens group or employee or former employee of such person) alleging, asserting or claiming any actual or potential: (a) violation of any Environmental Law, (b) liability under any Environmental Law or (c) liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on, or resulting from, the presence or release into the environment of any Hazardous Materials at any location, whether or not owned by such person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Issuer, the Company, a Guarantor, any Affiliate of the Company or any Guarantor or any Insider of any of them as debtor, under any applicable bankruptcy, reorganization, insolvency or other similar law as now or hereafter in effect applicable to the Issuer, the Company, any Guarantor, any Affiliate of the Issuer, the Company or of any Guarantor or Insider of any of them.

"Event of Default" means (A) with respect to the Indenture, any of those events defined as an Event of Default by the terms of Article VI of the Indenture, (B) with respect to the Installment Sale Agreement, any of those events defined as an Event of Default by the terms of Article X of the Installment Sale Agreement, and (C) with respect to any other Financing Document, any of those events defined as an Event of Default by the terms thereof.

"Excess Earnings" means an amount equal to the sum of (A) plus (B), where (A) is the excess of (1) the aggregate amount earned from the date of issuance of the Initial Bonds on all nonpurpose investments in which gross proceeds of the Bonds are invested (other than

investments attributable to an excess described in this clause (1)), over (2) the amount that would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (1)) had been invested at a rate equal to the yield on the Bonds; and (B)is any income attributable to the excess described in clause (1) of this definition. The sum of (A) plus (B) shall be determined in accordance with Section 148(f) of the Code. As used herein, the terms "gross proceeds", "nonpurpose investments" and "yield" have the meanings assigned to them for purposes of Section 148 of the Code.

"Extraordinary Services" and "Extraordinary Expenses" means all reasonable services rendered and all reasonable expenses incurred by the Trustee or any paying agent under the Indenture, other than Ordinary Services and Ordinary Expenses, including, but not limited to, reasonable attorneys fees and any services rendered and any expenses incurred with respect to an Event of Default or with respect to the occurrence of an event which upon the giving of notice or the passage of time would ripen into an Event of Default under any of the Financing Documents.

"Financing Documents" means the Bonds, the Indenture, the Installment Sale Agreement, the Mortgage, the Pledge and Assignment, the Building Loan Agreement, the Guaranty, the Tax Documents, the Conveyance Documents, the Bank Documents, the Remarketing Agreement and any other document now or hereafter executed by the Issuer, the Company, any Guarantor or the Bank in favor of the Bondholders, the Trustee or the Bank which affects the rights of the Bondholders, the Trustee or the Bank in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under the Bonds or any other Financing Document, each as amended from time to time, and all documents related thereto and executed in connection therewith.

"Financial Institution" means (A) any national bank, banking corporation, trust company or other banking institution, whether acting in its individual or fiduciary capacity, organized under the laws of the United States, any state, any territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the Comptroller of the Currency or a comparable state or territorial official or agency; (B) an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state, a territory or the District of Columbia; (C)an investment company registered under the Investment Company Act of 1940 or a business development company as described in Section 2(a)(48) of that Act; (D) an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company or registered investment company; or (E) institutional investors or other entities who customarily purchase commercial paper or tax-exempt securities in large denominations.

"Governmental Obligations" means (A) direct obligations of the United States of America, (B) obligations unconditionally guaranteed by the United States of America and (C)securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (A) or (B).

"Governmental Authority" means the United States of America, the State, any other state and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them.

"Gross Proceeds" means one hundred percent (100%) of the proceeds of the transaction with respect to which such term is used, including, but not limited to, the settlement of any insurance claim or Condemnation award.

"Guarantor" means the Company and any other guarantor of the obligations of the Company under the Reimbursement Agreement.

"Guaranty" means the guaranty dated as of August 1, 2002 from the Company to the Trustee, as said guaranty may be amended or supplemented from time to time.

"Hazardous Materials" means all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated byphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in or regulated under or defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S. C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other Federal, state or local environmental law, ordinance, rule or regulation.

"Immediate Notice" means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, in writing or by telephone (promptly confirmed in writing).

"Indebtedness" means (A) the payment of the Debt Service Payments on the Bonds according to their tenor and effect, (B) all other payments due from the Issuer or the Company to the Trustee or the Bank pursuant to the Installment Sale Agreement or any other Financing Document, (C) the performance and observance by the Issuer and the Company of all of the covenants, agreements, representations and warranties made for the benefit of the Trustee or the Bank pursuant to the Installment Sale Agreement or any other Financing Document, (D) the monetary obligations of the Company to the Issuer and its members, officers, agents, servants and employees under the Installment Sale Agreement and the other Financing Documents, and (E) all interest accrued on any of the foregoing.

"Indenture" means the trust indenture dated as of August 1, 2002 by and between the Issuer and the Trustee, as said trust indenture may be amended or supplemented from time to time.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and approved by the Bank and not a full-time employee of the Company or the Issuer.

"Indirect Participant" means a Person utilizing the book entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

"Insider" means any entity referred to or described in accordance with the standards set forth in Section 101(31) of the Bankruptcy Code, assuming for this purpose that the Issuer, the Company, any Guarantor, or any Affiliate of any of them, as applicable, is a debtor, and any limited partner or limited liability company member thereof.

"Inducement Date" means June 24, 2002.

"Initial Bonds" means the Issuer's Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project - Letter of Credit Secured), Series 2002 in the aggregate principal amount of $3,500,000, issued pursuant to the Bond Resolution and Article II of the Indenture and sold by the Underwriter pursuant to the provisions of the Bond Purchase Agreement, and any Bonds issued in exchange or substitution thereof.

"Installment Sale Agreement" means the installment sale agreement dated as of August 1, 2002 by and between the Issuer and the Company, as said installment sale agreement may be amended or supplemented from time to time.

"Insurance and Condemnation Fund" means the fund so designated established pursuant to Section 401(A)(3) of the Indenture.

"Interest Payment Date" means, (A) with respect to any Additional Bonds, the Interest Payment Dates on said Additional Bonds, as established pursuant to the supplemental Indenture authorizing issuance of said Additional Bonds, and (B) with respect to the Initial Bonds, (1)while the Initial Bonds bear interest at the Weekly Rate, the first Thursday of each January, April, July and October, and (2) while the Initial Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate, April 1 and October 1 of each year. The first Interest Payment Date relating to the Initial Bonds shall be the Interest Payment Date in October, 2002. In any case, the final Interest Payment Date relating to the Initial Bonds shall be the Maturity Date of the Initial Bonds.

"Interest Period" means, for all Bonds, the period from and including each Interest Payment Date to and including the day next preceding the next Interest Payment Date. The first Interest Period for the Initial Bonds shall begin on (and include) the date of the initial delivery of the Initial Bonds. The final Interest Period for a Bond shall end on the Maturity Date (or redemption date) for such Bond.

"Interest Rate Mode" means the Weekly Rate, the Semi-Annual Rate or the Long-Term Rate.

"Issuer" means (A) Counties of Warren and Washington Industrial Development Agency and its successors and assigns, and (B) any public benefit corporation or other public corporation resulting from or surviving any consolidation or merger to which Counties of Warren and Washington Industrial Development Agency or its successors or assigns may be a party.

"Letter of Credit" means the irrevocable transferable direct-pay letter of credit dated the Closing Date, issued by the Bank in favor of the Trustee pursuant to the Reimbursement Agreement as security for the Initial Bonds, in a maximum amount (which shall decline at fixed intervals) equal to $3,575,179, said sum representing the aggregate of (A) the principal of the Initial Bonds Outstanding, plus (B) 98 days' interest on all Outstanding Initial Bonds (computed at an assumed interest rate of 8%).

"Letter of Representations" means (A), with respect to the Initial Bonds, the letter of representations by and among the Issuer and the Depository relating to the Initial Bonds and any amendments or supplements thereto entered into with respect thereto, and (B), with respect to any Additional Bonds, any letter of representations by and among the Issuer, the Trustee and the Depository relating to the Additional Bonds, and any amendments or supplements thereto entered into with respect thereto.

"Lien" means any interest in Property securing an obligation owed to a Person, whether such interest is based on the common law, statute or contract, and including but not limited to a security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, projections, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's and carriers' liens and other similar encumbrances affecting real property. For purposes hereof, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Lien Law" means the Lien Law of the State.

"Long-Term Rate" means the Interest Rate Mode for the Initial Bonds in which the interest rate on the Initial Bonds is determined in accordance with Section 209(C)(3) of the Indenture.

"Long-Term Rate Period" means any period beginning on, and including, the Conversion Date to the Long-Term Rate and ending on, and including, the day preceding the Interest Payment Date selected by the Company in accordance with the requirements of Section 209(D) of the Indenture and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"Mandatory Tender" means the mandatory tender of Bonds by the owner thereof upon (A) a Conversion pursuant to Section 209(B)(2)(e) of the Indenture, or (B) the delivery by the Company of an Alternate Credit Facility pursuant to Section 304 of the Indenture.

"Maturity Date" means, with respect to any Bond, the final Stated Maturity of the principal of such Bond.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Company.

"Mortgage" means the mortgage and security agreement dated as of August 1, 2002 from the Company and the Issuer to the Bank granting the Bank a lien on the Project Facility as additional security for the obligations of the Company to the Bank pursuant to the Reimbursement Agreement, as said mortgage may be amended to supplemented from time to time.

"Net Proceeds" means so much of the Gross Proceeds with respect to which that term is used as remain after payment of all fees for services, expenses, costs and taxes (including attorneys' fees) incurred in obtaining such Gross Proceeds.

"Non-Qualifying Alternate Credit Facility" means an Alternate Credit Facility which is not a Qualifying Alternate Credit Facility.

"Office of the Trustee" means the corporate trust office of the Trustee specified in Section 1103 of the Indenture, or such other address as the Trustee shall designate pursuant to Section 1103 of the Indenture.

"Optional Redemption Premium" means the maximum applicable premium payable upon an optional redemption of the Bonds after the Conversion Date, as determined by the Remarketing Agent pursuant to Section 301(B)(2) of the Indenture.

"Ordinary Services" and "Ordinary Expenses" means those reasonable services normally rendered with those reasonable expenses, including reasonable attorneys' fees, normally incurred by a trustee or a paying agent, as the case may be, under instruments similar to the Indenture.

"Outstanding" means, when used with reference to the Bonds as of any date, all Bonds which have been duly authenticated and delivered by the Trustee under the Indenture, except:

(A) Bonds theretofore canceled or deemed cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(B) Bonds for the payment or redemption of which moneys or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the

maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and

(C) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered under the Indenture.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof, Bonds which are held by or on behalf of the Company (unless all of the outstanding Bonds are then owned by the Company) shall be disregarded for the purpose of any such determination. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee established to the satisfaction of the Bond Registrar the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company. If the Indenture shall be discharged pursuant to Article X thereof, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

"Participant" shall have the meaning assigned to such term in the Letter of Representations.

"Paying Agent" or "Co-Paying Agent" means any national banking association, federal savings bank, bank and trust company or trust company appointed by the Company and meeting the qualifications of, and subject to the obligations of, the Trustee in Article XI hereof. "Principal Office" of any Paying Agent shall mean the office thereof designated in writing to the Trustee.

"Permitted Encumbrances" means (A) utility, access and other easements, rights of way, restrictions, encroachments and exceptions that benefit or do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (B)mechanics', materialmen's, warehousemen's, carriers' and other similar Liens to the extent permitted by Section 8.8(B) of the Installment Sale Agreement, (C) Liens for taxes, assessments and utility charges (1) to the extent permitted by Section 6.2(B) of the Installment Sale Agreement, or (2) at the time not delinquent, (D) any Lien on the Project Facility obtained through any Financing Document, and (E) any Lien on the Project Facility in favor of the Trustee or the Bank, or (F) any lien on the Project Facility approved in writing by the Bank (or, if the Bank is in default under the then current Credit Facility, the Trustee).

"Person" means an individual, partnership, corporation, trust, unincorporated organization or Governmental Authority.

"Plans and Specifications" means with respect to the Issuer, the description of the Project Facility appearing in the fifth recital clause to the Indenture and the Installment Sale Agreement.

"Pledge and Assignment" means the pledge and assignment dated as of August 1, 2002 from the Issuer to the Trustee, pursuant to which the Issuer has assigned to the Trustee its rights

under the Installment Sale Agreement (except the Unassigned Rights), as said pledge and assignment may be amended or supplemented from time to time.

"Pledged Bonds" means any Bond at any time purchased, in whole or in part, with the proceeds of a draw on the Letter of Credit upon tender of such Bond and held by the Trustee as nominee for the Bank pursuant to the provisions of Section 305 of the Indenture.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 205 of the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

"Prime Rate" shall mean the KeyBank National Association Prime Rate, which is that per annum interest rate announced from time to time publicly by the Bank as a reference rate for determining interest rates charged on certain loans, but is not necessarily the lowest rate at which the Bank lends. Any change in the Prime Rate shall be effective on the date such rate is raised or lowered at the Bank, with or without notice to the Company.

"Principal Payment Date" means, the dates for the payment of principal on the Bonds in accordance with the Company's irrevocable notice of optional redemption delivered to the Trustee on the Closing Date, which shall occur quarterly in each year on the Interest Payment Date of the first day of February, May, August and November of each year in the manner as set forth in the Reimbursement Agreement.

"Project" shall have the meaning set forth in the fifth recital clause to the Indenture and the Installment Sale Agreement.

"Project Costs" means Costs of the Project.

"Project Facility" means all materials, machinery, equipment, fixtures or furnishings intended to be acquired with the proceeds of the Bonds or any payment made by the Company pursuant to Section 4.5 of the Installment Sale Agreement, and such substitutions and replacements therefor and additions thereto as may be made from time to time pursuant to the Installment Sale Agreement, including, without limitation, all of the Property described in Exhibit A attached to the Installment Sale Agreement.

"Project Fund" means the fund so designated established pursuant to Section 401(A)(1) of the Indenture.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Purchase Date" means (A) if the Interest Rate Mode is the Weekly Rate, any Business Day as set forth in Section 304(A)(1) and Section 304(A)(4) of the Indenture, respectively, (B) if the Interest Rate Mode is the Semi-Annual Rate, any Interest Payment Date, (C) if the Interest

Rate Mode is the Long-Term Rate, the final Interest Payment Date for each Long-Term Rate Period, and (D) each day that Bonds are subject to mandatory purchase pursuant to Section 304(B) of the Indenture.

"Purchase Price" means an amount equal to one hundred percent (100%) of the principal amount of any Bond tendered or deemed tendered pursuant to Section 304 or Section 305 of the Indenture, plus accrued and unpaid interest thereon to the Purchase Date.

"Qualifying Alternate Credit Facility" means an Alternate Credit Facility in connection with which the Trustee shall have received (A), if the Bonds are then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) from the Rating Service then rating the Bonds to the effect that such Rating Service has reviewed the proposed Alternate Credit Facility and that the substitution of the Alternate Credit Facility will not, by itself, result in (1) a permanent withdrawal of its rating of the Bonds or (2) the reduction of the current rating of the Bonds, or (B) if the Bonds are not then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) that the Alternate Credit Facility would be issued by a Credit Facility Issuer which, or the parent corporation of which, has a long-term debt rating assigned by a Rating Service which is equal to or better than the rating of the Credit Facility Issuer being replaced.

"Rate Period" means any period during which a single interest rate is in effect for a Bond.

"Rating Service" means Moody's, if the Bonds are rated by Moody's at the time, and/or S&P, if the Bonds are rated by S&P at the time, and their successors and assigns.

"Rebate Amount" as of any date means the Excess Earnings as of such date, or such other amount as may be due to the United States pursuant to Section 148(f) of the Code.

"Rebate Fund" means the fund so designated established pursuant to Section 401(A)(4) of the Indenture.

"Rebate Fund Earnings Subaccount" means the special account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(b) of the Indenture.

"Rebate Fund Principal Subaccount" means the account so designated within the Rebate Fund established pursuant to Section 401(A)(4)(a) of the Indenture.

"Record Date" means, as the case may be, the applicable Regular Record Date or Special Record Date.

"Redemption Price" means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the provisions of the Indenture and such Bond.

"Redemption Premium Account" means the Redemption Premium Account created under Section 405 of the Indenture.

"Regular Record Date" means, with respect to any Interest Period, the close of business on the last Business Day of such Interest Period.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of August 1, 2002 between the Company and KeyBank National Association, as the same may be amended from time to time and filed with the Trustee, and any agreement of the Company with a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purpose of the Indenture.

"Related Person" means any Person constituting a "related person" within the meaning ascribed to such quoted term in Section 144(a)(3) of the Code, except when used in connection with the phrase "substantial user", in which case the phrase "Related Person" shall have the meaning set forth in Section 147(a) of the Code.

"Remarketing Agent" means McDonald Investments Inc. and its successors as provided in Section 718 of the Indenture. "Principal Office" of the Remarketing Agent means the office designated as such in writing to the Company, the Trustee and the Tender Agent.

"Remarketing Agreement" means the remarketing agreement dated as of August 1, 2002 by and among the Company, the Issuer and the Remarketing Agent, as said remarketing agreement may be amended or supplemented from time to time, and any remarketing agreement between the Company and a successor Remarketing Agent.

"Remarketing Proceeds Account" means the Remarketing Proceeds Account created under Section 405 of the Indenture.

"Request for Disbursement" means a request from the Company, as agent of the Issuer, stating the amount of the disbursement sought and containing the statements, representations and other items required by Section 4.3 of the Installment Sale Agreement, the Reimbursement Agreement and the Indenture, in substantially the form of Exhibit C attached to the Indenture.

"Requirement" or "Local Requirement" means any law, ordinance, order, rule or regulation of a Governmental Authority or a local authority, respectively.

"Revenues" means (a) all amounts payable to the Trustee with respect to the principal or redemption price of, or interest on, the Bonds (i) by the Company as required under the Installment Sale Agreement, (ii) upon deposit in the Bond Fund from the proceeds of the Bonds, and (iii) by the Credit Facility Issuer under a Credit Facility, and (b) investment income with respect to any moneys held by the Trustee in the Bond Fund. The term "Revenues" does not include any moneys or investments in the Rebate Fund.

"Sales Tax Exemption Letter" shall have the meaning assigned to such term in Section 8.14 of the Installment Sale Agreement.

"Security Agreement" means the security agreement dated as of August 1, 2002 from the Company to the Bank, as paid security agreement may be amended or supplemented from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"Semi-Annual Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined in accordance with Section 209(C)(3).

"Semi-Annual Rate Period" means any period beginning on, and including, the Conversion Date to the Semi-Annual Rate and ending on, and including, the day preceding the next Interest Payment Date thereafter and each successive six (6) month period thereafter until the day preceding Conversion to a different Interest Rate Mode or the maturity of the Bonds.

"SEQRA" means Article 8 of the Environmental Conservation Law of the State and the statewide and local regulations thereunder.

"Special Record Date" means a date for the payment of any Defaulted Interest on the Bonds fixed by the Trustee pursuant to Section 207(C) of the Indenture.

"Standard & Poor's" means Standard & Poor's Ratings Group, a New York corporation, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, with the consent of the Company.

"State" means the State of New York.

"Stated Maturity" means, when used with respect to any Bond or any installment of interest or principal thereon, the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest on such Bond is due and payable.

"Substitute Bank" means the issuer of any Alternate Credit Facility.

"Tax Documents" means, collectively, (A) with respect to the Initial Bonds, the Arbitrage Certificate and the Tax Regulatory Agreement and (B) with respect to any Additional Bonds, any similar documents executed by the Issuer and/or the Company in connection with the issuance of such Additional Bonds.

"Tax Incidence Date" means, with respect to any recipient of interest paid or payable on the Bonds, the first such date of the period for which any interest paid or payable on the Bonds was or is includable in the gross income of such recipient thereof for purposes of income taxation under the laws of the United States, without regard to whether or not any such recipient exercised any or all of the rights or remedies granted such recipient by the Financing Documents or by law.

"Tax Regulatory Agreement" means the tax regulatory agreement dated the Closing Date executed by the Company in favor of the Issuer and the Trustee, with a certificate of the Placement Agent attached thereto, regarding, among other things, the restrictions prescribed by the Code in order for interest on the Initial Bonds to remain excludable from gross income for federal income tax purposes.

"Tender Agent" means the initial and any successor tender agent appointed in accordance with Section 716 of the Indenture. "Principal Office" of the Tender Agent means the office thereof designated as such in writing to the Trustee, the Company and the Remarketing Agent.

"Tendered Bond" means any Bond or portion thereof which is the subject of (A) a demand from the Owner thereof that such Bond be purchased pursuant to Section 304(A) of the Indenture or (B) a mandatory purchase pursuant to Section 304(B) of the Indenture.

"Termination of Installment Sale Agreement" means a termination of the Installment Sale Agreement by and between the Company, as purchaser, and the Issuer, as seller, intended to evidence the termination of the Installment Sale Agreement, substantially in the form attached as Exhibit C to the Installment Sale Agreement.

"Trust Estate" means all Property which may from time to time be subject to a Lien in favor of the Trustee created by the Indenture or any other Financing Document.

"Trust Revenues" means (A) all payments of installment purchase payments made or to be made by or on behalf of the Company under the Installment Sale Agreement (except payments made with respect to the Unassigned Rights), (B) all other amounts pledged to the Trustee by the Issuer or the Company to secure the Bonds or performance of their respective obligations under the Installment Sale Agreement and the Indenture, (C) the Net Proceeds (except proceeds with respect to the Unassigned Rights) of insurance settlements and Condemnation awards with respect to the Project Facility, (D) all payments received by the Trustee under the Letter of Credit, (E) moneys and investments held from time to time in each fund and account established under the Indenture and all investment income thereon, except (1)moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of which has been duly given, (2) moneys deposited with the Trustee or the Tender Agent for the purchase of Tendered Bonds, and (3) as specifically otherwise provided, and (F) all other moneys received or held by the Trustee for the benefit of the Bondholders pursuant to the Indenture. Notwithstanding anything to the contrary, amounts held in the Rebate Fund shall not be considered Trust Revenues and shall not be subject to the Lien of the Indenture, and amounts held therein shall not secure any amount payable on the Bonds.

"Trustee" means The Huntington National Bank, a national banking association organized and existing under the laws of the United States of America, or any successor trustee or co-trustee acting as trustee under the Indenture.

"Unassigned Rights" means (A) the rights of the Issuer granted pursuant to Sections 2.2, 3.2, 3.3, 4.1(B), 4.1(D), 4.1(E)(2), 4.1(F), 4.1(G), 5.2(A), 5.2(D), 5.3(B)(2), 5.3(B)(3), 5.4(A), 5.4(B), 6. 1(A), 6. 1(B), 6.3, 6.4, 6.5, 6.6, 7.1, 7.2, 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.11,

8.15, 8.16, 9.1, 9.3, 9.4, 11.1, 11.4, 11.8 and 11.10 of the Installment Sale Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, officers, agents (other than the Company) and employees of the Issuer for their own account pursuant to Sections 2.2(F), 3.3, 4. 1(F), 5.3(B)(2), 5.3(C), 6.4(B), 8.2, 10.2 and 10.4 of the Installment Sale Agreement, (C) the rights of the Issuer under Section 6.6 of the Installment Sale Agreement, and (D) the right to enforce the foregoing pursuant to Article X of the Installment Sale Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Company under the Sections of the Installment Sale Agreement listed in (A), (B), (C) and (D) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Company) and employees of the Issuer for their own account, such obligations, upon assignment of the Installment Sale Agreement by the Issuer to the Trustee pursuant to the Pledge and Assignment, shall be deemed to and shall constitute obligations of the Company to the Issuer, the Trustee and the Bank, jointly and severally, and either the Issuer, the Trustee or the Bank may commence an action to enforce the Company's obligations under the Installment Sale Agreement.

"Underwriter" means McDonald Investments Inc., a Key Corp Company, as underwriter for the Initial Bonds.

"Weekly Rate" means the Interest Rate Mode for the Bonds in which the interest rate on the Bonds is determined weekly in accordance with Section 209(C)(3) of the Indenture.

"Weekly Rate Period" means the period beginning on, and including, the date of issuance of the Bonds, and ending on, and including, the next Wednesday (except if the date of issuance of the Bonds is a Wednesday then the first Weekly Rate Period shall begin and end on such Wednesday) and thereafter the period beginning on, and including, any Thursday and ending on, and including, the next Wednesday.

ARTICLE II

REPRESENTATIONS, WARRANTIES
AND COVENANTS

SECTION 2.1. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER. The Issuer makes the following representations, warranties and covenants as the basis for the undertakings on its part herein contained:

(A) The Issuer is duly established under the provisions of the Act and has the power to enter into this Installment Sale Agreement and to carry out its obligations hereunder. Based upon the representations of the Company as to the utilization of the Project Facility, the Project Facility will constitute a "project", as such quoted term is defined in the Act. By proper official action, the Issuer has been duly authorized to execute, deliver and perform this Installment Sale Agreement and the other Financing Documents to which the Issuer is a party.

(B) Neither the execution and delivery of this Installment Sale Agreement, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the provisions of the other Financing Documents by the Issuer will conflict with or result in a breach by the Issuer of any of the terms, conditions or provisions of the Act, the by-laws of the Issuer or any order, judgment, restriction, agreement or instrument to which the Issuer is a party or by which the Issuer is bound, or will constitute a default by the Issuer under any of the foregoing.

(C) The Issuer will cause the Project Facility to be acquired, constructed and installed and will sell the Project Facility to the Company pursuant to this Installment Sale Agreement, all for the purpose of advancing the job opportunities, health, general prosperity and economic welfare of the people of the State and improving their standard of living.

(D) Except as provided in Article X hereof, the Issuer, to the extent of its interest therein, shall not sell, assign, transfer, encumber or pledge as security the Project Facility or any part thereof and shall maintain the Project Facility free and clear of all Liens or encumbrances, except for the Permitted Encumbrances and as contemplated or allowed by the terms of this Installment Sale Agreement and the other Financing Documents.

(E) Subject to the limitations contained in Section 11.10 hereof, so long as the Bonds shall be Outstanding, the Issuer will not take any action (or omit to take any action required by the Financing Documents or which the Bank, the Trustee or the Company, together with Bond Counsel, advise the Issuer in writing should be taken), which action (or omission) would in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Financing Documents.

(F) The Issuer shall cooperate with the Company in the filing by the Company, as agent of the Issuer, of such returns and other information with the Internal Revenue Service as the Trustee or the Company requests in writing, provided the Company shall bear all costs of

preparing, gathering and/or filing such returns and other information. In addition, the Issuer, at the request of the Company, shall cooperate with the Company in the filing by the Company, as agent of the Issuer, of such returns and other information with the State and St. Lawrence County, New York.

(G) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service that it is a bond issuer whose arbitrage certifications may not be relied upon.

(H) Subject to the limitations contained in Section 11.10 hereof, so long as the Bonds shall be Outstanding, the Issuer will not take any action (or omit to take any action required by the Financing Documents or which the Trustee or the Company, together with Bond Counsel, advise the Issuer in writing should be taken), or allow any action to be taken, which action (or omission) would in any way cause (1) the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Financing Documents, or (2) adversely affect the exclusion of the interest paid or payable on any Bond from gross income for federal income tax purposes. Notwithstanding the foregoing, there shall be no such obligation upon the Issuer with respect to the use or investment of its administrative fee, provided, however, that if the Company is required to rebate any amount with respect to such administrative fee, the Issuer shall provide, upon the reasonable request of the Company, such information concerning the investment of such administrative fee as shall be requested by the Company and as shall be reasonably available to the Issuer.

SECTION 2.2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company makes the following representations, warranties and covenants as the basis for the undertakings on its part herein contained:

(A) The Company is a business corporation duly organized and validly existing under the laws of the State of Delaware, is duly authorized to do business in the State, has the power to enter into this Installment Sale Agreement and the other Financing Documents to which the Company is a party and to carry out its obligations hereunder and thereunder, has been duly authorized to execute this Installment Sale Agreement and the other Financing Documents to which the Company is a party, and is qualified to do business in all jurisdictions in which its operations or ownership of Properties so require. This Installment Sale Agreement and the other Financing Documents to which the Company is a party, and the transactions contemplated hereby and thereby, have been duly authorized by all necessary action on the part of the Company's board of directors and shareholders.

(B) Neither the execution and delivery of this Installment Sale Agreement or the other Financing Documents to which the Company is a party, the consummation of the transactions contemplated hereby and thereby nor the fulfillment of or compliance with the provisions of this Installment Sale Agreement or the other Financing Documents to which the Company is a party will (1) conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Incorporation or by-laws of the Company or any other corporate restriction or any order, judgment, agreement or instrument to which the Company is a party or by which the Company is bound, or constitute a default under any of the foregoing, or (2) result in the creation or imposition of any Lien of any nature upon the Project Facility under the terms of any such

instrument or agreement, other than the Permitted Encumbrances, or (3) require consent under (which has not been heretofore received) any corporate restriction or any order, judgment, agreement or instrument to which the Company is a party or by which the Company or any of its Property may be bound or affected, or (4) require consent (which has not been heretofore received) under, conflict with or violate any existing law, rule, regulation, judgment, order, writ, injunction or decree of any government, governmental instrumentality or court (domestic or foreign) having jurisdiction over the Company or any of the Property of the Company.

(C) The completion of the Project Facility by the Issuer and the sale thereof by the Issuer to the Company will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State to another area of the State or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State, except as permitted under the Act.

(D) The Project Facility does not constitute a facility or property which is primarily used in making retail sales to customers who visit such facility or property within the meaning of Section 862(2)(a) of the Act.

(E) The Financing Documents to which the Company is a party constitute, or upon their execution and delivery in accordance with the terms thereof will constitute, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms.

(F) The Project Facility is, and so long as any Bond shall be Outstanding and/or this Installment Sale Agreement shall remain in effect, the Project Facility will continue to be, a "project", as such quoted term is defined in the Act, and the Company will not take any action (or omit to take any action required by the Financing Documents or which the Trustee, the Issuer or the Bank, together with Bond Counsel, advise the Company in writing should be taken), or allow any action to be taken, which action (or omission) would in any way (1) cause the Project Facility not to constitute a "project", as such quoted term is defined in the Act, (2) adversely affect the exclusion of the interest paid or payable on the Bonds from gross income for federal income tax purposes, or (3) cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the Financing Documents.

(G) The Project Facility and the operation thereof will comply in all material respects with all Applicable Laws, and the Company will defend and save the Issuer and its officers, members, agents and employees harmless from all fines and penalties due to failure to comply therewith. The Company shall cause all notices required by all Applicable Laws to be given, and shall comply or cause compliance with all Applicable Laws, and the Company will defend and save the Issuer and its officers, members, agents, directors and employees harmless from all fines and penalties due to failure to comply therewith.

(H) The Project will not have a "significant impact on the environment" (within the meaning of such term as used in SEQRA), and the Company hereby covenants to comply with all mitigation measures, requirements and conditions, if any, enumerated in the negative declaration issued by the Issuer on June 24, 2002 under SEQRA applicable to the acquisition,

installation and operation of the Project Facility and in any other approvals issued by any other Governmental Authority with respect to the Project Facility. No material changes with respect to any aspect of the Project Facility have arisen from the date of the issuance of such negative declaration which would cause the determinations of the Issuer contained therein to be untrue.

(I) The Project Facility and the operation thereof will comply with all Applicable Laws.

(J) All proceeds of the Bonds shall be used to pay the Cost of the Project, and the total Cost of the Project is not expected to be less than $3,500,000.

(K) The Company acknowledges receipt of notice of Section 874(8) of the Act, which requires that the Company as agent of the Issuer must annually file a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, of the value of all sales tax exemptions claimed by the Company under the authority granted by the Issuer.

(L) The Company acknowledges receipt of notice of Section 858-b of the Act, which requires that the Company list new employment opportunities created as a result of the Project with the following entities (hereinafter, the "JTPA Entities"): (1) the New York State Department of Labor Community Services Division and (2) the administrative entity of the service delivery area created by the federal job training partnership act (P.L. No. 97-300) in which the Project Facility is located. The Company agrees, where practicable, to first consider for such new employment opportunities persons eligible to participate in federal job training partnership programs who shall be referred by the JTPA Entities.

(M) The Company will comply with all of the terms, conditions and provisions of the Tax Regulatory Agreement. All of the representations, certifications, statements of reasonable expectation and covenants made by the Company in the Tax Regulatory Agreement are hereby declared to be for the benefit of, among others, the Issuer and, by this reference, are incorporated by this reference as though set forth in full herein.

(N) All proceeds of the Bonds shall be used to pay the Cost of the Project, and the total Cost of the Project, including all costs related to the issuance of the Bonds, shall not be less than the total Bond Proceeds advanced by the Trustee under the Indenture. In no event will "costs of issuance" (within the meaning of Section 147(g) of the Code) paid from the proceeds of the Bonds exceed two percent (2%) of the proceeds of the Bonds.

(O) The Company shall perform or cause to be performed, for and on behalf of the Issuer, each and every obligation of the Issuer which is within the control of the Company under and pursuant to the Financing Documents and shall defend, indemnify and hold harmless the Issuer and its members, officers, agents, servants and employees from and against every expense, liability or claim arising out of the failure of the Company to fulfill its obligations under the provisions of this subsection.

SECTION 2.3. COVENANT WITH TRUSTEE, BONDHOLDERS AND BANK. The Issuer and the Company agree that this Installment Sale Agreement is executed in part to induce the Bondholders to purchase the Bonds and to induce the Bank to issue the Letter of Credit. Accordingly, all representations, covenants and agreements on the part of the Issuer and the Company set forth in this Installment Sale Agreement (other than the Unassigned Rights) are hereby declared to be for the benefit of the Issuer, the Trustee, the holders from time to time of the Bonds and the Bank.

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ARTICLE III

CONVEYANCE AND USE OF
THE PROJECT FACILITY

SECTION 3.1. CONVEYANCE TO THE ISSUER. Pursuant to the Bill of Sale to Issuer and the Deed to Issuer, the Company has or will convey, or will cause to be conveyed, to the Issuer, title to the Project Facility. The Company represents and warrants that the Issuer's interest in the Project Facility shall be free and clear of all Liens except for Permitted Encumbrances, and agrees that it will defend, indemnify and hold the Issuer, the Bank and the Trustee harmless from any expense or liability due to any defect in the Issuer's interest therein.

SECTION 3.2. USE OF THE PROJECT FACILITY. Subsequent to the Closing Date, (A) unless an Event of Default has occurred and is continuing, the Company shall have sole and exclusive (as between the Company and the Issuer) possession and use of the Project Facility and (B) the Company shall be entitled to use the Project Facility in any manner not otherwise prohibited by the Financing Documents, provided such use causes the Project Facility to qualify or continue to qualify as a "project" under the Act and does not tend, in the reasonable judgment of the Issuer, to bring the Project Facility into disrepute as a public project; provided, further, however, that at no time shall any such use be other than as a manufacturing facility and uses related thereto without the prior written consent of the Issuer and the Bank.

SECTION 3.3. HAZARDOUS MATERIALS.

(A) To the best of its knowledge, the Company represents, warrants and covenants that the Company has not used Hazardous Materials on, from or affecting the Project Facility in any manner which violates any Applicable Law, including but not limited to those governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, and that, to the best of the Company's knowledge, no prior owner of the Project Facility or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Materials on, from or affecting the Project Facility in any manner which violates any Applicable Law, including but not limited to those governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials.

(B) Except in compliance with any material Applicable Laws, the Company shall keep or cause the Project Facility to be kept free of Hazardous Materials. Without limiting the foregoing, the Company shall not cause or permit the Project Facility to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all material Applicable Laws, nor shall the Company cause or permit, as a result of any intentional or unintentional act or omission on the part of the Company, or any tenant or subtenant of the Company, an unlawful release of Hazardous Materials onto the Project Facility or onto any other property.

(C) The Company shall comply in all material respects with, and ensure compliance by all tenants and subtenants of the Company with, all Applicable Laws regarding Hazardous

Materials whenever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants of the Company obtain and comply in all material respects with, any and all approvals, registrations or permits required thereunder.

(D) The Company shall (1) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up, remove or contain all Hazardous Material on, from or affecting the Project Facility (a) in accordance with all Applicable Laws, and (b) in accordance with the orders and directives of all federal, state and local governmental authorities and (2) defend, indemnify, and hold harmless the Bank and the Trustee, and their respective employees, agents, officers, and directors and the Issuer, its employees, agents, officers and members from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, out of, or in any way related to, (a) the presence, disposal, release or threatened release of any Hazardous Materials used, transported, stored, manufactured, refined, handled, produced or disposed of on or in the Project Facility which are on, from or affecting soil, water, vegetation, buildings, personal property, persons, animals or otherwise, (b)any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (c) any lawsuit brought or threatened, settlement reached, or any government order relating to such Hazardous Materials, and/or (d) any violations of Applicable Laws which are based upon or in any way related to such Hazardous Materials, including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs and litigation expenses. Costs under this subsection (D) will be repaid immediately, with interest at the Default Interest Rate to accrue if not paid within 30 days of receipt of an invoice therefor.

(E) In the event the Project Facility is foreclosed by the Issuer, the Trustee or the Bank, or the Company tenders a deed in lieu of foreclosure, the Company shall deliver the Project Facility to the purchaser free of any and all Hazardous Materials except Hazardous Materials the presence of which do not violate any Federal, State or local laws, ordinances, rules and regulations governing the use and storage of such materials so that the condition of the Project Facility shall conform in all material respects with all Applicable Laws affecting the storage, use or disposal of Hazardous Materials at the Project Facility.

SECTION 3.4. [RESERVED]

SECTION 3.5. NON-MERGER. During the term of this Installment Sale Agreement, there shall be no merger of this Installment Sale Agreement nor of the estate created by this Installment Sale Agreement with the fee estate in the Land or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly, (1) this Installment Sale Agreement or the estate created by this Installment Sale Agreement or any interest in this Installment Sale Agreement or in any such estate and (2) the fee estate in the Premises or any part thereof or any interest in such fee estate, and no such merger shall occur unless and until all corporations, firms and other entities, including any mortgagee having any interest in (x) this Installment Sale Agreement or the estate created by this Installment Sale Agreement and (y) the fee estate in the Land or any part thereof or any interest

in such fee estate, shall join in a written instrument effecting such merger and shall duly record the same.

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ARTICLE IV

UNDERTAKING AND COMPLETION OF THE PROJECT; ISSUANCE OF BONDS; USE OF BOND PROCEEDS

SECTION 4.1. ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT FACILITY.

(A) The Company shall, on behalf of the Issuer, promptly acquire, construct and install the Project Facility, or cause the acquisition, construction and installation of the Project Facility, all in accordance with this Installment Sale Agreement.

(B) Title to all materials, equipment, machinery and other items of Property presently incorporated or installed in and which are a part of the Project Facility shall vest in the Issuer immediately upon execution of the Bill of Sale to Issuer. Title to all materials, equipment, machinery and other items of Property acquired subsequent to the Closing Date and intended to be incorporated or installed in and to become part of the Project Facility shall vest in the Issuer immediately upon deposit on the Land or incorporation or installation in the Project Facility, whichever shall first occur. The Company shall execute, deliver and record or file all instruments necessary or appropriate to vest title to the above in the Issuer and shall take all action necessary or appropriate to protect such title against claims of any third Persons.

(C) The Issuer shall enter into, and accept the assignment of, such contracts as the Company may request in order to effectuate the purposes of this Section 4.1; provided, however, that the liability of the Issuer thereunder shall be limited to moneys disbursed under the Indenture.

(D) The Issuer hereby appoints the Company as its true and lawful agent to perform the following in compliance with the terms, purposes and intent of the Financing Documents, and the Company hereby accepts such appointment: (1) to acquire, construct and install the Project Facility, (2) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other Persons, and in general to do all things which may be requisite or proper, all for the acquisition, construction and installation of the Project Facility, with the same powers and with the same validity as the Issuer could do if acting in its own behalf, provided that the liability of the Issuer thereunder shall be limited to moneys disbursed under the Indenture, (3) to pay all fees, costs and expenses incurred in the acquisition and installation of the Project Facility from funds made available therefor in accordance with this Installment Sale Agreement and the other Financing Documents, (4) to request on behalf of the Issuer, and receive for the purpose of paying the Cost of the Project, disbursements of the proceeds of the Bond Proceeds pursuant to the Financing Documents, and (5) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever which may be due, owing and payable to the Issuer under the terms of any contract, order, receipt or writing in connection with the acquisition, construction and installation of the Project Facility and to enforce the provisions of any contract, agreement, obligation, bond or other performance security in connection with the same, said appointment as agent to be

retroactive to June 24, 2002 and to last until the earlier to occur of (a) June 24, 2005 or (b)the date of substantial completion of the Project Facility as evidenced in the manner provided in Section 4.4 of the Installment Sale Agreement.

(E) The Company has given or will give or cause to be given all notices and has complied or will comply or cause compliance with all Applicable Laws, and the Company will defend, indemnify and save the Issuer, the Trustee and the Bank and their respective officers, members, directors, agents (other than the Company), servants and employees harmless from all fines and penalties due to failure to comply therewith. All permits and licenses necessary for the prosecution of work on the Project Facility shall be procured promptly by the Company.

(F) To the extent required by Applicable Law, the Company, as agent of the Issuer, will cause (1) compliance with the requirements of Article 8 of the New York Labor Law, and (2) any contractor, subcontractor and other person involved in the acquisition and installation of the Project Facility to comply with Article 8 of the New York Labor Law. The covenant in this subsection is not intended as a representation that Article 8 of the New York Labor Law applies to the Project.

(G) In compliance with Section 13 of the New York Lien Law to the extent to which that Section may be found to apply by its terms, the Company covenants that it (1) will hold the right to receive the Bond Proceeds, which have been deposited by the Issuer in a trust fund for the purpose of paying the Cost of the Project, as a trust fund to be applied first for the purpose of paying the "cost of improvement" (as said term is defined in Section 2(5) of the New York Lien Law), and (2) will apply the same first to the payment of the "cost of improvement" before using any part of the total of the same for any other purpose. The covenant in this subsection is not intended as a representation that this Installment Sale Agreement or the Indenture is a "building loan contract", as defined in Section 2(13) of the New York Lien Law.

SECTION 4.2. ISSUANCE OF THE BONDS. In order to finance a portion of the Cost of the Project, together with other costs and incidental expenses in connection therewith, the Issuer agrees that it will issue, sell and cause to be delivered to the purchaser thereof the Bonds, as provided in the Indenture. THE ISSUER MAKES NO REPRESENTATION, EXPRESS OR IMPLIED, THAT THE NET PROCEEDS OF THE BONDS WILL BE SUFFICIENT TO COMPLETE THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT FACILITY.

SECTION 4.3. APPLICATION OF BOND PROCEEDS.

(A) The proceeds of the sale of the Bonds shall be deposited by the Issuer with the Trustee as provided in the Indenture and, upon submission to the Trustee of a Request for Disbursement certified by an Authorized Representative of the Company and approved in writing by the Bank and complying with the requirements of Section 403 of the Indenture, and the Reimbursement Agreement, shall be applied to pay the following items of cost and expenses incurred subsequent to the Inducement Date in connection with the Project, and for no other purpose:

(1) all costs incurred in connection with the acquisition, construction and installation of the Project Facility ;

(2) all fees, taxes, charges and other expenses for recording or filing, as the case may be, the Financing Documents, any other agreement contemplated hereby, any financing statements and any title curative documents in order to perfect or protect the Issuer's, the Trustee's, the Bank's or the Company's respective interests in the Project Facility, and any security interests contemplated by the Financing Documents;

(3) all fees and expenses in connection with any actions or proceedings in order to perfect or protect the Issuer's, the Trustee's, the Bank's or the Company's respective interests in the Project Facility, except for removing Permitted Encumbrances;

(4) the cost of all insurance maintained with respect to the Project Facility pursuant to Section 6.3 hereof and the cost of maintaining any payment or performance bond (or letter of credit in substitution therefor), if any, relating to the Project Facility;

(5) all interest payable on any interim financing the Company may have secured with respect to the Project Facility in anticipation of the issuance of the Bonds;

(6) all interest payable on the Bonds during the Construction Period;

(7) all legal, accounting, financial advisory, investment banking, underwriting, rating agency, blue sky, legal investment and any other fees, discounts, costs and expenses incurred by the Issuer, the Company, the Trustee or the Bank in connection with the preparation, reproduction, authorization, issuance, execution, delivery and sale of the Bonds and the other Financing Documents and all other documents in connection therewith, with the acquisition or installation of the Project Facility, and with any other transaction contemplated by the Bonds, the Indenture and this Installment Sale Agreement;

(8) the administration, acceptance and/or commitment fees, costs and expenses (including, but not limited to, reasonable attorneys' fees) of the Issuer, the Trustee and the Bank;

(9) all title insurance, appraisal and surveying costs;

(10) payment of the taxes and assessments for the Project Facility payable or allocable during the Construction Period; and

(11) reimbursement to the Company for any of the above enumerated costs and expenses paid and incurred by the Company subsequent to the Inducement Date.

(B) Notwithstanding any provisions contained herein, the Bank shall not be required to approve any Request for Disbursement that does not comply with the terms and conditions of the Reimbursement Agreement, and if there is any conflict between the terms of this Section 4.3 and the terms of the Reimbursement Agreement, the terms of the Reimbursement Agreement shall prevail.

SECTION 4.4. COMPLETION OF THE PROJECT FACILITY. The Company will proceed with due diligence to commence and complete the acquisition, construction and installation of the Project Facility. Completion of the same shall be evidenced by a certificate signed by an Authorized Representative of the Company delivered to the Issuer, the Trustee and the Bank stating (A) the date of such completion, (B) that all labor, services, materials and supplies used therefor and all costs and expenses in connection therewith have been paid, (C) that the acquisition, construction and installation of the Project Facility have been completed, (D) that the Company or the Issuer has good and valid title to all Property constituting a portion of the Project Facility, and that the Project Facility is subject to this Installment Sale Agreement, (E) the amount that the Trustee shall retain in the Project Fund for the payment of Project Costs not yet due or for liabilities which the Company is contesting or which otherwise should be retained in the Project Fund and the reasons why such amounts should be retained, (F) the applicable Rebate Amount with respect to the Net Proceeds of the Project Fund and the earnings thereon (with a statement as to the determination of the Rebate Amount and a direction to the Trustee of any required transfer to the Rebate Fund), and (G) that the Project Facility is ready for occupancy, use and operation for its intended purposes. Notwithstanding the foregoing, such certificate may state (1) that it is given without prejudice to any rights of the Company against third parties which exist at the date of such certificate or which may subsequently come into being, (2) that it is given only for the purposes of this Section 4.4, and (3) that no Person other than the Issuer, the Trustee and the Bank may benefit therefrom. Such certificate shall be accompanied by (a) any and all permissions, licenses or consents required of Governmental Authorities for the occupancy, operation and use of the Project Facility for its intended purposes, (b) a certificate of the Company to the effect that the Project Facility will serve the purposes contemplated by this Installment Sale Agreement and the Indenture, and (c) a certificate of the Company to the effect that the Mortgage constitutes a valid first priority mortgage Lien on and a perfected security interest on the Project Facility subject only to Permitted Encumbrances.

SECTION 4.5. COMPLETION BY THE COMPANY.

(A) In the event that the proceeds of the Bonds are not sufficient to pay in full all costs of acquiring, constructing and installing the Project Facility, the Company agrees, for the benefit of the Issuer, to complete such acquisition, construction and installation and to pay all such sums as may be in excess of the moneys available therefor in the Project Fund. Title to the Equipment acquired or installed at Company's cost shall immediately upon such acquisition, construction or installation vest in the Issuer. The Company shall execute, deliver and record or file such instruments as the Issuer may request in order to perfect or protect the Issuer's title to or interest in such portions of the Project Facility.

(B) No payment by the Company pursuant to this Section 4.5 shall entitle the Company to any reimbursement for any such expenditure from the Issuer, the Trustee or the Bank or to any diminution or abatement of any amounts payable by the Company under this Installment Sale Agreement or under any other Financing Document.

SECTION 4.6. REMEDIES TO BE PURSUED AGAINST CONTRACTORS, SUBCONTRACTORS, MATERIALMEN AND THEIR SURETIES. In the event of a default

by any contractor, subcontractor or materialman under any contract made by it in connection with the acquisition, construction and installation of the Project Facility or in the event of a breach of warranty or other liability with respect to any materials, workmanship or performance guaranty, the Company may proceed, either separately or in conjunction with others, to exhaust the remedies of the Company and the Issuer against the contractor, subcontractor or materialman so in default and against each surety for the performance of such contract. The Company may, in its own name or, with the prior written consent of the Issuer, in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor, materialman or surety which the Company deems reasonably necessary, and in such event the Issuer hereby agrees, at the Company's sole expense, to cooperate fully with the Company and to take all action necessary to effect the substitution of the Company for the Issuer in any such action or proceeding. The Company shall advise the Issuer, the Trustee and the Bank of any actions or proceedings taken hereunder. The Net Proceeds of any recovery secured by the Company as a result of any action pursued against a contractor, subcontractor, materialman or their sureties pursuant to this Section 4.6 shall be used to the extent necessary to complete the Project Facility and then deposited in the Bond Fund and applied as provided in Section 301(A) of the Indenture.

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ARTICLE V

AGREEMENT TO CONVEY THE PROJECT FACILITY; INSTALLMENT PURCHASE PAYMENTS AND OTHER AMOUNTS PAYABLE

SECTION 5.1. AGREEMENT TO CONVEY THE PROJECT FACILITY. In consideration of the Company's covenant herein to make installment purchase payments hereunder, and in consideration of the other covenants of the Company contained herein, including the covenant to make additional and other payments required hereby, the Issuer hereby agrees to sell and convey to the Company, and the Company hereby agrees to purchase and acquire from the Issuer, the Issuer's interest in the Project Facility. The obligation of the Issuer to convey its interest in the Project Facility to the Company shall be subject to there being no Event of Default existing hereunder or any other event which, but for the passage of time or notice or both, would be an Event of Default.

SECTION 5.2. CONVEYANCE; INSTRUMENTS; SURVIVAL.

(A) The Issuer's interest in the Project Facility shall be conveyed (subject to Permitted Encumbrances and the terms of the Financing Documents) from the Issuer to the Company on the earlier to occur of (1) the payment of all principal, interest and other amounts payable with respect to the Bonds, or (2) such earlier date as may be requested by the Company.

(B) The sale and conveyance of the Issuer's right, title and interest in and to the Project Facility shall be effected by the delivery by the Issuer to the Company of the Bill of Sale to Company (in substantially the form attached hereto as Exhibit B and by this reference made a part hereof) in accordance with the provisions of this Installment Sale Agreement. The sale and conveyance of the Issuer's interest in the Project Facility shall be effected by the delivery by the Issuer to the Company of the Termination of the Installment Sale Agreement (in substantially the form attached hereto as Exhibit C and by this reference made a part hereof) in accordance with the provisions of this Installment Sale Agreement.

(C) The Company agrees to prepare the Bill of Sale to Company, the Termination of the Installment Sale Agreement, and all schedules thereto, together with all transfer tax affidavits, equalization and assessment forms and other necessary documentation, and to forward same to the Issuer at least thirty (30) days prior to the date that the Project Facility (or any portion thereof) is to be conveyed to the Company. The Company will pay all expenses and taxes, if any, applicable to or arising from such transfers of title.

(D) The Company hereby agrees to pay all expenses and taxes, if any, applicable to or arising from the transfers contemplated by this Section 5.2.

(E) This Installment Sale Agreement shall survive the transfer of the Project Facility to the Company pursuant to this Section 5.2 and shall remain in full force and effect until all of the Indebtedness shall have been paid in full, and thereafter the obligations of the Company shall survive as set forth in Section 11.8 hereof.

(F) Upon the payment in full of all Indebtedness under or secured by this Installment Sale Agreement, and notwithstanding the survival of certain obligations of the Company as described in Section 11.8 hereof, the Issuer shall upon the request of the Company execute and deliver (and request the Trustee and the Bank to execute and deliver) to the Company such documents as the Company may reasonably request, in recordable form if so requested, to evidence the termination and release of all Liens granted to the Issuer, the Trustee and the Bank hereunder.

SECTION 5.3. INSTALLMENT PURCHASE PAYMENTS AND OTHER AMOUNTS PAYABLE.

(A) The Company shall pay installment purchase payments for the Project Facility as follows:

(1) on or before the Business Day immediately preceding each Bond Payment Date, the Company shall make available moneys to the Trustee for deposit into the Bond Fund, in an amount which, when added to any amounts then held in the Bond Fund, shall equal the amount payable as principal, interest and premium, if any, on the Bonds on such Bond Payment Date; and

(2) not later than 1:00 p.m. (New York time) on the date payment therefor is to be made, the Company shall pay to the Tender Agent in federal or other immediately available funds an amount equal to the amount the Tender Agent requires in order to purchase on behalf of the Company Bonds pursuant to Article III of the Indenture; provided, however, that the amount required to be paid under this paragraph (2) shall be reduced by an amount equal to the sum of the amounts made available to the Tender Agent for such purpose from the proceeds of the remarketing of such Bonds by the Remarketing Agent or proceeds of a draw under the Credit Facility. The Company hereby authorizes the Trustee to draw such moneys under the Credit Facility as are necessary for the purchase of Bonds pursuant to said Article III; provided, however, that the obligation of the Company to make any payment hereunder shall be deemed satisfied and discharged to the extent of the corresponding payment made by the Credit Facility Issuer to the Trustee under the Credit Facility and the reimbursement by the Company (or the Trustee with moneys provided by the Company) to the Credit Facility Issuer in full for such payment pursuant to the terms of the Reimbursement Agreement; provided further, however, that any payment by the Credit Facility Issuer to the Trustee under the Credit Facility will not relieve the Company of any of its obligations under the Reimbursement Agreement.

(B) The Company shall pay as additional installment purchase payments hereunder the following:

(1) Within thirty (30) days after receipt of a demand therefor from the Trustee, the Company shall pay to the Trustee the following amounts: (a) the reasonable fees, costs and expenses of the Trustee for performing the obligations of the Trustee under the Indenture; (b)the sum of the expenses of the Trustee reasonably incurred in performing the obligations of (i)the Company under this Installment Sale Agreement, or (ii) the Issuer under the Bonds, the

Indenture or this Installment Sale Agreement; and (c) the Trustee's reasonable attorneys' fees incurred in connection with the foregoing and other moneys due the Trustee pursuant to the provisions of any of the Financing Documents.

(2) Within thirty (30) days after receipt of a demand therefor from the Issuer, the Company shall pay to the Issuer the sum of the reasonable expenses of the Issuer and the officers, members, agents and employees thereof incurred by reason of the Issuer's ownership, financing or sale of the Project Facility or in connection with the carrying out of the Issuer's duties and obligations under this Installment Sale Agreement or any of the other Financing Documents, and any other fee or expense of the Issuer with respect to the Project Facility, the sale of the Project Facility to the Company, the Bonds or any of the other Financing Documents, the payment of which is not otherwise provided for under this Installment Sale Agreement.

(3) Within five (5) days after request therefor made in writing, the Company shall pay any and all costs and expenses incurred or to be paid by the Issuer in connection with the issuance and delivery of the Bonds, the remarketing of the Bonds or the Conversion of the Bonds or otherwise related to actions taken by the Issuer under this Installment Sale Agreement or the Indenture, the payment of which is not otherwise provided for under this Installment Sale Agreement.

(4) Within five (5) days after request therefor made in writing, the Company shall pay (a) to the Trustee, the Registrar and any Paying Agent or Authenticating Agent, their reasonable fees, charges and expenses for acting as such under the Indenture and (b) to the Remarketing Agent and Tender Agent, the fees and expenses of the Remarketing Agent and Tender Agent under the Indenture for services rendered in connection with the Bonds.

(C) The Company agrees to make the above-mentioned payments, without any further notice, in lawful money of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts. In the event the Company shall fail to make any payment required by this Section 5.3 for a period of more than ten (10) days from the date such payment is due, the Company shall pay the same, together with interest thereon, at the Default Interest Rate, from the date on which such payment was due until the date on which such payment is made.

(D) In the event of an application of moneys in the Project Fund toward prepayment of the principal of the Bonds pursuant to Section 404(D) of the Indenture, there shall be no abatement or reduction in the amounts payable by the Company under this Section 5.3.

(E) The Company shall be entitled to a credit against the installment purchase payments next required to be made under Section 5.3(A) hereof to the extent that the balance of the Bond Fund (other than any balance in the Credit Facility Account, Defeasance Account, Redemption Premium Account or Remarketing Proceeds Account) is then in excess of amounts required (1)for payment of Bonds theretofore matured or theretofore called for redemption, (2) for payment of interest for which checks or drafts have been drawn and mailed by the Trustee, and (3) for deposit in the Bond Fund for use other than for the payment of Debt Service Payments on the Interest Payment Date next following the applicable date such installment

purchase payments are due pursuant to Section 5.3(A) hereof. In any event, however, if on any Interest Payment Date, the balance in the Bond Fund is insufficient to make required payments of Debt Service Payments on the Bonds, the Company forthwith will pay to the Trustee, for the account of the Issuer and for deposit into the Bond Fund, any deficiency.

(F) Except for such interest of the Company as may hereafter arise pursuant to Section 411 of the Indenture, the Company and the Issuer each acknowledge that neither the Company nor the Issuer has any interest in the Credit Facility Account, the Redemption Premium Account, the Remarketing Proceeds Account or the Defeasance Account of the Bond Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders and, to the extent of draws under the Credit Facility, the Bank.

SECTION 5.4. NATURE OF OBLIGATIONS OF THE COMPANY HEREUNDER.

(A) The obligations of the Company to make the payments required by this Installment Sale Agreement and to perform and observe any and all of the other covenants and agreements on its part contained herein shall be general obligations of the Company and shall be absolute and unconditional irrespective of any defense or any right of set-off, recoupment, counterclaim or abatement that the Company may otherwise have against the Issuer, the Trustee or the Bank. The Company agrees that it will not suspend, discontinue or abate any payment required by, or fail to observe any of its other covenants or agreements contained in, this Installment Sale Agreement, or terminate this Installment Sale Agreement for any cause whatsoever, including, without limiting the generality of the foregoing, failure to complete the acquisition, construction or installation of the Project Facility, any defect in the title, design, operation, merchantability, fitness or condition of the Project Facility or any part thereof or in the suitability of the Project Facility or any part thereof for the Company's purposes or needs, failure of consideration for, destruction of or damage to, Condemnation of title to or the use of all or any part of the Project Facility, any change in the tax or other laws of the United States of America or of the State or any political subdivision thereof, or any failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with this Installment Sale Agreement.

(B) Nothing contained in this Section 5.4 shall be construed to release the Issuer from the performance of any of the agreements on its part contained in this Installment Sale Agreement, and, in the event the Issuer should fail to perform any such agreement, the Company may institute such action against the Issuer as the Company may deem necessary to compel performance or recover damages for non-performance (subject to the provisions of Section 11.10 hereof); provided, however, that the Company shall look solely to the Issuer's estate and interest in the Project Facility for the satisfaction of any right or remedy of the Company for the collection of a judgment (or other judicial process) requiring the payment of money by the Issuer in the event of any liability on the part of the Issuer, and no other Property or assets of the Issuer or of the members, officers, agents (other than the Company) or employees of the Issuer shall be subject to levy, execution, attachment or other enforcement procedure for the satisfaction of the Company's remedies under or with respect to this Installment Sale Agreement, the relationship of the Issuer and the Company hereunder or the Company's purchase of and title to the Project Facility, or any other liability of the Issuer to the Company.

SECTION 5.5. PREPAYMENT OF INSTALLMENT PURCHASE PAYMENTS. At any time that the Bonds are subject to redemption under Section 301(B) of the Indenture, the Company may, at its option, prepay, in whole or in part, the installment purchase payments payable hereunder by either (A) causing there to be Available Moneys in an amount equal to the Redemption Price of the Bonds being redeemed on deposit with the Trustee ninety-five (95) days prior to the date such moneys are to be applied to the redemption of such Bonds under Section 301 of the Indenture, or (B) delivering to the Trustee notice of its election to cause the redemption of such Bonds, together with a written assurance from the Bank that the Letter of Credit may be drawn upon to pay the Redemption Price of the Bonds being redeemed.

SECTION 5.6. [RESERVED]

SECTION 5.7. GRANT OF SECURITY INTEREST. The Company hereby grants the Issuer a security interest in all of the right, title and interest of the Company in the Project Facility and in all additions and accessions thereto and all proceeds thereof, all replacements and substitutions therefor and all proceeds thereof and all books, records and accounts of the Company pertaining to the Project Facility as security for payment of the installment purchase payments and all other payments and obligations of the Company hereunder. The Company hereby irrevocably appoints the Issuer as its attorney-in-fact to execute and deliver and file any instruments necessary or convenient to perfect and continue the security interest granted herein.

SECTION 5.8. THE CREDIT FACILITY.

(A) Prior to the initial delivery of the Initial Bonds to the Original Purchaser pursuant to Section 210 of the Indenture, the Company shall obtain and deliver, to the Trustee, the Credit Facility. The Credit Facility: (1) shall be issued initially by the Bank pursuant to the Reimbursement Agreement; (2) shall be dated the date of delivery of the Initial Bonds; (3) shall obligate the Bank to pay (a) an amount equal to the principal amount of the Bonds (i) to pay the principal of the Initial Bonds when due whether at stated maturity, upon redemption or acceleration or (ii) to enable the Tender Agent to pay the purchase price or portion of the purchase price equal to the principal amount of Initial Bonds purchased pursuant to Section 304 of the Indenture to the extent remarketing proceeds are not available for such purpose, plus (b) an amount equal to 98 days' interest accrued on the Initial Bonds at a rate of eight percent (8%) per annum (i) to pay interest on the Initial Bonds when due or (ii) to enable the Tender Agent to pay the portion of the purchase price of the Initial Bonds purchased pursuant to Section 304 of the Indenture equal to the interest accrued, if any, on such Bonds to the extent remarketing proceeds are not available for such purpose.

(B) The Company shall take whatever action may be reasonably necessary to maintain the Credit Facility in full force and effect during the period required by the Indenture, including the payment of any reasonable and documented transfer fees required by the Bank upon any transfer of the Credit Facility to any successor Trustee pursuant to Section 709 of the Indenture.

SECTION 5.9. EARLIER CONVEYANCE OF PROJECT FACILITY. Notwithstanding anything contained herein to the contrary, upon the occurrence and continuation of one Event of Default, the Agency may, without notice to the Company, cause the Company's interest in the Project Facility to be conveyed to the Company in accordance with Section 5.2 hereof.

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ARTICLE VI

MAINTENANCE, MODIFICATIONS, TAXES AND INSURANCE

SECTION 6.1. MAINTENANCE AND MODIFICATION OF THE PROJECT FACILITY. So long as any of the Bonds are Outstanding or any sums are due to the Bank under the Reimbursement Agreement, and during the term of this Installment Sale Agreement, the Company shall (1) keep the Project Facility in good condition and repair and preserve the same against waste, loss, damage and depreciation, ordinary wear and tear excepted, (2) make all necessary repairs and replacements to the Project Facility or any part thereof (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen), and (3) operate the Project Facility in a sound and economic manner.

SECTION 6.2. TAXES, ASSESSMENTS AND UTILITY CHARGES.

(A) The Company shall pay or cause to be paid, as the same respectively become due, (1) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Project Facility, (2) all utility and other charges, including "service charges", incurred or imposed for the operation, maintenance, use, occupancy, upkeep and improvement of the Project Facility, and (3) all assessments and charges of any kind whatsoever lawfully made against the Project Facility by any Governmental Authority for public improvements; provided that, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Company shall be obligated hereunder to pay only such installments as are required to be paid during all periods that any Bond shall be Outstanding and/or during the term of this Installment Sale Agreement or any other Financing Document.

(B) Notwithstanding the provisions of subsection (A) of this Section 6.2, the Company may withhold any such payment and the Company may in good faith actively contest any such taxes, assessments and other charges provided that the Company (1) first shall have notified the Issuer, the Trustee and the Bank in writing of such contest, (2) an Event of Default has not occurred under any of the Financing Documents, including, without limitation, the Reimbursement Agreement, (3) shall have set aside adequate reserves for any such taxes, assessments and other charges, and (4) demonstrates to the reasonable satisfaction of the Issuer, the Trustee and the Bank that the non-payment of such items will not subject the Lien of any Financing Document on the Project Facility, or subject the Project Facility or any part thereof, to loss or forfeiture. Otherwise, such taxes, assessments or charges shall be paid promptly or secured by posting a bond in form and substance satisfactory to the Issuer, the Trustee and the Bank.

SECTION 6.3. INSURANCE REQUIRED. So long as any Bond is Outstanding and/or during the term of this Installment Sale Agreement, the Company shall maintain insurance with respect to the Project Facility against such risks and for such amounts as are customarily insured against

by businesses of like size and type, paying, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:

(A) (1) During and prior to completion of the Project Facility, builder's risk (or equivalent coverage) insurance upon any work done or material furnished in connection with the acquisition and installation of the Project Facility, issued to the Company and the Issuer as insureds and the Trustee and the Bank as security holders and loss payees, as their interests may appear, and written in completed value form for the full insurable value of the Project Facility, and (2) at such time that builder's risk insurance is no longer available by virtue of completion of the acquisition and installation of the Project Facility, insurance protecting the interests of the Company and the Issuer as insureds and the Trustee and the Bank as security holders and loss payees, as their interests may appear, against loss or damage to the Project Facility by fire, lightning, vandalism, malicious mischief and other perils normally insured against with a uniform extended coverage endorsement, such insurance at all times to be in an amount not less than the greater of the total principal amount of the Bonds Outstanding or the actual cash value of the Project Facility as determined at least once every three (3) years by a recognized appraiser or insurer selected by the Company.

(B) To the extent applicable, workers' compensation insurance, disability benefits insurance and such other forms of insurance which the Company is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Company who are located at or assigned to the Project Facility or who are responsible for the acquisition or installation of the Project Facility.

(C) Insurance protecting the Company, the Issuer, the Trustee and the Bank against loss or losses from liabilities imposed by law or assumed in any written contract (including, without limitation, the contractual liability assumed by the Company under Sections 8.2, 8.13 and 8.14 of this Installment Sale Agreement) and arising from personal injury or death or damage to the Property of others caused by any accident or occurrence, with limits of not less than $1,000,000 per person per accident or occurrence on account of personal injury, including death resulting therefrom, and $1,000,000 per accident or occurrence on account of damage to the Property of others, excluding liability imposed upon the Company by any applicable workers' compensation law, and a separate umbrella liability policy with a limit of not less than $2,000,000.

(D) If the Project Facility is located within an area identified by the Secretary of Housing and Urban Development as having special flood hazards, insurance against loss by floods in an amount at least equal to the total principal amount of the Bonds Outstanding or to the maximum limit of coverage made available, whichever is less.

(E) THE ISSUER DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OR IN LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE COMPANY'S BUSINESS OR INTERESTS.

SECTION 6.4. ADDITIONAL PROVISIONS RESPECTING INSURANCE.

(A) All insurance required by Section 6.3 hereof shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the Company and authorized to write such insurance in the State and satisfactory and having a Best rating satisfactory to the Issuer and the Trustee. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Company is engaged. All policies evidencing such insurance shall name the Company and the Issuer as insureds and the Trustee and the Bank, as security holders and loss payees, as their interests may appear, and provide for at least thirty (30) days' written notice to the Company, the Issuer, the Trustee and the Bank prior to cancellation, lapse, reduction in policy limits or material change in coverage thereof. The insurance required by Section 6.3(A) hereof shall contain a standard mortgagee endorsement and a lender's loss payable clause endorsement in favor of the Trustee and the Bank, as security holders and loss payees, as their interests may appear. All insurance required hereunder shall be in form, content and coverage satisfactory to the Issuer and the Bank. Certificates satisfactory in form and substance to the Issuer and the Bank to evidence all insurance required hereby shall be delivered to the Issuer, the Trustee and the Bank on or before the Closing Date. The Company shall deliver to the Issuer and the Trustee on or before the first Business Day of each calendar year thereafter a certificate dated not earlier than the immediately preceding November 1 reciting that there is in full force and effect, with a term covering at least the next succeeding calendar year, insurance in the amounts and of the types required by Sections 6.3 and 6.4 hereof. At least thirty (30) days prior to the expiration of any such policy, the Company shall furnish to the Issuer, the Trustee and the Bank evidence that the policy has been renewed or replaced or is no longer required by this Installment Sale Agreement.

(B) All premiums with respect to the insurance required by Section 6.3 hereof shall be paid by the Company; provided, however, that, if the premiums are not timely paid, the Issuer, the Trustee or the Bank may pay such premiums and the Company shall pay immediately upon demand all sums so expended by the Issuer, the Trustee or the Bank, together with interest at the Default Interest Rate.

SECTION 6.5. APPLICATION OF NET PROCEEDS OF INSURANCE. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.3 hereof shall be applied as follows: (A) the Net Proceeds of the insurance required by Section 6.3(A) and 6.3(D) hereof shall be paid to the Trustee and applied as provided in Section 7.1 hereof, and (B) the Net Proceeds of the insurance required by Section 6.3(B) and 6.3(C) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

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ARTICLE VII
DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. DAMAGE OR DESTRUCTION.

(A) If the Project Facility shall be damaged or destroyed, in whole or in part:

(1) the Issuer shall have no obligation to replace, repair or restore the Project Facility;

(2) there shall be no abatement or reduction in the amounts payable by the Company under this Installment Sale Agreement or under any of the other Financing Documents (whether or not the Project Facility is replaced, repaired or restored);

(3) the Company shall promptly give notice thereof to the Issuer, the Trustee and the Bank; and

(4) except as otherwise provided in subsection (B) of this Section 7.1,

(a) the Company shall promptly replace, repair or restore the Project Facility to substantially the same condition and value as an operating entity as existed prior to such damage or destruction, with such changes, alterations and modifications as may be desired by the Company and consented to in writing by the Issuer, the Trustee and the Bank, provided that such changes, alterations or modifications do not (i) so change the nature of the Project Facility that it does not constitute a "project", as such quoted term is defined in the Act, or change the use of the Project Facility as specified in Section 3.2 hereof without the prior written consent of the Issuer and the Bank, or (ii) adversely affect the tax-exempt status of the interest payable on the Bonds; and

(b) pursuant to and in accordance with Section 406 of the Indenture, the Trustee shall make available to the Company (from the Net Proceeds of any insurance settlement) such moneys as may be necessary to pay the costs of the replacement, repair or restoration of the Project Facility. In the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair or restoration, the Company shall nonetheless complete such work and shall pay from its own moneys that portion of the costs thereof in excess of such Net Proceeds. Any balance of such Net Proceeds remaining in the Insurance and Condemnation Fund after payment of all of the costs of such replacement, repair, rebuilding or restoration shall be applied as provided in Section 406 of the Indenture.

(B) Notwithstanding anything to the contrary contained in subsection (A) of this Section 7.1, in the event that the damage to the Project Facility exceeds the sum of all Indebtedness then secured by a Lien on the Project Facility or any part thereof, the Company

shall not be obligated to replace, repair or restore the Project Facility, and the Net Proceeds of any insurance settlement shall not be applied as provided in subsection (A) of this Section 7.1, if the Company shall notify the Issuer, the Trustee and the Bank that it elects to cause the Bonds to be redeemed. In such event, or if an Event of Default shall have occurred and be continuing (or if an event exists which with the passage of time or notice or both would become an Event of Default), the lesser of (1) the total amount of the Net Proceeds collected under any and all policies of insurance covering the damage to or destruction of the Project Facility, or (2) the amount necessary to redeem the Bonds in whole and all interest accrued thereon, together with any other sums payable to the Issuer or the Trustee pursuant to this Installment Sale Agreement and the Bank pursuant to the Reimbursement Agreement, shall be transferred by the Trustee from the Insurance and Condemnation Fund to the Bond Fund to be applied to the redemption of the Bonds and payment of all such amounts to the Issuer, the Trustee and the Bank. If the Net Proceeds collected under any and all policies of insurance are less than the amount necessary to redeem the Bonds in full and pay any and all amounts payable to the Issuer, the Trustee and the Bank, the Company shall pay the difference between such amounts and the Net Proceeds of all insurance settlements so that all of the Bonds then Outstanding shall be redeemed and any and all amounts payable under the Financing Documents to the Issuer, the Trustee and the Bank shall be paid in full.

(C) If there are no Bonds Outstanding and all other amounts due under this Installment Sale Agreement and the other Financing Documents are paid in full, all such Net Proceeds or the balance thereof shall be paid to the Company for its purposes.

(D) Unless an Event of Default under any of the Financing Documents shall have occurred and be continuing (or if an event exists which with the passage of time or notice or both would become an Event of Default), the Company may, with the prior written consent of the Bank, adjust all claims under any policies of insurance required by Section 6.3(A) and 6.3(D) hereof.

SECTION 7.2. CONDEMNATION.

(A) To the knowledge of the Company, no condemnation or eminent domain proceeding has been commenced or threatened against any part of the Project Facility. The Company shall notify the Issuer and the Bank of the institution of any condemnation proceedings and, within seven days after inquiry from the Issuer and the Bank, inform the Issuer and the Bank in writing of the status of such proceeding. If title to, or the use of, less than substantially all of the Project Facility shall be taken by Condemnation:

(1) the Issuer shall have no obligation to restore the Project Facility;

(2) there shall be no abatement or reduction in the amounts payable by the Company under this Installment Sale Agreement or under any of the other Financing Documents (whether or not the Project Facility is restored);

(3) the Company shall promptly give notice thereof to the Issuer, the Trustee and the Bank; and

(4) except as otherwise provided in subsection (B) of this Section 7.2,

(a) the Company shall promptly restore the Project Facility (excluding any part of the Land or the Facility taken by Condemnation) to substantially the same condition and value as an operating entity as existed prior to such Condemnation, with such changes, alterations and modifications as may be desired by the Company and consented to in writing by the Issuer and the Bank, provided that such changes, alterations or modifications do not (i) so change the nature of the Project Facility that it does not constitute a "project" as such quoted term is defined in the Act, or change the use of the Project Facility as specified in Section 3.2 hereof without the prior written consent of the Issuer and the Bank, or (ii)adversely affect the tax-exempt status of the interest payable on the Bonds; and

(b) pursuant to and in accordance with Section 406 of the Indenture, the Trustee shall make available to the Company (from the Net Proceeds of any Condemnation award) such moneys as may be necessary to pay the costs of the restoration of the Project Facility. In the event such Net Proceeds are not sufficient to pay in full the costs of such restoration, the Company shall nonetheless complete such restoration and shall pay from its own moneys that portion of the costs thereof in excess of such Net Proceeds. Any balance of such Net Proceeds remaining after payment of all of the costs of such restoration shall be applied in accordance with Section 406 of the Indenture.

(B) Notwithstanding anything to the contrary contained in subsection (A) of this Section 7.2, in the event the taking of the Project Facility or any part thereof exceeds the sum of all Indebtedness then secured by a lien on the Project Facility or any part thereof, the Company shall not be obligated to restore the Project Facility, and the Net Proceeds of any Condemnation award shall not be applied as provided in subsection (A) of this Section 7.2, if the Company shall notify the Issuer, the Trustee and the Bank that it elects to cause the redemption of the Bonds. In such event, or if an Event of Default under any of the Financing Documents shall have occurred and be continuing, (or if an event exists which with the passage of time or notice or both would become an Event of Default) the lesser of (1) the Net Proceeds of any Condemnation award, or (2) the amount necessary to redeem the Bonds in whole and all interest accrued thereon, together with any other sums payable to the Issuer or the Trustee pursuant to this Installment Sale Agreement or to the Bank pursuant to the Reimbursement Agreement, shall be transferred by the Trustee from the Insurance and Condemnation Fund to the Bond Fund to be applied to the redemption of the Bonds and payment of all such amounts to the Issuer, the Trustee and the Bank. If the Net Proceeds of any Condemnation award are less than the amount necessary to redeem the Bonds in full and pay any and all amounts payable to the Issuer, the Trustee and the Bank, the Company shall pay the difference between such amounts and such Net Proceeds so that all of the Bonds Outstanding shall be redeemed and any and all amounts payable under the Financing Documents to the Issuer, the Trustee and the Bank shall be paid in full.

(C) If title to, or use of, all or substantially all of the Project Facility shall be taken by Condemnation:

(1) neither the Issuer nor the Company shall have any obligation to restore the Project Facility;

(2) there shall be no abatement or reduction in the amounts payable by the Company under this Installment Sale Agreement (or under any of the other Financing Documents); and

(3) the Net Proceeds of any Condemnation award shall be applied as provided in subsection (B) of this Section 7.2.

(D) If there are no Bonds Outstanding and all other amounts due under this Installment Sale Agreement and the other Financing Documents have been paid in full, all such Net Proceeds or the balance thereof shall be paid to the Company for its purposes.

(E) Unless an Event of Default under any of the Financing Documents shall have occurred and be continuing (or if an event exists which with the passage of time or notice or both would become an Event of Default), the Company shall (but only upon the prior written consent of the Bank) have sole control of any Condemnation proceeding with respect to the Project Facility or any part thereof and may (but only upon the prior written consent of the Bank) negotiate the settlement of any such proceeding. The Company shall notify the Issuer, the Trustee and the Bank of the institution of any Condemnation proceedings and within seven days after inquiry from the Issuer, the Trustee or the Bank shall inform the Issuer, the Trustee and the Bank in writing as to the status of such proceeding.

(F) The Issuer shall, at the expense of the Company, cooperate fully with the Company in the handling and conduct of any such Condemnation proceeding. In no event shall the Issuer voluntarily settle, or consent to the settlement of, any Condemnation proceeding without the written consent of the Company and the Trustee and the Bank.

SECTION 7.3. ADDITIONS TO THE PROJECT FACILITY. All replacements, repairs or restoration made pursuant to Sections 7.1 or 7.2, whether or not requiring the expenditure of the Company's own money, shall automatically become part of the Project Facility as if the same were specifically described herein.

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ARTICLE VIII

SPECIAL COVENANTS

SECTION 8.1. NO WARRANTY OF CONDITION OR SUITABILITY BY ISSUER; ACCEPTANCE "AS IS". THE ISSUER MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE PROJECT FACILITY OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE PROJECT FACILITY OR ANY PART THEREOF FOR THE COMPANY'S PURPOSES OR NEEDS. THE COMPANY SHALL ACCEPT TITLE TO THE PROJECT FACILITY "AS IS", WITHOUT RECOURSE OF ANY NATURE AGAINST THE ISSUER FOR ANY CONDITION NOW OR HEREAFTER EXISTING. NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY IS MADE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

SECTION 8.2. HOLD HARMLESS PROVISIONS.

(A) The Company hereby releases the Issuer and its members, officers, agents (other than the Company) and employees from, agrees that the Issuer and its members, officers, agents (other than the Company) and employees shall not be liable for and agrees to indemnify, defend and hold the Issuer and its members, officers, agents (other than the Company) and employees harmless from and against any and all claims, causes of action, judgments, liabilities, damages, losses, costs and expenses arising as a result of the Issuer's undertaking the Project, including, but not limited to, (1) liability for loss or damage to Property or bodily injury to or death of any and all Persons that may be occasioned, directly or indirectly, by any cause whatsoever pertaining to the Project Facility or arising by reason of or in connection with the occupation or the use thereof or the presence of any Person or Property on, in or about the Project Facility, (2) liability arising from or expense incurred by the Issuer's financing, acquiring, constructing, equipping, installing, owning or selling the Project Facility, including, without limiting the generality of the foregoing, any sales or use taxes which may be payable with respect to goods supplied or services rendered with respect to the Project Facility, all liabilities or claims arising as a result of the Issuer's obligations under this Installment Sale Agreement or any of the other Financing Documents or the enforcement of or defense of validity of any provision of any Financing Document, and all liabilities or claims arising as a result of or in connection with the offering, issuance, sale or resale of the Bonds, (3) all claims arising from the exercise by the Company of the authority conferred on it pursuant to Section 4.1(E) hereof, and (4) all causes of action and attorneys' fees and other expenses incurred in connection with any suits or actions which may arise as a result of any of the foregoing; provided that any such claims, causes of action, judgments, liabilities, damages, losses, costs or expenses of the Issuer are not incurred or do not result from the intentional wrongdoing of the Issuer or any of its members, officers, agents (other than the Company) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence in part of the Issuer or any of its officers, members,

agents (other than the Company) or employees and notwithstanding the breach of any statutory obligation or any rule of comparative or apportioned liability.

(B) In the event of any claim against the Issuer or its members, officers, agents (other than the Company) or employees by any employee of the Company or any contractor of the Company or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the obligations of the Company hereunder shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Company or such contractor under workers' compensation laws, disability benefits laws or other employee benefit laws.

(C) To effectuate the provisions of this Section 8.2, the Company agrees to provide for and insure, in the liability policies required by Section 6.3(C) of this Installment Sale Agreement, its liabilities assumed pursuant to this Section 8.2.

(D) Notwithstanding any other provisions of this Installment Sale Agreement, the obligations of the Company pursuant to this Section 8.2 shall remain in full force and effect after the termination of this Installment Sale Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses, charges and costs incurred by the Issuer, or its officers, members, agents (other than the Company) or employees, relating thereto.

SECTION 8.3. RIGHT OF ACCESS TO THE PROJECT FACILITY. The Company agrees that the Issuer, the Trustee and the Bank and their duly authorized agents shall have the right at all reasonable times to enter upon and to examine and inspect the Project Facility. The Company further agrees that the Issuer shall have such rights of access to the Project Facility as may be reasonably necessary to cause the proper maintenance of the Project Facility in the event of failure by the Company to perform its obligations hereunder.

SECTION 8.4. COMPANY NOT TO TERMINATE EXISTENCE OR DISPOSE OF ASSETS; CONDITIONS UNDER WHICH EXCEPTIONS ARE PERMITTED. The Company agrees that, so long as the Bonds are Outstanding and/or during the term of this Installment Sale Agreement, it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it; provided, however, that, if no Event of Default specified in Section 10.1 hereof shall have occurred and be continuing (or if no event exists which with the passage of time or notice or both would become an Event of Default), the Company may consolidate with or merge into another domestic corporation organized and existing under the laws of one of the states of the United States, or permit one or more such domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve, provided that (A) the Issuer and the Bank give their prior written consents (which consent of the Issuer will not be unreasonably withheld or delayed), (B) the surviving, resulting or transferee corporation assumes in writing all of the obligations of and restrictions on the

Company under this Installment Sale Agreement and the other Financing Documents, (C) the proposed transaction will not adversely affect the exclusion of the interest payable on the Bonds from the gross income of the Holders thereof for federal income tax purposes, and (D) as of the date of such transaction, the Trustee, the Bank and the Issuer shall be furnished with (1)an opinion of Bond Counsel as to the compliance with item (C) of this Section 8.4, (2) an opinion of counsel to the Company as to compliance with item (B) of this Section 8.4 and (3) a certificate, dated the effective date of such transaction, signed by an Authorized Representative of the Company and an authorized officer of the surviving, resulting or transferee corporation or the transferee of its assets, as the case may be, to the effect that immediately after the consummation of the transaction and after giving effect thereto, no Event of Default exists under this Installment Sale Agreement and no event exists which, with notice or lapse of time or both, would become such an Event of Default (unless waived by the Credit Facility Issuer or the Issuer, as the case may be).

SECTION 8.5. AGREEMENT TO PROVIDE INFORMATION. The Company agrees, whenever requested by the Issuer, the Trustee or the Bank, to provide and certify or cause to be provided and certified such information concerning the Company, its finances and other topics as the Issuer, the Trustee or the Bank from time to time reasonably considers necessary or appropriate, including, but not limited to, such information as to enable the Issuer, the Trustee or the Bank to make any reports required by law or governmental regulation. Notwithstanding the foregoing, the Company shall have no obligation to provide any financial information to the Issuer or the Trustee, except for such financial information as may be necessary for the Issuer or the Trustee to provide any reports required by Applicable Law.

SECTION 8.6. BOOKS OF RECORD AND ACCOUNT; COMPLIANCE CERTIFICATES.

(A) The Company agrees to maintain proper accounts, records and books in which full and correct entries shall be made, in accordance with generally accepted accounting principles, of all business and affairs of the Company.

(B) As soon as possible after the end of each fiscal year of the Company so long as any Bond shall be Outstanding, the Company shall furnish to the Issuer and the Bank a certificate of an Authorized Representative of the Company stating that no Event of Default hereunder has occurred or is continuing or, if any Event of Default exists, specifying the nature and period of existence thereof and what action the Company has taken or proposes to take with respect thereto, and setting forth the unpaid principal balance of the Bonds and accrued but unpaid interest thereon and that no defenses, offsets or counterclaims exist with respect to the indebtedness evidenced thereby.

SECTION 8.7. COMPLIANCE WITH APPLICABLE LAWS.

(A) The Company agrees, for the benefit of the Issuer, the Trustee and the Bank, that it will, during any period in which any Bond is Outstanding and during the term of this Installment Sale Agreement, promptly comply in all material respects with all Applicable Laws.

(B) Notwithstanding the provisions of subsection (A) of this Section 8.7, the Company may in good faith actively contest the validity or the applicability of any Applicable Law, provided that the Company (1) first shall have notified the Issuer, the Trustee and the Bank in writing of such contest, (2) is not in default under any of the Financing Documents, (3) shall have set aside adequate reserves for any such requirement, and (4) demonstrates to the reasonable satisfaction of the Issuer and the Bank that noncompliance with such Applicable Law will not endanger the Liens of the Financing Documents as to the Project Facility or subject the Project Facility or any part thereof to loss or forfeiture. Otherwise, the Company shall promptly take such action with respect thereto as shall be reasonably satisfactory to the Issuer and the Bank.

(C) Notwithstanding the provisions of subsection (B) of this Section 8.7, if the Issuer or any of its members, officers, agents (other than the Company), servants or employees may be liable for prosecution for failure to comply therewith, the Company shall promptly take such action with respect thereto as shall be reasonably satisfactory to the Issuer.

SECTION 8.8. DISCHARGE OF LIENS AND ENCUMBRANCES.

(A) The Company hereby agrees not to create or suffer to be created any Lien, except for Permitted Encumbrances, on the Project Facility or any part thereof or any funds of the Issuer applicable to the Project Facility.

(B) Notwithstanding the provisions of subsection (A) of this Section 8.8, the Company may in good faith actively contest any such Lien, provided that the Company (1) first shall have notified the Issuer, the Trustee and the Bank in writing of such contest, (2) is not in default under any of the Financing Documents, and (3) such Lien shall be removed promptly by the Company or secured by the Company's posting a bond in form and substance satisfactory to the Issuer and the Bank.

SECTION 8.9. PERFORMANCE OF THE COMPANY'S OBLIGATIONS. Should the Company fail to make any payment or to do any act as herein provided, the Issuer, the Trustee or the Bank may, but need not, without notice to or demand on the Company and without releasing the Company from any obligation herein, make or do the same, including, without limitation, appearing in and defending any action purporting to affect the rights or powers of the Company or the Issuer, and paying all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the Issuer, the Trustee or the Bank in connection therewith; and the Company shall pay immediately upon demand all sums so incurred or expended by the Issuer, the Trustee or the Bank under the authority hereof, together with interest thereon, at the Default Interest Rate.

SECTION 8.10. DEPRECIATION DEDUCTIONS AND TAX CREDITS. The parties agree that as between them the Company shall be entitled to all depreciation deductions and accelerated cost recovery system deductions with respect to any portion of the Project Facility pursuant to Sections 167 and 168 of the Code and to any investment credit pursuant to Section 38 of the Code with respect to any portion of the Project Facility which constitutes "Section 38

Property" and to all other state and/or federal income tax deductions and credits which may be available with respect to the Project Facility.

SECTION 8.11. COVENANT AGAINST ARBITRAGE BONDS. So long as any Bond shall be Outstanding, neither the Issuer nor the Company shall use, or direct or permit the use of, the proceeds of the Bonds or any other moneys within their respective control (including, without limitation, the proceeds of any insurance settlement or any Condemnation award with respect to the Project Facility) in any manner which, if such use had been reasonably expected on the date of issuance of the Bonds, would have caused any of the Bonds to be an "arbitrage bond" within the meaning ascribed to such quoted term in Section 148 of the Code. The Company agrees that it will comply with all of its covenants in the Tax Regulatory Agreement relating to the restrictions contained in Section 148 of the Code. The Issuer authorizes the Company, in the Issuer's behalf, to calculate and make the rebate payments required by Section 148 (f) of the Code. Notwithstanding the foregoing, there shall be no such obligation upon the Issuer with respect to the use or investment of its administrative fee, provided, however, that if the Company is required to rebate any amount with respect to such administrative fee, the Issuer shall provide, upon the reasonable request of the Company, such information concerning the investment of such administrative fee as shall be requested by the Company and as shall be reasonably available to the Issuer.

SECTION 8.12. IDENTIFICATION OF EQUIPMENT. All Equipment which is or may become part of the Project Facility pursuant to the provisions of this Installment Sale Agreement shall be properly identified by the Company by such appropriate records, including computerized records.

SECTION 8.13. INDEMNIFICATION OF THE TRUSTEE.

(A) Notwithstanding any other provisions of the Financing Documents, the Company agrees to indemnify and hold the Trustee, and its directors, officers, agents and employees, harmless from and against any and all claims, causes of action, judgments, liabilities, damages, losses, costs and expenses, including, but not limited to, reasonable attorneys' fees, arising out of the execution, delivery or performance of the Financing Documents, provided that the same are not a result of the gross negligence or willful misconduct of the Trustee.

(B) Notwithstanding any other provisions of this Installment Sale Agreement or other Financing Documents, the obligations of the Company pursuant to this Section 8.13 shall remain in full force and effect after the termination of this Installment Sale Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all reasonable fees, expenses and charges paid or incurred by the Trustee, or its directors, officers, agents or employees, relating thereto.

(C) To effectuate the provisions of this Section 8.13, the Company agrees to provide for and insure, in the liability policies required by Section 6.3(C) of this Installment Sale Agreement, its liabilities assumed pursuant to this Section 8.13.

SECTION 8.14. INDEMNIFICATION OF THE BANK.

(A) Notwithstanding any other provisions of the Financing Documents, the Company agrees to indemnify and hold the Bank, and its directors, officers, agents and employees, harmless from and against any and all claims, causes of action, judgments, liabilities, damages, losses, costs and expenses, including, but not limited to, reasonable attorneys' fees, arising out of the execution, delivery or performance of the Financing Documents, provided that the same are not a result of the gross negligence or willful misconduct of the Bank.

(B) Notwithstanding any other provisions of this Installment Sale Agreement or other Financing Documents, the obligations of the Company pursuant to this Section 8.14 shall remain in full force and effect after the termination of this Installment Sale Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters herein described may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all reasonable fees, expenses and charges paid or incurred by the Bank, or its directors, officers, agents or employees, relating thereto.

(C) To effectuate the provisions of this Section 8.14, the Company agrees to provide for and insure, in the liability policies required by Section 6.3(C) of this Installment Sale Agreement, its liabilities assumed pursuant to this Section 8.14.

SECTION 8.15. EMPLOYMENT OPPORTUNITIES.

(A) The Company shall insure that all employees and applicants for employment with regard to the Project are afforded equal employment opportunities without discrimination.

(B) Pursuant to Section 858-b of the Act, except as otherwise provided by collective bargaining contracts or agreements, the Company agrees (1) to list all new employment opportunities created as a result of the Project with the New York State Department of Labor, Community Services Division ("NYSDOL") and with the administrative entity (collectively with NYSDOL, the "JTPA Referral Entities") of the service delivery area created by the federal Job Training Partnership Act (P.L. No. 97-300) ("JTPA") in which the Project Facility is located and (2), where practicable, to first consider for such new employment opportunities persons eligible to participate in federal JTPA programs who shall be referred by the JTPA Referral Entities.

(C) The Company agrees to file with the Issuer, on an annual basis, reports regarding the number of people employed at the Project Facility and certain other matters, in such form as shall be reasonably requested by the Issuer.

SECTION 8.16. SALES AND USE TAX EXEMPTION.

(A) Pursuant to Section 854 (14) of the Act, the parties understand that the Issuer is exempt from certain sales taxes and use taxes imposed by the State and local governments in the State, and that the Project may be exempted from those taxes due to the involvement of the

Issuer in the Project. The Issuer makes no representations or warranties that any property is exempt from the payment of New York sales or use taxes. Any exemption from the payment of New York sales or use taxes resulting from the involvement of the Issuer with the Project shall be limited to purchases of services and tangible personal property conveyed to the Issuer or utilized by the Issuer or by the Company as agent of the Issuer as a part of the Project prior to the Completion Date, or incorporated within the Project Facility prior to the Completion Date. No operating expenses of the Project Facility, and no other purchases of services or property shall be subject to an exemption from the payment of New York sales or use tax.

(B) Pursuant to the provisions of Section 4.1 hereof, on the Closing Date, the Issuer intends to issue to the Company a sales tax exemption letter in substantially the form attached hereto as Exhibit D (the "Sales Tax Exemption Letter").

(C) Pursuant to Section 874(8) of the Act, the Company agrees to annually file with the New York State Department of Taxation and Finance, on a form and in such manner as is prescribed by the New York State Commissioner of Taxation and Finance (the "Annual Report"), a statement of the value of all sales and use tax exemptions claimed by the Company and all contractors, subcontractors, consultants and other agents of the Company under the authority granted to the Company pursuant to Section 4.1(E) of this Installment Sale Agreement and/or the Final Inducement Resolution and/or the Sales Tax Exemption Letter. Pursuant to Section 874(8) of the Act, the penalty for failure to file an Annual Report shall be removal of authority to act as agent of the Issuer. Additionally, if the Company shall fail to comply with the requirements of this subsection (C), the Company shall immediately cease to be the agent of the Issuer in connection with the Project. A current sample form of such Annual Report required to be completed by the Company pursuant to this Installment Sale Agreement is attached hereto as Exhibit E. For future filings of the Annual Report, the Company is responsible for obtaining from the New York State Department of Taxation and Finance any updated or revised versions of such Annual Report.

(D) The Company agrees to furnish to the Issuer a copy of each such annual report submitted to the New York State Department of Taxation and Finance by the Company pursuant to Section 874(8) of the Act.

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ARTICLE IX

ASSIGNMENTS; MERGER OF THE ISSUER

SECTION 9.1. ASSIGNMENT OF INSTALLMENT SALE AGREEMENT BY THE COMPANY. This Installment Sale Agreement may not be assigned by the Company, in whole or in part, without the prior written consent of the Issuer and the Bank.

SECTION 9.2. PLEDGE AND ASSIGNMENT OF ISSUER'S INTERESTS TO TRUSTEE.

(A) The Issuer has pledged and assigned certain of its rights and interests under and pursuant to this Installment Sale Agreement (1) pursuant to the terms of the Pledge and Assignment to the Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds and (2) pursuant to the Security Agreement, to the Bank as security for the payment of all obligations of the Company under the Reimbursement Agreement. Such pledge and assignment shall in no way impair or diminish any obligations of the Issuer under this Installment Sale Agreement.

(B) The Company hereby acknowledges receipt of notice of and consents to such pledge and assignment by the Issuer to the Trustee and the Bank and specifically agrees to perform for the benefit of the Trustee and the Bank all of its duties and undertakings hereunder (except duties undertaken with respect to the Unassigned Rights).

SECTION 9.3. MERGER OF THE ISSUER.

(A) Nothing contained in this Installment Sale Agreement shall prevent the consolidation of the Issuer with, or merger of the Issuer into, or assignment by the Issuer of its rights and interests hereunder to, any other public benefit corporation of the State or political subdivision thereof which has the legal authority to perform the obligations of the Issuer hereunder, provided that (1) the exclusion of the interest payable on the Bonds from gross income for Federal income tax purposes shall not be adversely affected thereby; and (2) upon any such consolidation, merger or assignment, the due and punctual performance and observance of all of the agreements and conditions of this Installment Sale Agreement, the Bonds and the Indenture to be kept and performed by the Issuer shall be expressly assumed in writing by the public benefit corporation or political subdivision resulting from such consolidation or surviving such merger or to which the Issuer's rights and interests hereunder or under this Installment Sale Agreement shall be assigned.

(B) As of the date of any such consolidation, merger or assignment, the Issuer shall give notice thereof in reasonable detail to the Company, the Trustee and the Bank. The Issuer shall promptly furnish to the Trustee, the Company and the Bank such additional information with respect to any such consolidation, merger or assignment as the Trustee, the Company and the Bank may reasonably request.

SECTION 9.4. SALE OR LEASE OF THE PROJECT FACILITY.

(A) Except as otherwise provided herein, the Company may not sell, lease, transfer, convey or otherwise dispose of the Project Facility or any part thereof without the prior written consent of the Bank.

(B) In no event, however, shall the Bank consent to any sale, lease, transfer, sublease, conveyance or other disposition of the Project Facility, or any part thereof, prior to receipt of an opinion of Bond Counsel that such disposition will not adversely affect the exclusion of the interest payable on the Bonds from gross income of the holders thereof for Federal income tax purposes.

(C) Notwithstanding anything to the contrary contained herein, in any instance after the Completion Date where the Company reasonably determines that any portion of the Project Facility has become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Company may remove such portion of the Project Facility and may sell, trade in, exchange or otherwise dispose of the same, as a whole or in part, without the prior written consent of the Issuer, provided that such removal will not materially impair the value of the Project Facility as collateral and provided, further, that same is forthwith replaced with similar items of similar utility, free from all Liens other than the Liens created by the Financing Documents. At the request of the Company, the Issuer shall execute and deliver, and shall request the Trustee and the Bank to execute and deliver, to the Company all instruments necessary or appropriate to enable the Company to sell or otherwise dispose of any such portion of the Project Facility free from the Liens of the Financing Documents. The Company shall pay all costs and expenses (including counsel fees) incurred in transferring title to and releasing from the Liens of the Financing Documents any portion of the Project Facility removed pursuant to this Section 9.4.

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ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1. EVENTS OF DEFAULT DEFINED.

(A) The following shall be "Events of Default" under this Installment Sale Agreement, and the terms "Event of Default" or "Default" shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(1) A default by the Company in the due and punctual payment of the amounts specified to be paid pursuant to Section 5.3(A) hereof.

(2) A default in the performance or observance of any other of the covenants, conditions or agreements on the part of the Company in this Installment Sale Agreement and the continuance thereof for a period of thirty (30) days after written notice thereof is given by the Issuer, the Trustee or the Bank to the Company, or, if such covenant, condition or agreement is capable of cure but cannot be cured within such thirty (30) day period, the failure of the Company to continence to cure within such thirty (30) day period and to prosecute the same with due diligence and, in any event, to cure such default within ninety (90) days after such written notice is given.

(3) The occurrence of an "Event of Default" under any other Financing Document.

(4) Any representation or warranty made by the Company herein or in any other Financing Document proves to have been false at the time it was made.

(5) The Company shall generally not pay its debts as such debts become due or admits its inability to pay its debts as they become due.

(6) Any sale, conveyance, lease agreement or any other change of ownership of the Project Facility, whether occurring voluntarily or involuntarily, or by operation of law or otherwise, by the Issuer or the Company (except pursuant to this Installment Sale Agreement) of their respective interest in the Project Facility or any part thereof, or the granting of any easements or restrictions or the permitting of any encroachments on the Project Facility, except as permitted in this Installment Sale Agreement.

(7) (a) The filing by the Company (as debtor) of a voluntary petition under Title 11 of the United States Code or any other federal or state bankruptcy statute; (b) the failure by the Company within ninety (90) days to lift any execution, garnishment or attachment of such consequence as will impair the Company's ability to carry out its obligations hereunder; (c) the commencement of a case under Title 11 of the United States Code against the Company as the debtor or commencement under any other federal or state bankruptcy statute of a case, action or proceeding against the Company

and continuation of such case, action or proceeding without dismissal for a period of ninety (90) days; (d)the entry of an order for relief by a court of competent jurisdiction under Title 11 of the United States Code or any other federal or state bankruptcy statute with respect to the debts of the Company; or (e) in connection with any insolvency or bankruptcy case, action or proceeding, appointment by final order, judgment or decree of a court of competent jurisdiction of a receiver or trustee of the whole or a substantial portion of the Property of the Company, unless such order, judgment or decree is vacated, dismissed or dissolved within ninety (90) days of such appointment.

(8) Final judgment for the payment of money in excess of $250,000 shall be rendered against the Company and the Company shall not discharge the same or cause it to be bonded or discharged within sixty (60) days from the entry thereof, or shall not appeal therefrom or from the order, decree or process upon which or pursuant to which said judgment was granted, based or entered and secure a stay of execution pending such appeal.

(9) The imposition of a Lien on the Project Facility other than a Lien being contested as provided in Section 8.8(B) of this Installment Sale Agreement or a Permitted Encumbrance.

(10) The removal of the Equipment or any portion thereof outside Warren or Washington County, New York, without the prior written consent of the Issuer and the Bank, other than in connection with a removal under Section 9.4(C) hereof.

(B) Notwithstanding any other provision of this Installment Sale Agreement, failure of the Company to comply with Section 8.6(B) of this Installment Sale Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any underwriter or the Holders of at least 51 % aggregate principal amount in Outstanding Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company to comply with its obligations under Section 8.6(B) hereof.

(C) Notwithstanding the provisions of Section 10.1(A) hereof, if by reason of force majeure (as hereinafter defined) either party hereto shall be unable, in whole or in part, to carry out its obligations under this Installment Sale Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Trustee within a reasonable time after the occurrence of the event or cause relied upon, the obligations under this Installment Sale Agreement of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The suspension of such obligations for such period pursuant to this subsection (B) shall not be deemed an Event of Default under this Section 10. 1. Notwithstanding anything to the contrary in this subsection (B), an event of force majeure shall not excuse, delay or in any way diminish the obligations of the Company to make the payments required by Sections 4.5, 5.3 and 6.6 hereof, to obtain and continue in full force and effect the insurance required by Article VI hereof, to provide the indemnity required by Sections 3.3, 8.2, 8.13 and 8.14 hereof and to comply with the provisions of Sections 2.2(G), 4.5,

8.2, 8.4, 8.5 and 8.7(C) hereof. The term "force majeure" as used herein shall include acts outside of the control of the Issuer and the Company, including but not limited to acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of any Governmental Authority or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, partial or entire failure of utilities, or any other cause or event not reasonably within the control of the party claiming such inability. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout or other industrial disturbances by acceding to the demands of the opposing party or parties.

SECTION 10.2. REMEDIES ON DEFAULT.

(A) Whenever any Event of Default shall have occurred, the Issuer, the Trustee and/or the Bank may, to the extent permitted by law, take any one or more of the following remedial steps:

(1) declare, by written notice to the Company, to be immediately due and payable, whereupon the same shall become immediately due and payable, (a) all unpaid installment purchase payments payable pursuant to Section 5.3(A) hereof, and (b) all other payments due under this Installment Sale Agreement or under any other Financing Document;

(2) terminate this Installment Sale Agreement;

(3) take any other action at law or in equity which may appear necessary or desirable to collect any amounts then due or thereafter to become due hereunder and to enforce the obligations, agreements or covenants of the Company under this Installment Sale Agreement; or

(4) terminate disbursement of the Bond Proceeds.

(B) Any sums paid to the Issuer as a consequence of any action taken pursuant to this Section 10.2 (excepting sums payable to the Issuer as a consequence of action taken to enforce the Unassigned Rights) shall be paid to the Trustee and applied in accordance with the provisions of Section 609 of the Indenture.

(C) No action taken pursuant to this Section 10.2 shall relieve the Company from its obligations to make all payments required by this Installment Sale Agreement and the other Financing Documents.

SECTION 10.3. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Issuer, the Trustee or the Bank is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given

under this Installment Sale Agreement or the other Financing Documents or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer, the Trustee or the Bank to exercise any remedy reserved to it in this Article X, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 10.4. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES. In the event the Company should default under any of the provisions of this Installment Sale Agreement, and the Issuer, the Trustee or the Bank should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of performance or observance of any obligations or agreements on the part of the Company herein contained, the Company shall, on demand therefor, pay to the Issuer, the Trustee or the Bank, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred, whether an action is commenced or not.

SECTION 10.5. NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER. In the event any agreement contained herein should be breached by either party and thereafter such breach be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

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ARTICLE XI

MISCELLANEOUS

SECTION 11.1. NOTICES.

(A) All notices, certificates and other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when (1) sent to the applicable address stated below by registered or certified mail, return receipt requested, or by such other means as shall provide the sender with documentary evidence of such delivery, or (2) delivery is refused by the addressee, as evidenced by the affidavit of the Person who attempted to effect such delivery.

(B) The addresses to which notices, certificates and other communications hereunder shall be delivered are as follows:

IF TO THE ISSUER:

Counties of Warren and Washington Industrial Development Agency
5 Warren Street
Glens Falls, New York 12801
Attention: Chairman

WITH A COPY TO:

Fitzgerald Morris Baker Firth P.C.
One Broad Street Plaza
Glens Falls, New York 12801
Attention: Robert C. Morris

IF TO THE COMPANY:

Angiodynamics, Inc.
603 Queensbury Avenue
Queensbury, New York 12804
Attention: Eamonn P. Hobbs, President and Chief Executive Office
Joseph Gerardi, Vice President and Controller

WITH A COPY TO:

Kevin J. Kelley, Esq.
Bond, Schoeneck & King, PLLC
111 Washington Ave
Albany, New York 12210

IF TO THE TRUSTEE:

The Huntington National Bank
7 Easton Oval - EA4E63
Columbus, Ohio 43219
Attention: Corporate Trust Department

IF TO THE BANK:

KeyBank National Association
Commercial Banking Division
66 South Pearl
Albany, New York 12207
Attention: Bryant Cassella

WITH A COPY TO:
Lemery Greisler, LLC
10 Railroad Place
Saratoga Springs, New York 12866
Attention: James A. Carminucci, Esq.

(C) A duplicate copy of each notice, certificate and other communication given hereunder by (1) the Issuer or the Company shall also be given to the Trustee, and (2) the Company, the Issuer or the Trustee shall also be given to the Bank.

(D) The Issuer, the Company, the Trustee and the Bank may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

SECTION 11.2. BINDING EFFECT. This Installment Sale Agreement shall inure to the benefit of the Issuer, the Company, the Trustee, the holders of the Bonds and the Bank and shall be binding upon the Issuer, the Company and, as permitted by this Installment Sale Agreement, their respective successors and assigns.

SECTION 11.3. SEVERABILITY. If any one or more of the covenants or agreements provided herein on the part of the Issuer or the Company to be performed shall, for any reason, be held or shall, in fact, be inoperative, unenforceable or contrary to law in any particular case, such circumstance shall not render the provision in question inoperative or unenforceable in any other case or circumstance. Further, if any one or more of the phrases, sentences, clauses, paragraphs or sections herein shall be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Installment Sale Agreement.

SECTION 11.4. AMENDMENT. This Installment Sale Agreement may not be amended, changed, modified, altered or terminated, except by an instrument in writing signed by the parties hereto, with the written consent of the Trustee and the Bank.

SECTION 11.5. EXECUTION OF COUNTERPARTS. This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 11.6. APPLICABLE LAW. This Installment Sale Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

SECTION 11.7. RECORDING AND FILING.

(A) The Installment Sale Agreement (or a memorandum thereof), the Pledge and Assignment, the Mortgage and financing statements relating to the security interests created and/or assigned thereby shall be recorded or filed, as the case may be, by the Issuer in the office of the County Clerk of Warren County, New York, or in such other office as may at the time be provided by law as the proper place for the recordation or filing thereof.

(B) The Issuer and the Company shall execute and deliver all instruments and shall furnish all information which the Trustee or the Bank may deem necessary or appropriate to protect any Lien created or contemplated by this Installment Sale Agreement or any of the other Financing Documents.

SECTION 11.8. SURVIVAL OF OBLIGATIONS.

(A) The obligations of the Company to make the payments required by Section 5.3(B) hereof and to provide the indemnity required by Sections 3.3, 8.2, 8.13 and 8.14 hereof shall survive the termination of this Installment Sale Agreement and the full payment of the Bonds, and all such payments after such termination shall be made upon demand of the party to whom such payment is due.

(B) The obligations of the Company with respect to the Unassigned Rights shall survive the termination of this Installment Sale Agreement until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the Unassigned Rights may be brought and the payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses and charges incurred by the Issuer, or its officers, members, agents or employees, relating thereto.

(C) The obligation of the Company to make installment purchase payments under Section 5.3(A) with respect to any premium due on the Bonds upon an occurrence of an Event of Taxability hereof shall survive the termination of this Installment Sale Agreement.

SECTION 11.9. TABLE OF CONTENTS AND SECTION HEADINGS NOT CONTROLLING. The Table of Contents and the headings of the several Sections in this Installment Sale Agreement have been prepared for convenience of reference only and shall not

control, affect the meaning of or be taken as an interpretation of any provision of this Installment Sale Agreement.

SECTION 11.10. NO RECOURSE; SPECIAL OBLIGATION.

(A) The obligations and agreements of the Issuer contained herein and in the other Financing Documents and any other instrument or document executed in connection herewith or therewith, and any other instrument or document supplemental thereto or hereto, shall be deemed the obligations and agreements of the Issuer, and not of any member, officer, director, agent (other than the Company) or employee of the Issuer in his individual capacity, and the members, officers, directors, agents (other than the Company) and employees of the Issuer shall not be liable personally hereon or thereon or be subject to any personal liability or accountability based upon or in respect hereof or thereof or of any transaction contemplated hereby or thereby.

(B) The obligations and agreements of the Issuer contained herein and therein shall not constitute or give rise to an obligation of the State of New York or the Counties of Warren and Washington, New York, and neither the State of New York nor the Counties of Warren and Washington, New York shall be liable hereon or thereon, and, further, such obligations and agreements shall not constitute or give rise to a general obligation of the Issuer, but rather shall constitute limited obligations of the Issuer payable solely from the revenues of the Issuer derived and to be derived from the sale or other disposition of the Project Facility (except for revenues derived by the Issuer with respect to the Unassigned Rights).

(C) No order or decree of specific performance with respect to any of the obligations of the Issuer hereunder shall be sought or enforced against the Issuer unless (1) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Issuer shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (2) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses, and (3) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents (other than the Company) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify, defend and hold harmless the Issuer and its members, officers, directors, agents (other than the Company) and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Issuer, furnish to the Issuer satisfactory security to protect the Issuer and its members, officers, directors, agents (other than the Company) and employees against all liability expected to be incurred as a result of compliance with such request. Any failure to provide the indemnity and/or security required in this Section 11.10(C) shall not affect the full force and effect of an Event of Default hereunder.

IN WITNESS WHEREOF, the Issuer and the Company have caused this Installment Sale Agreement to be executed in their respective names by their respective duly authorized officers and have caused this Installment Sale Agreement to be dated as of the day and year first above written.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

BY: /s/ Bruce A. Ferguson

Bruce A. Ferguson, Chairman

ANGIODYNAMICS, INC.

BY: /s/ Eamonn P. Hobbs

Authorized Officer

STATE OF NEW YORK)
COUNTY OF WARREN) ss.:

On the 27 day of August in the year 2002 before me, the undersigned, a notary public in and for the said State, personally appeared BRUCE A. FERGUSON personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ Justin Miller

Notary Public

[Notary Stamp]

STATE OF NEW YORK)
COUNTY OF ALBANY) ss.:

On the 28/th/ day of August in the year 2002 before me, the undersigned, a notary public in and for the said State, personally appeared EAMONN P. HOBBS personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ Carolyn A. Wildman

Notary Public

[Notary Stamp]

EXHIBIT A

DESCRIPTION OF THE EQUIPMENT

All materials, machinery, equipment, fixtures, furnishings and other personal property and all appurtenances (A) acquired or intended to be acquired with the proceeds of the Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project), Series 2002 in the aggregate principal amount of $3,500,000 (the "Initial Bonds") issued by Counties of Warren and Washington Industrial Development Agency (the "Issuer"), (B) the cost of which the Company incurred in anticipation of the issuance of the Bonds and for which the Company will be reimbursed from the proceeds of the Bonds, or (C) any payment made by Angiodynamics, Inc. (the "Company") pursuant to Section 4.5 of the installment sale agreement dated as of August 1, 2002 (the "Installment Sale Agreement") by and between the Issuer and the Company and now or hereafter attached to, contained in or used in connection with the Land (as defined in the Installment Sale Agreement) or placed on any part thereof, though not attached thereto, whether now owned or hereafter acquired, including but not limited to the following:

(1) [Insert description of equipment]

(2) Together with any and all products of any of the above, all substitutions, replacements, additions or accessions therefor and any and all cash proceeds or non-cash proceeds realized from the sale, transfer or conversion of any of the above.

EXHIBIT B

FORM OF BILL OF SALE TO COMPANY

COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY, a public benefit corporation of the State of New York having an office for the transaction of business located at the 5 Warren Street, Glens Falls, New York 12801 (the "Grantor"), for the consideration of One Dollar ($1.00), cash in hand paid, and other good and valuable consideration received by the Grantor from ANGIODYNAMICS, INC., a business corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at Queensbury, New York 12804 (the "Grantee"), the receipt of which is hereby acknowledged by the Grantor, hereby sells, transfers and delivers unto the Grantee, and its successors and assigns, all those materials, machinery, equipment, fixtures or furnishings which are described in Exhibit A attached hereto (the "Equipment") now owned or hereafter acquired by the Grantor, which Equipment is located or intended to be located on or used in connection with a manufacturing facility on the real property located on the Land (the "Project Facility").

TO HAVE AND TO HOLD the same unto the Grantee, and its successors and assigns, forever.

THE GRANTOR MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, TITLE, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS OF THE EQUIPMENT OR ANY PART THEREOF OR AS TO THE SUITABILITY OF THE EQUIPMENT OR ANY PART THEREOF FOR THE GRANTEE'S PURPOSES OR NEEDS. THE GRANTEE SHALL ACCEPT TITLE TO THE EQUIPMENT "AS IS", WITHOUT RECOURSE OF ANY NATURE AGAINST THE GRANTOR FOR ANY CONDITION NOW OR HEREAFTER EXISTING. NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY IS MADE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE, WHETHER PATENT OR LATENT, THE GRANTOR SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO.

IN WITNESS WHEREOF, the Grantor has caused this bill of sale to be executed in its name by its duly authorized officer described below and dated as of the 29 day of August, 2002.

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

BY: /s/ Bruce A. Ferguson

(Vice) Chairman

STATE OF NEW YORK)
COUNTY OF WARREN) ss.:

On the 27 day of August in the year 2002 before me, the undersigned, personally appeared BRUCE A. FERGUSON personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

/s/ Justin S. Miller

Notary Public

[Notary Stamp]

EXHIBIT C

FORM OF TERMINATION OF INSTALLMENT SALE AGREEMENT

WHEREAS, Angiodynamics, Inc. (the "Company"), as purchaser, and Counties of Warren and Washington Industrial Development Agency (the "Issuer"), as seller, entered into an installment sale agreement dated as of August 1, 2002 (the "Installment Sale Agreement") pursuant to which, among other things, the Issuer sold the Project Facility (as defined in the Installment Sale Agreement) to the Company; and

WHEREAS, pursuant to the Installment Sale Agreement, the Company and the Issuer agreed that the Installment Sale Agreement would terminate on the earlier to occur of (1) the payment of all principal, interest and other amounts payable with respect to the Bonds (as defined in the Installment Sale Agreement) or (2) such earlier date requested by the Company; and

WHEREAS, the Installment Sale Agreement has now been terminated, and the Company and the Issuer now desires to evidence the termination of the Installment Sale Agreement;

NOW, THEREFORE, it is hereby agreed that the Installment Sale Agreement has terminated as of the dated date hereof; provided, however, that, as provided in Section 11.8 of the Installment Sale Agreement, certain obligations of the Company shall survive the termination of the Installment Sale Agreement, and the execution of this termination of installment sale agreement by the Issuer is not intended, and shall not be construed, as a waiver or alteration by the Issuer or the Company of the provisions of Section 11.8 of the Installment Sale Agreement.

IN WITNESS WHEREOF, the Company and the Issuer have signed this termination of installment sale agreement and caused same to be dated as of the _____ day of _____, _____.

ANGIODYNAMICS, INC.

BY:

Authorized Officer

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

BY:

Bruce A. Ferguson, Chairman

STATE OF NEW YORK)
COUNTY OF _____) ss.:

On the _____ day of _____ in the year 2002 before me, the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

Notary Public

STATE OF NEW YORK)
COUNTY OF _____) ss.:

On the _____ day of _____ in the year 2002 before me, the undersigned, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or the person upon behalf of which the individual acted, executed this instrument.

Notary Public

EXHIBIT D

FORM OF SALES TAX EXEMPTION LETTER

To Whom It May Concern:

Re: New York State Sales or Use Tax Exemption Counties of Warren and Washington Industrial Development Agency Angiodynamics, Inc. Project

Pursuant to TSB-M-87(7) issued by the New York State Department of Taxation and Finance on April 1, 1987 (the "Policy Statement"), you have requested a letter from the Counties of Warren and Washington Industrial Development Agency (the "Agency"), a public benefit corporation created pursuant to Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 862 of the 1971 Laws of New York, as amended, constituting Section 890-C of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act"), containing the information required by the Policy Statement regarding the sales tax exemption with respect to the captioned project (the "Project") located on a 2+/- acre parcel of land at 603 Queensbury Road in the Town of Queensbury, Warren County, New York (the "Project Site").

Angiodynamics, Inc. (the "Company") has applied to and been approved for financial assistance from the Agency in the matter of completion of the Project Facility on the Project Site. The Project includes the following: (A) the construction of an addition to an existing building (the "Facility"), (B) the acquisition and installation therein and thereon of certain machinery and equipment (the "Equipment") for printing and distribution of newspapers, (the "Project Facility"); (C) the financing of all or a portion of the foregoing by the issuance of tax-exempt revenue bonds of the Issuer in the aggregate principal amount sufficient to pay the costs of undertaking the Project, together with necessary incidental costs in connection therewith, estimated to be approximately $3,500,000 (the "bonds"); (D) the granting of certain other "financial assistance" within the meaning of Section 854(14) of the Act with respect to the foregoing, including potential exemptions from sales taxes, real estate transfer taxes, mortgage recording taxes and real property taxes (collectively with the bonds, the "Financial Assistance"); and (E) the sale of the Project Facility to the Company or such other persons as may be designated by the Company and agreed upon by the Issuer.

It is our opinion that the Company may make project purchases of materials to be incorporated in the Project and machinery and equipment constituting a part of the Project, and purchases or rentals of supplies, tools, equipment, or services necessary to acquire or install the Project and, with respect to such specific purchases or rentals, are exempt from any sales or use tax imposed by the State of New York or any governmental instrumentality located within the State of New York, if the following procedures are observed:

1. Purchases must be billed or invoiced by the vendor to the Company as agent for the Agency (e.g., "COMPANY as agent for the Counties of Warren and Washington

Industrial Development Agency") and identify the date of delivery and indicate the place of delivery.

2. Payment must be made by the Company acting as agent, directly to the vendor from either a requisition from the project bond fund, or if a separate bond fund does not exist, then from a special project fund of the payor.

3. Deliveries must be made to the Project Site, or under certain circumstances (such as where the materials require additional fabrication before installation on the Project Site or for storage to protect materials from theft or vandalism prior to installation at the Project Site) deliveries may be made to a site other than the Project Site, providing the ultimate delivery of the materials is made to the Project Site. Where delivery is made to a site other than the Project Site, the purchases must be billed or invoiced by the vendor to the Company as agent of the Agency, identify the date and place of delivery, the Agency's full name and address and the Project Site where the materials will ultimately be delivered for installation.

Pursuant to Section 874(8) of the Act, the Company, as agent of the Agency, must annually file a statement with the New York State Department of Taxation and Finance, on a form and in such a manner as is prescribed by the Commissioner of Taxation and Finance, of the value of all sales tax exemptions claimed by the Company under the authority granted by the Agency. The penalty for failure to file such a statement under Section 874(8) of the Act shall be the removal of authority to act as an agent for the Agency.

This letter shall serve as proof of the existence of an agency contract between the Agency and the Company for the SOLE EXPRESS PURPOSE OF SECURING EXEMPTION FROM NEW YORK STATE SALES TAXES FOR THE PROJECT ONLY. NO OTHER PRINCIPAL/AGENT RELATIONSHIP BETWEEN THE AGENCY AND THE COMPANY IS INTENDED OR MAY BE IMPLIED OR INFERRED BY THIS LETTER.

It is hereby further certified that, under the Policy Statement, since the Agency is a public benefit corporation, neither the Agency nor the Company named herein as its agent, is required to furnish an "Exempt Organization Certificate" in order to secure exemption from any sales or use tax for such items or services.

Under the Policy Statement, a copy of this letter retained by any vendor or seller to any Agent, as Agent for the Agency, may be accepted by such vendor or seller as a "statement and additional documentary evidence of such exemption" as provided by New York Tax Law Section 1132(c)(2), thereby relieving such vendor or seller from the obligation to collect sales and use tax on purchases or rentals of such materials, supplies, tools, equipment, or services by the Agency through its Agent.

THIS LETTER SHALL BE IN EFFECT UNTIL_____

In the event you have any questions with respect to the above, please do not hesitate to call _____.

Very truly yours,

COUNTIES OF WARREN AND WASHINGTON
INDUSTRIAL DEVELOPMENT AGENCY

By: ----------

Title: ----------

EXHIBIT E
CURRENT FORM OF ANNUAL REPORT

EXHIBIT 10.16

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, dated as of the 1st day of August, 2002, by and between ANGIODYNAMICS, INC., a corporation organized and existing under the laws of the State of Delaware, having a place of business at 603 Queensbury Avenue, Queensbury, New York 12804 (the "Company") and KEYBANK NATIONAL ASSOCIATION, a national banking association, having an office at 66 South Pearl Street, Albany, New York 12207 (the "Bank").

WHEREAS, the Counties of Warren and Washington Industrial Development Agency (the "Agency") intends to issue its Tax-Exempt Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project-Letter of Credit Secured) Series 2002 in the amount of $3,500,000.00 (the "Bonds"), and make available the proceeds of the Bonds to the Company as agent of the Agency to finance costs of the Project, (as defined in the Indenture [as hereinafter defined]); and

WHEREAS, the Bonds are to be issued pursuant to an Indenture of Trust, dated as of August 1, 2002, by and between Agency and The Huntington National Bank, Cleveland, Ohio, as Trustee (the "Trustee") (as amended or supplemented from time to time, the "Indenture"); and

WHEREAS, in connection therewith Bank is about to issue its irrevocable transferable direct pay letter of credit (the "Letter of Credit") in favor of Trustee; and

WHEREAS, the proceeds of the Bonds are to be advanced pursuant to a certain Building Loan Agreement, dated as of August 1, 2002, by and among the Agency, the Trustee, the Bank and Company (as amended or supplemented from time to time, the "Building Loan Agreement; and

WHEREAS, the Premises (as hereinafter defined) are to be sold to Company on an installment sale basis pursuant to an Installment Sale Agreement, dated as of August 1, 2002, by and between the Agency and Company (as amended or supplemented from time to time, the "Installment Sale Agreement"); and

WHEREAS, it is the purpose of this Reimbursement Agreement to set forth the Bank's commitment to issue the Letter of Credit and Company's agreement to reimburse Bank for any and all payments made by Bank pursuant to the Letter of Credit and to otherwise set forth Bank's and Company's respective duties, covenants and agreements in respect of the Letter of Credit.

NOW THEREFORE, in consideration of the mutual agreements made herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

SECTION ONE

DEFINITIONS

Section 1.1. Terms Defined. As used in this Reimbursement Agreement, the following terms have the following respective meanings. Any accounting term used but not specifically defined herein shall be construed in accordance with GAAP (as hereinafter defined). The definition of each agreement, document, and instrument set forth in this Section 1.1 shall be deemed to mean and include such agreement, document, or instrument as amended, restated, or modified from time to time:

"Agency" shall mean the Counties of Warren and Washington Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation duly organized and existing under the laws of the state of New York, and it successors or assigns.

"Affiliate" shall mean, with respect to any Person, any other Person directly controlling, controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control a second Person if such first Person possesses, directly or indirectly, the power to (i) vote 10% or more of the securities having ordinary voting power for the directors or managers of such second Person or (ii) direct or cause the direction of the management and policies of such second Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, (x) a director, officer, or employee of a Person shall not, solely by reason of such status, be considered an Affiliate of such Person and (y) the Bank shall not be considered an Affiliate of the Company.

"Amortization Expense" shall mean, for any period, all amortization expenses of the Company, calculated in accordance with GAAP.

"Architect" shall mean, whether individually or collectively, any and all architects performing architectural services in connection with the Project.

"Assignment of Contracts" shall mean the assignment of contracts, dated as of August 1, 2002, by Company in favor of Bank, as said assignment of contracts may be amended or supplemented from time to time.

"Bond Counsel" shall mean Bond, Schoeneck & King, PLLC, or any other nationally recognized Bond Counsel reasonably acceptable to Bank.

"Bond Documents" shall mean the Indenture and any other document executed by Company in connection with the issuance and sale of the Bonds (other than the Credit Documents).

"Bonds" shall mean, whether individually or collectively, the $3,500,000.00 in aggregate principal amount of Tax Exempt Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project-Letter of Credit Secured), Series 2002.

"Bond Pledge" shall mean the pledge and security agreement, dated as of August 1, 2002, by and among Company, the Trustee and Bank, as said pledge and security agreement may be amended or supplemented from time to time.

"Building Loan Agreement" shall mean the building loan agreement, dated as of August 1, 2002, by and between the Company and the Bank, as said building loan agreement may be amended or supplemented from time to time.

"Business Day" shall mean any day of the year other than (i) a Saturday or Sunday, (ii) any day on which commercial banks located in Cleveland, Ohio, or the city or cities in which are located the corporate trust offices of the Trustee and the Tender Agent and the office of Bank at which demands for payment under the Letter of Credit are to be presented are authorized by law to close, or (iii) any day on which the New York Stock Exchange is closed.

"Cash Interest Expense" shall mean for any period, Interest Expense, reduced by any amount included therein which is "paid-in-kind" through an increase to principal or the issuance of an additional debt security in a principal amount equal to such interest.

"Closing Date" shall mean August 29, 2002, or such other date agreed upon by Company and Bank.

"Change Order Amount" means $15,000.00.

"Completion Date" shall have the meaning set forth in the Indenture.

"Construction Contract" shall mean, whether individually or collectively, any and all contracts, whether now existing or hereafter entered into, for the construction of the Facility between Company and Contractor, as approved, in writing, by Bank.

Construction Inspector" shall mean, at Bank's option, either an officer or employee of Bank or consulting architects, engineers or inspectors appointed by Bank.

"Contractor" shall mean, whether individually or collectively, any and all contractors performing work at the Project pursuant to the Construction Contract, all as approved, in writing, by Bank.

"Credit" shall have the meaning set forth in Section 8.1(b) hereof.

"Credit Documents" shall mean, whether individually or collectively, this Reimbursement Agreement, the Mortgage, the Building Loan Agreement, any agreement between Company and Bank, or any affiliate of Bank, with regard to the interest payable upon any obligation, whether direct or contingent, of Company to Bank, or any affiliate of Bank (whether individually or collectively, the "Swap Documentation"), the Bond Pledge, the Security Agreement, the Assignment of Contracts, the Indemnity Agreement and any other document now or hereafter executed by Company in favor of Bank or any affiliate thereof which affects the rights of Bank in or to the Project, in whole or in part, or which evidences, secures or guarantees any sum due under any Credit Document or any other obligation arising pursuant to any Credit Document.

"Date of Issuance" shall mean the date of issuance of the Letter of Credit.

"Default Rate" shall mean an interest rate per annum equal to five percent (5%) in excess of the Prime Rate, with each change in the Prime Rate automatically changing the Default Rate.

"Depreciation Expense' shall mean, for any period, all depreciation expenses of the Company, calculated in accordance with GAAP.

"Determination of Taxability" shall have the meaning assigned thereto in the Indenture.

"EBIT" shall mean, for any period, Net Income for such period, plus the sum of the amounts for such period included in determining such Net Income of (i) Interest Expense and (ii) Income Tax Expense, calculated in accordance with GAAP.

"EBITDA" shall mean, for any period, EBIT for such period, plus the sum (without duplication) of the amounts for such period included in determining EBIT of (i) Depreciation Expense, and (ii) Amortization Expense, calculated in accordance with GAAP.

"Environmental Law" shall mean any federal, state, or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability upon a Person in connection with the use, release or disposal of any hazardous toxic or dangerous substance, waste or material.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended or supplemented, and all regulations thereunder.

"Event of Default" shall have the meaning assigned thereto in Section 7 hereof.

"Expiration Date" shall mean August 22, 2005, subject to extension as provided in Section 2.5 herein.

"Facility" shall have the meaning assigned to such term in the Indenture.

"Fee Calculation Amount" shall have the meaning set forth in Section 2.2(b).

"Fixed Charge Ratio" shall mean the ratio of the Company's (i) EBITDA plus lease expense less other income less Unfunded Capital Expenditures less cash taxes paid less dividends and distributions to (ii) current maturities of long term debt plus current portion of long term leases plus Cash Interest Expense paid on loans and leases plus lease expense, calculated in accordance with GAAP.

"Funded Debt Ratio" shall mean the ratio of the Company's (i) total funded Indebtedness to (ii) EBITDA less Unfunded Capital Expenditures, calculated in accordance with GAAP.

"GAAP" shall mean generally accepted accounting principles as then in effect, which shall include the official interpretations thereof by the Financial Accounting Standards Board, consistently applied.

"Income Tax Expense" shall mean, for any period, all provisions for taxes based upon Net Income (including, without limitation, any additions to such taxes, any penalties and interest with respect thereto), calculated in accordance with GAAP.

"Indebtedness" shall mean, at a particular date, all indebtedness for money borrowed or for the deferred purchase price of property and lease obligations of Company which have been, or which in accordance with Statement of Financial Accounting Standards No. 13, as from time to time amended, should be, capitalized.

"Indemnity Agreement" shall mean the environmental compliance and indemnification agreement, dated as of August 1, 2002, by Company in favor of Bank, as said environmental compliance and indemnification agreement may be amended or supplemented from time to time.

"Indenture" shall mean the indenture of trust, dated as of August 1, 2002, between the Agency and the Trustee, as said indenture of trust may be amended or supplemented from time to time.

"Indenture Default" shall mean an Event of Default under and pursuant to the Indenture.

"Interest Commitment" shall have the respective meaning set forth in the Letter of Credit.

"Interest Coverage Ratio" shall mean the ratio of the Company's (i) EBIT to (ii) Cash Interest Expense, calculated in accordance with GAAP.

"Interest Coverage Requirement" shall mean an amount equal to (i) ninety eight (98) days' accrued interest at the Maximum Rate on the outstanding principal amount of the Bonds to enable the Trustee to pay the interest on the Bonds when due and (ii) an amount equal to the interest portion, if any, of the purchase price of any Bonds tendered for purchase by the holder thereof to the extent remarketing proceeds are not available for such purposes.

"Interest Drawing" shall have the respective meaning set forth in the Letter of Credit.

"Interest Expense" shall mean, for any period, total interest expense (including that which is capitalized, that which is attributable to capital leases and the pre-tax equivalent of dividends payable on redeemable stock) with respect to all outstanding Indebtedness including, without limitation, all commissions, discounts and other fees and charges owed with respect to letters of credit and net costs under any hedging agreements.

"Letter of Credit" shall mean the Letter of Credit to be issued by Bank on the Closing Date pursuant to this Reimbursement Agreement, the Letter of Credit to be substantially in the forms of Exhibit A hereto.

"Letter of Credit Commitment" shall have the respective meaning set forth in the Letter of Credit.

"Maximum Rate" shall mean, as applicable, the interest rate per annum of eight percent (8.00%).

"Mortgage" shall mean the mortgage and security agreement dated as of August 1, 2002 from the Agency and the Company in favor of the Bank, as said mortgage and security agreement may be amended or supplemented from time to time.

"Net Income" shall mean, for any period, the net income (or loss), without deduction for minority interests, for such period taken as a single accounting period and calculated in accordance with GAAP.

"Permitted Encumbrances" shall mean, with respect to the Pledged Collateral, as of any particular time, (a) liens for ad valorem taxes and special assessments not then delinquent, (b) this Reimbursement Agreement, the Mortgage, the Bond Pledge, the Security Agreement and any security interest or other lien created thereby, (c) any Permitted Encumbrances defined in any of the Credit Documents, (d) any liens permitted by Section 6.8 hereof, and (e) such minor defects, irregularities, encumbrances, clouds on title and to-be-created utility easements necessary for operation of the Project Facility as normally exist with respect to property similar in character to the Pledged Collateral and as do not materially interfere with or impair the use or value of the property affected thereby.

"Person" shall mean any natural person, corporation (which shall be deemed to include business trust), association, partnership, political entity, or political subdivision thereof.

"Plan" shall mean any plan defined in Section 4021(a) of ERISA in respect of which Company or any Subsidiary of Company is an "employer" or a "substantial employer" as defined in Sections 3(5) and 4001(a)(2) of ERISA, respectively.

"Plans and Specifications" shall mean the plans and specifications for the Project approved by Bank.

"Pledged Collateral" shall mean the collateral in which Company has given Bank a lien or security interest pursuant to the Mortgage, the Security Agreement, the Assignment of Contracts and/or the Bond Pledge and/or any other Credit Document.

"Premises" shall mean the real property located in the Town of Queensbury, Warren County, New York made subject to, and more fully described in the Mortgage.

"Prime Rate" shall mean that interest rate established from time to time by Bank as Bank's Prime Rate, whether or not such rate is publicly announced. The Prime Rate may not be the lowest rate charged by Bank for commercial or other extensions of credit.

"Principal Commitment" shall have the meaning set forth in the Letter of Credit.

"Principal Drawing" shall have the meaning set forth in the Letter of Credit.

"Project" shall have the meaning assigned to such term in the Indenture.

"Project Facility" shall have the meaning assigned to such term in the Indenture.

"Project Fund" shall have the meaning assigned thereto in the Indenture.

"Purchaser" shall mean the original purchaser or purchasers of the Bonds.

"Qualified Investments" shall have the meaning assigned thereto in the Indenture.

"Remarketing Agent" shall mean McDonald Investments Inc., Cleveland, Ohio, and such other Person hereafter performing the duties of the Remarketing Agent pursuant to the Indenture.

"Remarketing Drawing" shall have the meaning set forth in the Letter of Credit.

"Reportable Event" shall mean any reportable event as that term is defined in ERISA.

"Security Agreement" shall mean the security agreement, dated as of August 1, 2002, by Company to Bank, as said security agreement may be amended or supplemented from time to time.

"Subsidiary" or "Subsidiaries" shall mean (i) any corporation more than fifty percent (50%) of the capital stock of which is owned or controlled, directly or indirectly, by Company or any Subsidiary and whose accounts are required to be consolidated with those of Company in accordance with GAAP, consistently applied; and (ii) any non-profit corporation which is controlled, directly or indirectly, by Company.

"Title Company" shall mean Chicago Title Insurance Company.

"Title Policy" shall mean the title policy to be issued by the Title Company, with respect to the Mortgage.

"Total Debt" shall mean the total of all items of Indebtedness or liability which in accordance with GAAP would be included in determining total liabilities on the liability side of the balance sheet as of the date of determination.

"Trustee" shall mean The Huntington National Bank, or any successor Trustee under the Indenture.

"Unfunded Capital Expenditures" shall mean total capital expenditures minus any corresponding increase in long-term debt or leases, calculated in accordance with GAAP.

SECTION TWO

ISSUANCE OF LETTER OF CREDIT

Section 2.1. Issuance of Letter of Credit. Subject to the terms and conditions hereof, Bank agrees to execute and deliver the Letter of Credit. The obligations of Bank under the Letter of Credit shall be absolute and irrevocable and shall be performed strictly in accordance with the terms of the Letter of Credit and this Reimbursement Agreement.

Section 2.2. Fees and Reimbursement.

(a) Company hereby agrees to pay to Bank:

(i) Before 2:00 p.m., New York time, on each date that any amount is drawn under the Letter of Credit pursuant to a Principal Drawing or an Interest Drawing, Company shall pay a sum equal to the amount so drawn under the Letter of Credit plus (x) interest accrued, if any, on the amount so drawn under the Letter of Credit as determined by clause (iv) of this subsection (a) of this Section 2.2, plus (y) any and all charges and expenses which Bank may pay or incur relative to such drawing under the Letter of Credit, plus (z) a fee in the amount of Two Hundred Dollars ($200.00) for that drawing under the Letter of Credit;

(ii) Upon a Remarketing Drawing under the Letter of Credit, provided there is then no uncured Event of Default, Company shall have until the Expiration Date to reimburse Bank for the amount of the Remarketing Drawing, subject to the right of Bank to require redemption of the Bonds pursuant to Section 7.2 hereof. Any amounts received by Bank from the remarketing of Bonds purchased out of a Remarketing Drawing and registered to Bank or, at the direction of Bank, to Company, shall be applied pro rata against Company's obligation to reimburse Bank for the amount of the Remarketing Drawing. The amount of any unreimbursed Remarketing Drawing shall bear interest from the date of the Remarketing Drawing at a rate per annum equal to the Prime Rate plus one percent (1.0%). Such interest shall be payable on each Interest Payment Date for so long as such Remarketing Drawing or any portion thereof is unreimbursed. The payments of interest hereunder shall be credited pro rata against the interest accrued on the Bonds pledged to Bank under the Bond Pledge. Interest hereunder shall be calculated based on a 360-day year but calculated for the actual number of days elapsed;

(iii) Upon each transfer of the Letter of Credit in accordance with its terms and as a condition thereto, a transfer fee of Five Hundred Dollars ($500.00) and such additional amounts as shall be necessary to cover the reasonable costs and expenses to Bank incurred in connection with such transfer;

(iv) Company shall pay interest at the Default Rate, payable on demand, on any and all amounts of any Principal Drawing, Interest Drawing and/or Remarketing Drawing not paid by Company when due under any section of this Reimbursement Agreement from the date such amounts become due until payment in full;

(v) For any payment of principal and/or interest not paid within ten (10) Business Days after such payment is due, Company shall pay a late charge of an amount equal to the greater of five percent (5%) of the amount of the payment or $50.00;

(vi) On demand, reasonable costs, fees and expenses incurred by Bank in connection with the issuance of the Letter of Credit or the preparation or execution of any documents or opinions related thereto;

(vii) On demand, any and all reasonable expenses incurred by Bank in enforcing any of its rights under this Reimbursement Agreement, or any of the Credit Documents;

(viii) On or prior to the Closing Date, any and all appraisal fees relating to the appraisal of the Premises; and

(ix) On or prior to Closing Date, a one-time origination fee in the amount of $35,751.79.

(b) Company hereby agrees to pay to Bank commissions (whether individually or collectively, the "Letter of Credit Fee") equal to an amount calculated at the percentage rate of the maximum respective "Fee Calculation Amount" as hereinafter defined, available on each date of payment of the Letter of Credit Fee, as set forth in the following table based upon the Company's Funded Debt Ratio as reflected in the financial information for each fiscal year end of the Company (using a 360-day year but calculated on the number of actual days elapsed):

Level	Funded Debt Ratio	Annual Letter of Credit Fee (as a percentage of the Fee Calculation Amount)
I	greater than or equal to 2.0 to 1.0	1.90%
II	greater than or equal to 1.0 to less than 1.0 2.0 to 1.0	1.35%
III	less than 1.0 to 1.0	1.00%

From the Closing Date until receipt of the audited financial statements for the Company for fiscal year end 2003, the annual Letter of Credit Fee shall be set at "Level II" as described in the above table.

The Letter of Credit Fee shall be payable in annual installments in advance on each anniversary of the Date of Issuance until the Expiration Date of such Letter Credit; provided, however, that upon the Date of Issuance of the Letter of Credit, Company shall pay an installment of the Letter of Credit Fee for the period from the Date of Issuance to and including the day before the anniversary of the Date of Issuance in 2003. The "Fee Calculation Amount" shall be the sum of (i) the maximum amount then available to be drawn under the Letter of Credit with respect to the Principal Commitment plus (ii) the maximum amount then available

to be drawn under the Letter of Credit with respect to the Interest Commitment. If the Letter of Credit is terminated prior to the Expiration Date, the Letter of Credit Fee shall be refunded to Company for any calendar quarter that the Letter of Credit will not be outstanding provided that Company returns or causes the return of the Letter of Credit to Bank prior to the start of such calendar quarter.;

(c) Company shall pay to Bank all reasonable legal, documentation, search and recording fees, and construction monitoring costs associated with closing and funding this transaction;

(d) If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authorities charged with the administration thereof shall impose, modify or deem applicable any reserve, special deposit or similar requirement which would impose on Bank any reasonable additional costs (i) generally upon the issuance or maintenance of letters of credit by Bank; (ii) specifically in respect of this Reimbursement Agreement or the Letter of Credit; or (iii) in respect of any capital adequacy requirement (including, without limitation, a requirement which affects the manner in which Bank allocates capital resources to its commitments), and the result of such imposition of additional costs as described in clause (i), (ii), or (iii) above shall be to increase the cost to Bank of issuing or maintaining the Letter of Credit (which increase in cost shall be the result of Bank's reasonable allocation of the aggregate of such cost increases resulting from such events), then (x) within thirty (30) days of Bank's obtaining knowledge of such change in law, regulations or interpretation thereof, Bank shall so notify Company, and (y) upon receipt of such notice from Bank, accompanied by a certificate as to such increased cost, Company shall pay as of the effective date of such change or interpretation all reasonable additional amounts which are necessary to compensate Bank for such increased cost incurred by Bank. The certificate of Bank as to such increased costs shall show the manner of calculation and shall be conclusive (absent manifest error) as to the amount thereof; and

(e) Company's obligations to make payments to Bank under this Section 2 shall be deemed satisfied to the extent of payments made by the Trustee to Bank from funds on deposit with and held by the Trustee pursuant to the Indenture.

Section 2.3. Company's Obligations Unconditional. The payment obligations of Company under this Reimbursement Agreement shall be absolute, unconditional and irrevocable and shall be satisfied strictly in accordance with the terms of this Reimbursement Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) Any lack of validity or enforceability of the Credit Documents, the Bond Documents or any other agreement or instrument relating thereto;

(b) Any amendment or waiver of or any consent to departure from the terms of the Letter of Credit, the Credit Documents, the Bond Documents or any other agreement or instrument relating thereto;

(c) The existence of any claim, setoff, defense or right which Company may have at any time against any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), Bank or any other person or entity, whether in connection with this Reimbursement Agreement, the transactions contemplated by the Credit Documents or the Bond Documents, or any unrelated transaction;

(d) Any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) Payment by Bank under the Letter of Credit against presentation of a request which on its face appears to be in accordance with the terms of the Letter of Credit; or

(f) Any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Section 2.4. Payments. The payments and amounts due Bank under Section 2.2 above shall be made by Bank's debiting Company's operating account with Bank (the "Operating Account"). Company covenants and agrees that on the date any payment or other amount is due under Section 2.2 above, Company will have unrestricted funds in the Operating Account in an amount no less than the amount then due. Subject to the foregoing provisions of this Section, all payments by Company hereunder to Bank shall be made in lawful currency of the United States and in immediately available funds to the Bank's Standby Letter of Credit Processing and Service Center, 4910 Tiedeman Road - OH01510435, Cleveland, Ohio 44144-2338.

Section 2.5. Letter of Credit Extension. Bank may in writing extend the Expiration Date of the Letter of Credit; provided, however, that such extension shall be, in each instance, made in the sole discretion of Bank and Bank may at any time, upon written notice delivered to Company and Trustee, elect not to extend the Expiration Date. Bank shall notify Company and Trustee of its decision of whether the Expiration Date shall be extended no later than ninety (90) days prior to the Expiration Date, provided that the failure of Bank to deliver such notice, or to deliver any notice, shall not mean that Bank has elected to extend the Expiration Date. If Bank extends the Expiration Date, it shall do so in the form of an amendment to the Letter of Credit, which it shall promptly deliver to Trustee.

SECTION THREE

REPRESENTATIONS, WARRANTIES AND COVENANTS

Company expressly represents, warrants and covenants that:

Section 3.1. Existence and Legal Authority. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own its property and to carry on its business as now being conducted, to enter into the Credit Documents and the other agreements referred to herein and transactions contemplated thereby, and to carry out the provisions and conditions of the Credit

Documents. Company is duly qualified to do business and is in good standing in the State of New York and in every jurisdiction where the failure to so qualify would have a material adverse effect on the business of Company.

Section 3.2. Due Execution and Delivery. Company and/or Agency has full power, authority and legal right to incur the obligations provided for in, and to execute and deliver and to perform and observe the terms and provisions of, the Credit Documents, and each of them has been duly executed and delivered by Company by all required action, and Company has obtained all requisite consents to the transactions contemplated thereby under any instrument to which it is a party, and the Credit Documents constitute the legal, valid and binding obligations of Company enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting creditors' rights generally.

Section 3.3. No Breach of Other Instruments. Neither the execution and delivery of the Credit Documents, nor the compliance by Company with the terms and conditions of the Credit Documents, nor the consummation of the transactions contemplated thereby, will conflict with or result in a breach of Company's Certificate of Incorporation or By-Laws, or any of the terms, conditions or provisions of any agreement or instrument or any other restriction or law, regulation, rule or order of any governmental body or agency to which Company is now a party or is subject, or imposition of a lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Company pursuant to the terms of any such agreement or instrument.

Section 3.4. Government Authorization. No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by Company of the transactions contemplated by the Credit Documents.

Section 3.5. Pledged Collateral. Company has good fee simple title to the Premises, free and clear of all liens, pledges, mortgages, security interests, charges, claims and other encumbrances, except the Permitted Encumbrances. Company has good title to the Pledged Collateral, free and clear of all liens, pledges, mortgages, security interests, charges, claims and other encumbrances, except Permitted Encumbrances. The Mortgage, the Security Agreement, the Assignment of Contracts and/or Bond Pledge create a valid and prior lien or security interest in favor of Bank in the Pledged Collateral, subject to no other liens or encumbrances arising by, through or under Company or any other person, except for Permitted Encumbrances.

Section 3.6. Absence of Defaults, etc. Company is not (i) in material default under any indenture or contract or agreement to which it is a party or by which it is bound; (ii) in violation of its Certificate of Incorporation or By-Laws, each as amended to date; (iii) in default with respect to any order, writ, injunction or decree of any court; or (iv) in default under any order or license of any federal or state governmental department, which default or violation in any of the aforesaid cases materially and adversely affects its business or property. There exists no condition, event or act which constitutes, or after notice or lapse of time or both would constitute, an Event of Default.

Section 3.7. Indebtedness of Company. Company does not have outstanding on the date hereof any Indebtedness for borrowed money, except for such Indebtedness reflected on the financial statements referred to in Section 3.9 hereof, except in connection with the Bonds.

Section 3.8. Subsidiaries. Company has no Subsidiaries other than Leocor Corporation, a Delaware corporation.

Section 3.9. Financial Statements. All financial statements of Company furnished to Bank on or prior to the date hereof are correct and complete in all material respects and fairly present the financial position of Company at the dates thereof and the results of Company's operations for the periods covered thereby, and such financial statements, including any notes and comments contained therein, have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved.

Section 3.10. No Adverse Change. Subsequent to the date of the financial statements referred to in Section 3.9 hereof, Company has not incurred any liabilities or obligations, direct or contingent, not in the ordinary course of business, and there has not been any increase in the aggregate amount of Indebtedness of Company (except in connection with the issuance of the Bonds), or any change in the business, properties or condition, financial or otherwise, of Company, except for changes arising in the ordinary course of business or in connection with the issuance and sale of the Bonds or as may be otherwise disclosed in writing to Bank prior to the date hereof.

Section 3.11. Taxes. Company has filed, or secured a lawful extension to file, all tax returns which are to be filed and has paid, or has made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received by them. Company knows of no deficiency assessment or proposed deficiency assessment of taxes against Company, except as may be otherwise disclosed in writing to Bank prior to the date hereof.

Section 3.12. ERISA. No Reportable Event or Prohibited Transaction (as defined in Section 4975 of the Internal Revenue Code) has occurred and is continuing with respect to any Plan and Company has not incurred any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA.

Section 3.13. Litigation. Except as otherwise disclosed in writing to Bank prior to the date hereof, there are no actions, suits or proceedings pending, or to the knowledge of Company, threatened against Company or its property in any court, or before or by any federal, state or municipal or other governmental department, commission, board, bureau, agency or other instrumentality, domestic or foreign, which could result in any adverse change in the business, property or assets, or in the condition, financial or otherwise, of Company, except for actions, suits or proceedings of a character normally incident to the kind of business conducted by Company, none of which, either individually or in the aggregate, if adversely determined, would materially impair Company's right or ability to carry on its business substantially as now conducted or materially adversely affect the financial position or operations of Company.

Section 3.14. Ownership of Property. Company has good and marketable fee title to, or valid leasehold interests in its real properties in accordance with the laws of the jurisdiction where located, and good and marketable title to substantially all its other property and assets, subject, however, in the case of real property, to title defects and restrictions which do not materially interfere with the operations conducted thereon by Company. Except for (i) liens in favor of Bank and/or (ii) liens in favor of other lenders which affect or constitute a lien upon property other than any portion of the Project, the real property and all other property and assets of Company are free from any liens or encumbrances securing Indebtedness and from any other liens, encumbrances, charges or security interests of any kind. Each lease to which Company is a party is in full force and effect, no material default on the part of any party thereto exists, and, as to each of such leases to which Company is party as lessee, Company enjoys peaceful and undisturbed possession of the property affected thereby.

Section 3.15. No Burdensome Restrictions. Company is not a party to any instrument or agreement or subject to any charter or other corporate restriction which would to a material extent adversely affect the business, property, assets, operations or condition, financial or otherwise, of Company.

Section 3.16. Environmental Matters. Company is in compliance with all Environmental Laws and all applicable federal, state and local health and safety laws, regulations, ordinances or rules, except to the extent that any non-compliance will not, in the aggregate, have a materially adverse effect on Company or the ability of Company to fulfill its obligations under this Reimbursement Agreement.

SECTION FOUR

CLOSING CONDITIONS

The obligation of Bank to issue the Letter of Credit on the Closing Date shall be subject to the following conditions precedent:

Section 4.1. Execution and Delivery of the Credit Documents and the Bond Documents. Company shall have delivered to Bank fully executed copies of each of the Credit Documents, and the Agency, the Trustee and Company shall have duly authorized, executed and delivered the Bond Documents, transcript of proceedings, authorizing resolutions and incumbency certificates.

Section 4.2. Delivery of Documents Relating to the Pledged Collateral. Company shall have duly and validly executed and delivered the Mortgage, the Security Agreement, the Assignment of Contracts, the Indemnity Agreement, the Bond Pledge and UCC financing statements; the Mortgage, and UCC financing statements shall have been duly filed in favor of Bank. In addition, Company shall have delivered to Bank:

(a) Evidence that the Premises are not located in a special flood hazard area as identified by HUD;

(b) Certificates of insurance and evidence of payment of premiums therefor with respect to the insurance required by Bank with respect to the Premises as set forth

in Section 6.2 below, including but not limited to, general liability insurance and hazard insurance, and flood insurance if applicable;

(c) A current certified survey of the Premises prepared by a registered surveyor satisfactory to Bank, and containing on the face thereof the completed certificate of the surveyor in the form of the surveyor's certificate required by Bank, dated not more than ninety (90) days prior to the Date of Issuance, and in compliance with the Minimum Standard Detail Requirements for ALTA/ASCM Class A land title surveys, as adopted by the American Land Title Association and American Congress on Surveying and Mapping in 1992, or such earlier dated surveys as Bank may deem acceptable;

(d) Environmental data with respect of the Premises, satisfactory to Bank in its sole discretion;

(e) A Commitment to issue the Title Policy in the form of an ALTA Form B-1970 (Additional Coverage Form) Loan Policy of Title Insurance issued by the Title Company in the amount of the Letter of Credit (i) insuring that the Mortgage, as of the time of its filing for record, is a first and best lien upon the Premises, and that the title to the Premises is free, clear and unencumbered, subject only to the Permitted Encumbrances.

(f) Evidence satisfactory to Bank that the Project, when completed, and the Premises, and the proposed and actual use thereof, will comply with all applicable laws, statutes, codes, ordinances, rules and regulations, including, but not limited to, zoning and Environmental Laws, of all governmental authorities having jurisdiction over the same, and that there is no action or proceeding pending (or any time for an appeal of any decision rendered) before any court, quasi-judicial body or administrative agency at the Date of Issuance relating to the validity of this Reimbursement Agreement or the transactions contemplated hereby or the proposed or actual use or operation of the Premises; and

(g) A written appraisal (the "Appraisal") satisfactory to Bank in all respects, prepared on both an "as is" and "as completed" value basis by an appraiser selected and directly engaged by Bank pursuant to an engagement letter issued by Bank, the cost of which Appraisal and review thereof will be charged to Company at Closing Date, and which Appraisal shall be prepared in accordance with the Uniform Standards of Professional Appraisal Practice applicable to Federally Related Transactions as set out in Appendix A to the real estate appraisal regulations adopted by the Office of the Comptroller of the Currency pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") (Sub-part C of 12 C.F.R. 34) and which Appraisal shall be updated, at Company's cost, upon the occurrence of an Event of Default under any of the Credit Documents.

Section 4.3. Issuance and Sale of the Bonds. The Bonds shall have been duly issued and sold to the Purchaser pursuant to the Bond Documents.

Section 4.4. Representations and Warranties True as of Closing and No Event of Default. The representations and warranties contained in this Reimbursement Agreement and the other Credit Documents shall be true in all material respects on the Closing Date with the same effect as though made on and as of that date and no condition, event or act shall have occurred which constitutes an Event of Default or, with notice or lapse of time, or both, would constitute an Event of Default.

Section 4.5. Opinion of Company's Counsel. Bank shall have received from Bond, Schoeneck & King, LLP, counsel for Company, a closing opinion or opinions with respect to (i) the matters described in Sections 3.1 and 3.2 of this Reimbursement Agreement; (ii) the matters described in Sections 3.3, 3.4, 3.6 and 3.13 of this Reimbursement Agreement, to the best of such counsel's knowledge and belief after inquiry; and (iii) such other matters incident to the transactions contemplated hereby as Bank may reasonably request.

Section 4.6. Opinion of Other Counsel. Bank shall have received from Bond Counsel an opinion with respect to the tax-exempt status of the Bonds, and from counsel acceptable to Bank, an opinion with respect to the absence of any securities registration requirements with respect to the Bonds under the Securities Act of 1933, as amended.

Section 4.7. Proceedings Satisfactory. All proceedings taken in connection with the execution and delivery of this Reimbursement Agreement and the other Credit Documents shall be satisfactory to Bank, and Bank shall have received copies of such certificates, documents and papers as reasonably requested in connection therewith, all in form and substance satisfactory to Bank.

Section 4.8 Additional Deliveries. Except as provided below, Company shall furnish the following documentation to Bank at least ten (10) Business Days prior to the Closing Date unless such date shall be extended in writing by Bank, all in form, substance and execution satisfactory to Bank:

(a) Invoices for work to be performed or materials to be supplied in connection with the Project, in each case approved by Bank;

(b) A cost breakdown and itemization of all hard and soft costs for the Project shall be provided, in form satisfactory to Bank.

(c) A final construction budget, acceptable to Bank;

(d) Certified copy of Company's resolutions authorizing the action required of Company;

(e) Project development schedule provided by Company and development supervisor setting forth the approximate start and finish dates of all major stages of the Project; such schedule shall provide that the development of the Project shall commence not later than thirty (30) days after the Closing Date;

(f) Evidence of such building permits as may be required;

(g) The Construction Contract, in form and substance acceptable to Bank;

(h) A completion bond issued on behalf of the Contractor in an amount not less than the fixed amount due and payable under the Construction Contract in form and substance acceptable to the Bank and containing a dual obligee rider identifying the Bank as a beneficiary thereof

(i) Company's federal tax identification number; and

(j) Such other documents which may be required by Bank to assure compliance with this Reimbursement Agreement and other Credit Documents.

SECTION FIVE

DISBURSEMENTS FROM PROJECT FUND

Company shall not request or receive any disbursement of funds from the Project Fund unless Bank shall have approved such disbursement in writing to the Trustee and the following conditions have been met:

Section 5.1. Conditions Precedent to First Disbursement. The following conditions must be satisfied prior to the first disbursement of funds from the Project Fund:

(a) The proceeds of the Bonds shall have been deposited into the Project Fund, and Bank and the Trustee shall have been granted a perfected security interest in the Project Fund;

(b) Company shall have provided evidence that all insurance requirements set forth herein have been satisfied;

(c) Company shall have delivered to Bank a schedule of all Contractors, by trade, to be engaged in the construction and installation of the Project Facility, together with copies of the Construction Contract; and

(d) Company shall have delivered to Bank copies of the consent of each of the Project Architect and Contractor, to the Assignment of Contracts, if known, as provided therein.

Section 5.2. Bank's Inspections; Construction Inspector. Prior to each disbursement, if required by Bank, Bank, or an agent engaged by Bank at Company's expense, may inspect the property to verify that the request for disbursement accurately indicates the amount of construction completed to said date. Bank shall engage the Construction Inspector with regard to the renovations/construction at the Premises. The Construction Inspector, at the cost of Company, shall, at Bank's option, perform and or all of the following services on behalf of Bank:

(a) To make an initial pre-cost analysis verifying that the Improvements can be completed for the amount available for construction from the Project Budget;

(b) To review and advise Bank whether, in the opinion of the Construction Inspector, the Plans and Specifications are satisfactory;

(c) To review Draw Requests and change orders;

(d) To make periodic inspections (approximately at the date of each Draw Request) for the purpose of assuring that construction of the Facility to date is in accordance with the Plans and Specifications and to approve Company's then current Draw Request as being consistent with Company's obligations under this Agreement, including inter alia, an opinion as to Company's continued compliance with the provisions of Section 6.1 (g) (4) hereof.

The fees of the Construction Inspector shall be paid by Company forthwith upon billing therefor and expenses incurred by Bank on account thereof shall be reimbursed to Bank forthwith upon request therefor, but neither Bank nor the Construction Inspector shall have any liability to Company on account of (i) the services performed by the Construction Inspector, (ii) any neglect or failure on the part of the Construction Inspector to properly perform its services, or (iii) any approval by the Construction Inspector of construction of the Facility. Neither Bank nor the Construction Inspector assumes any obligation to Company or any other person concerning the quality of construction of the Facility or the absence therefrom of defects.

Section 5.3. No Liens. Bank shall have received evidence satisfactory to Bank that since the last preceding disbursement from the Project Fund there has been no change in the state of title to the Premises. Company shall pay the cost of each title update required by Bank from the Title Company in connection with each request for approval of disbursement and each endorsement to the Title Policy.

Section 5.4. Request for Approval of Disbursement. In addition to satisfaction of any procedures required by the terms of the Bond Documents, not later than ten (10) business days before the date on which Company desires a disbursement from the Project Fund, Company shall submit to Bank (i) a written request for approval of the disbursement from the Project Fund (each a "draw request"); (ii) a certification of Company that, among other things, Company has paid or actually incurred the costs for which the request is being made; (iii) a revised Project Budget showing the balance of each category of Project costs; and (iv) a requisition in form satisfactory to Bank. Draw requests should not be made more frequently than once per month. Bank will authorize disbursements of amounts as approved by Bank for the cost of materials stored on site if and only if such materials are (i) stored on site, (ii) physically secured against loss or damage, including, but not limited to, theft and/or vandalism, (iii) clearly identified as property of the Project and Company, and (iv) insured against loss or damage in an amount equal to the full replacement cost of the stored materials by an insurance company acceptable to Bank. No disbursements will be made for materials not stored on site. Bank's "Use of Proceeds" form shall be submitted for Bank's use to approve all draw requests submitted to the Trustee for disbursements to be made from the Trust Estate (as defined in the Bond Documents). All requests for disbursement with respect to construction costs shall be accompanied by executed AIA Forms G-702 and G-703. Bank shall not be required to approve disbursement of funds for any line item in excess of the amount shown on Bank's Use of Proceeds form; however,

Company may request an increase in a line item by reducing a budgeted line item. Any such reallocation shall not cause a deficiency with respect to the "Company's Equity" category, and must be substantiated by a cost saving in the line item being reduced. All authorizations of draw requests shall be made within ten (10) days after receipt of all information required by Bank to approve the draw requests.

Section 5.5. Timing. Company will submit draw requests not more often than once a month. Each disbursement shall not be more than ninety (90%) of the value of construction work which has been completed and which is covered by such disbursement until the Project is fully completed, and the balance will be paid upon completion based on requirements set forth below. Retainage will be held on a subcontract by subcontract basis, and released in connection with a particular subcontract upon the expiration of the time for filing of any mechanic's lien with respect to such subcontract provided all work thereunder has been completed to the satisfaction of Bank and its inspector and a mechanic's lien waiver has been received from the subcontractor for all their work done on the property. There are no retainage requirements for "soft costs" on the Project. "Soft costs" are defined as expenses which have no mechanic's lien rights on the subject security (this does not include the contingency line item under the Construction Contract). Upon completion of all work and prior to disbursement of the retainage, Company shall submit evidence of substantial completion of the Project, consisting of a certificate of the Project Architect and a certificate of occupancy for the Facility. Notwithstanding the foregoing, Bank, in its sole discretion, may elect to release the retainage prior to completion of the Project.

Section 5.6. Supporting Documentation. Company shall furnish Bank with an affidavit of Company identifying all subcontractors and materialmen who have performed work or furnished materials in connection with the Project, together with lien waivers from the Contractor and from all subcontractors and materialmen who have provided notices of furnishing or who have performed work or furnished materials in connection with the Project, current through the end of the period covered by Company's most recent request, and such other evidence or affidavits required by Bank at the time of each request to ensure that all bills then due and payable for labor and materials used in constructing the Facility and all bills due and payable to the Contractor, subcontractors, materialmen and their respective subcontractors, laborers, and material suppliers have been paid in full, except those bills to be paid with the proceeds of such disbursement, and except for retainages. Bank shall be provided with an update to the Title Policy as of the date of the draw request, showing no additional liens or encumbrances upon the Premises.

Section 5.7. Material Damage. Notwithstanding any provision of this Reimbursement Agreement to the contrary, if the Premises shall have suffered any material damage or destruction prior to any disbursement from the Project Fund, such damaged or destroyed portion shall be restored or replaced in a manner acceptable to Bank without cost to Bank prior to the approval by Bank of any further disbursement from the Project Fund.

Section 5.8. Other Disbursement Approval Conditions. Bank shall not be obligated to approve any disbursement from the Project Fund if, at the time of a proposed disbursement, (i) an Event of Default or an event which, with the passage of time or service of notice, or both, would be an Event of Default under any of the Credit Documents has occurred, or (ii) any representation or warranty made by Company in any of the Credit Documents proves to be

untrue in any material respect, or (iii) Bank determines, at any time, that the Project will not be approved by the appropriate governmental regulatory authorities.

Section 5.9. Permits. Company shall have delivered to Bank building, zoning, and other required permits covering construction of the Facility together with evidence satisfactory to Bank that all approvals required with respect to the Premises from third parties or any governmental or quasi-governmental authorities have been obtained or, in the case of approvals relating to the operation of the Facility which cannot be obtained until completion of construction, evidence satisfactory to Bank that such approvals are obtainable.

Section 5.10. Utilities. [Intentionally Omitted]

Section 5.11. Conditions for Final Disbursement. Company will, on or prior to the date of the final disbursement from the Project Fund, deliver or cause to be delivered to Bank the following:

(a) If required by Bank, an additional endorsement to the Title Policy insuring the priority of the Mortgage in the full amount of the Letter of Credit against mechanic's and materialmen's liens (including inchoate liens) arising by reason of unpaid labor and materials supplied in connection with the construction and development of the Facility;

(b) An affidavit of Company stating that each person providing any material or performing any work in connection with the Premises has been (or will be, with the proceeds of and immediately following receipt by Company of such final disbursement) paid in full or bonded or insured to the reasonable satisfaction of Bank;

(c) Notification from the Construction Inspector to the effect that the improvements to the Premises have been completed in a good and workmanlike manner in accordance with the applicable Plans and Specifications;

(d) An as-built survey certified to the Bank and the Title Company showing the location of the completed improvements to the Premises; and

(e) A certificate of occupancy with respect to the completed improvements to the Premises.

Section 5.12. Sufficiency of Project Fund to Complete Construction. Notwithstanding anything contained in this Reimbursement Agreement to the contrary, it is expressly understood and agreed that the Project Fund and equity to be received from Company during construction (collectively, the "Construction Proceeds") shall at all times be "in balance." The Construction Proceeds shall be deemed to be "in balance" only at such time and from time to time, as Bank may determine in Bank's sole discretion based on the certification of Bank's Inspector that the then undisbursed portion of the Construction Proceeds equals or exceeds the amount necessary for the timely and full payment of (i) all work done and not theretofore paid for or to be done in connection with the completion of the construction of the Facility in accordance with the Plans and Specifications, including the installation of all fixtures and

equipment required for operation of the Facility and the Premises, and (ii) all other costs and expenses incurred and not theretofore paid for, or to be incurred in connection with the Project and the Premises (to the extent revenues will not, in Bank's sole judgment, be sufficient for the timely and full payment of such costs and expenses). Company agrees that if the Construction Proceeds are deemed not to be "in balance," Company shall, within thirty (30) days after written request by Bank, deposit the deficiency with Bank (the "Deficiency Deposit"), which Deficiency Deposit shall first be exhausted before any further disbursement from the Construction Proceeds is made. Bank shall not be obligated to make any disbursement if the Construction Proceeds are not in balance.

Section 5.13. Contractors May Be Paid Directly. Bank reserves the right to direct that the Trustee pay individual contractors directly upon the occurrence of any Event of Default under the Credit Documents.

SECTION SIX

COVENANTS

Company covenants and agrees that, except as otherwise waived by Bank in writing, from the date of this Reimbursement Agreement and until the obligations of Company to Bank hereunder are satisfied in full, it will comply with the following provisions:

Section 6.1. Accounting; Financial Statements and Other Information. Company will maintain a standard system of accounting, established and administered in accordance with GAAP consistently followed throughout the periods involved, and will set aside on its books for each fiscal year the proper amounts for depreciation, obsolescence, amortization, bad debts, current and deferred taxes, and other purposes as shall be required by GAAP. Company will deliver to Bank all in form and substance satisfactory to the Bank:

(a) As soon as practicable after the end of each fiscal quarter in each fiscal year, except the last, commencing with the fiscal quarter ended August 31, 2002 and in any event within forty five (45) days thereafter, financial statements of Company for such quarter, certified as complete and correct by the principal financial officer of Company, subject to changes resulting from year-end adjustments;

(b) Not later than August 15/th/ of each calendar year, a certificate on behalf of the Company of the chief financial officer to the effect that, to the best knowledge of the Company, no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and the actions the Company proposes to take with respect thereto, which certificate shall set forth the calculation of the Funded Debt Ratio as well as the calculations required to establish compliance with the provisions of Section 6.25 hereof;

(c) As soon as practicable after the end of each fiscal year, commencing with the fiscal year ending on or about May 31, 2003 and in any event within one hundred twenty (120) days thereafter, (i) annual revenue and expense budget for the current fiscal year including the assumptions underlying the forecasts forming the basis thereof, and accounts receivable aging report, each prepared by Company,

together with copies of filed federal income tax returns including all schedules and (ii) annual statement of condition of Company as of the end of such year, and statements of cash flows and changes in financial position and/or changes in fund balances as applicable of Company for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and certified as complete and correct by the principal financial officer of Company, accompanied by a report and an unqualified opinion of independent certified public accountants of recognized standing, selected by Company and satisfactory to Bank, which report and opinion shall be audited and prepared in accordance with generally accepted accounting principles;

(d) Promptly upon receipt thereof, copies of all other written reports submitted to Company by independent accountants in connection with any annual or interim audit of the corporate books of Company; and

(e) With reasonable promptness, such other data and information as from time to time may be reasonably requested by Bank, including Company's annual tax return.

Section 6.2. Insurance and Maintenance of Properties and Business. Company will maintain, with financially sound and reputable insurers, insurance to protect its properties and business against losses or damages of the kind customarily insured against by corporations of established favorable reputation engaged in the same or a similar business and similarly situated, including, but not limited to, (a) adequate fire and extended coverage insurance in amounts and issued by insurers acceptable to Bank, (b) necessary workers' compensation insurance, (c) adequate public liability insurance, and (d) such other insurance as may be required by law or as may be reasonably required in writing by Bank. Company will, upon request, furnish to Bank a schedule of all insurance carried by it, setting forth in detail the amount and type of such insurance. Company will maintain, in good repair, working order and condition, all properties used or useful in the business of Company.

Section 6.3. Payment of Indebtedness and Taxes. Company will pay (a) all of its Indebtedness (not required to be subordinated hereunder) and other obligations in accordance with normal terms or any applicable grace periods and (b) all taxes, assessments, and other governmental charges levied upon any of its respective properties or assets or in respect of its respective franchises, business, income, or profits before the same become delinquent, except that no such Indebtedness, obligations, taxes, assessments, or other charges need be paid if contested by Company in good faith and by appropriate proceedings promptly initiated and diligently conducted and if appropriate provision, if any, as shall be required by GAAP, shall have been made therefor.

Section 6.4. Litigation; Adverse Changes. Company will promptly notify Bank in writing of (a) any event which, if existing at the date hereof, would require qualification of the representations and warranties set forth in Sections 3.10 and 3.13 and (b) any material adverse change in the condition, business, or prospects, financial or otherwise, of Company.

Section 6.5. Inspection. Company will make available for inspection during regular business hours by duly authorized representatives of Bank, its books, records, and properties

when reasonably requested to do so, and will furnish Bank such information regarding its respective business affairs and financial condition within a reasonable time after written request therefor.

Section 6.6. Environmental Matters. Company:

(a) Shall comply with all Environmental Laws; and

(b) Shall deliver promptly to Bank (i) copies of any documents received from the United States Environmental Protection Agency or any state, county or municipal environmental or health agency, and (ii) copies of any documents submitted by Company or any of its Subsidiaries to the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning its operations.

Section 6.7. Sale, Purchase of Assets. Company will not, directly or indirectly, (a) purchase, lease, or otherwise acquire any assets except in the ordinary course of business or as otherwise permitted in this Reimbursement Agreement or (b) sell, lease, transfer, or otherwise dispose of any plant or any manufacturing facility or other tangible assets, except for (i) tangible assets sold for full and adequate consideration which an executive officer of Company has determined to be worn out, obsolete, or no longer needed or useful in its business, (ii) tangible assets sold in the ordinary course of business provided that Company receives full and adequate consideration in exchange for such assets sold. Notwithstanding anything to the contrary stated above, in any instance when Company determines in good faith that any asset shall have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary or should otherwise be replaced, Company may remove such items, provided that Company, in connection therewith:

(a) may remove, without substitution or payment, and without Bank's prior written consent, assets not in excess of $10,000.00 annually in the aggregate; or

(b) may substitute and install other assets having equal or greater value (but not necessarily the same function) in the operation of Company's business.

Section 6.8. Mortgage, Security Interests, and Liens. Company will not, directly or indirectly, create, incur, assume, or permit to exist any mortgage, security interest, lien, charge, encumbrance on, pledge or deposit of, or conditional sale or other title retention agreement with respect to, any of the Facility or the Pledged Collateral (herein called "Liens") other than:

(a) Liens for taxes, assessments, or governmental charges or levies the payment of which is not at the time required by law;

(b) Liens imposed by law, such as Liens of landlords, carriers, warehousemen, mechanics, and materialmen arising in the ordinary course of business for sums not yet due or being contested by appropriate proceedings promptly initiated and diligently conducted, provided other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(c) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance, and other types of social security, or to secure the performance of tenders, statutory obligations, and surety and appeal bonds, or to secure the performance and return of money bonds and other similar obligations, excluding obligations for the payment of borrowed money;

(d) Any judgment Lien, unless the judgment it secures shall, within thirty (30) days after the entry thereof, have been discharged or execution therefor stayed pending appeal, or shall have been discharged within thirty (30) days after the expiration of any such stay;

(e) Other Liens (other than mechanic's liens relating to the Project) incidental to the conduct of Company's business or ownership of properties and assets, which are not incurred nor granted in connection with the borrowing of money or the obtaining of advances or credits, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the ordinary course of business; provided the aggregate amount of all such Liens by Company shall not exceed $10,000.00;

(f) Liens evidenced by the Security Agreement or the Bond Pledge, as well as any other Liens in favor of Bank or any affiliate of Bank.

Section 6.9. Borrowed Money. Company will not, directly or indirectly, create, incur, or assume Indebtedness, or otherwise become, be, or remain liable with respect to, any Indebtedness in excess of $100,000.00 in the aggregate during any fiscal year, provided that the foregoing restrictions shall not apply to:

(a) The Indebtedness evidenced hereunder and any other Indebtedness now or hereafter payable by Company to Bank or any affiliate of Bank;

(b) Existing Indebtedness which is reflected on Company's financial statements referred to in Section 3.9 hereof; or

(c) Indebtedness of Company evidenced by the Bonds.

Section 6.10. Assumptions; Guaranties. Company will not assume, guarantee, endorse, or otherwise become directly or contingently liable for (including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, to supply funds to, or otherwise invest in any debtor or otherwise to assure the creditor against loss) any financial obligation or Indebtedness of any other Person, except guaranties by endorsement of negotiable instruments for deposit, collection, or similar transactions in the ordinary course of business.

Section 6.11. Mergers; Consolidation. Company will not merge or consolidate with any Person, dissolve, wind up its affairs, or sell, assign, lease, or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) to any Person.

Section 6.12. INTENTIONALLY OMITTED.

Section 6.13. Evidence of Payment of Costs. Company will furnish to Bank copies of all affidavits, lien waivers, releases or other evidence reasonably requested by Bank from time to time to establish that all bills for labor and materials performed or furnished in connection with the Project and all bills of the Contractor have been paid in full. Company will comply with Section 13 of the New York Lien Law, as amended, regarding improvements on the Premises and Company shall indemnify and hold Bank harmless from any and all claims for unpaid amounts due for work or labor performed, or materials furnished, to the Premises. Bank shall not be required to make any disbursements after the filing or service upon Bank of any notice of mechanic's, materialman's or laborer's lien until such lien is bonded or released.

Section 6.14. Changes to Plans and Specifications, Construction Contract. Company will not make or permit to be made (a) any material change in the Plans and Specifications; (b) any changes in any line item of the Project budget, (c) any material change in the terms and conditions of the Construction Contract or (d) any change in the identity of the Contractor.

Section 6.15. Construction and installation of Project Facility.

(a) Company will cause construction and installation of the Project Facility to be carried on continuously in phases and to be one hundred percent (100%) completed, lien free and ready for occupancy not later than the Completion Date, time being of the essence of this Reimbursement Agreement. The Project Facility will be constructed and installed substantially in accordance with the Plans and Specifications, and strictly in accordance with all applicable legal requirements. The Facility will be constructed entirely on the Premises and will not encroach upon or overhang any easement, building line or right of way and, when erected, will not violate applicable use or other restrictions of record. If, in Bank's judgment, the Project is not in conformity with the foregoing requirements, Bank shall notify Company in writing of any deficiencies and if such deficiencies are not corrected within thirty (30) days after the giving of such notice, Bank shall have the right to stop the work and order repair or reconstruction in accordance therewith and to withhold its consent to all further disbursements until the work is in satisfactory compliance with the Plans and Specifications and all legal requirements as required herein. Upon notice from Bank to Company, or Company's discovery irrespective of such notice, that the work is not in substantial conformity with the Plans and Specifications and/or in strict compliance with all legal requirements, Company shall commence correcting the deviation, as promptly as is practicable, and in any event within ten (10) days after the notice or discovery and shall prosecute such work diligently to completion, which, in no event, shall be later than twenty-five (25) days after such notice of discovery. No other notice shall be required to render such deviation an Event of Default (as hereinafter defined) hereunder;

(b) Company shall not authorize any material changes in the Plans and Specifications without the prior written consent of Bank except for change orders which have the

effect of increasing the cost of the Project either by itself or when aggregated with any prior change orders to which the Bank's consent was not required to be obtained pursuant to the provisions hereof by an amount not in excess of the Change Order Amount; and

(c) All materials incorporated in such construction will be purchased so that absolute ownership and title vest in Company upon delivery of such materials to the Facility.

Section 6.16. Additional Funds. Company will, at any time or times upon request of Bank, deposit with Bank such additional funds as are determined by Bank or Bank's Inspector to be necessary (in excess of the proceeds of the Bonds) to pay for completion of the Project and all costs and expenses related thereto.

Section 6.17. Evidence of Payment of Costs. Company will furnish to Bank copies of all affidavits, lien waivers, releases or other evidence requested by Bank from time to time to establish that all bills for labor and materials performed or furnished in connection with the Project and all bills of the Contractor and its subcontractors and material suppliers, have been paid in full, except for retainages. Company shall indemnify and hold Bank harmless from any and all claims for unpaid amounts due for work or labor performed, or materials furnished, to the Premises. Bank shall not be required to make any disbursements after the filing or service upon Bank of any notice of mechanic's, materialman's or laborer's lien until such lien is bonded or released.

Section 6.18. Entry; Correction of Defective Work. Company will allow Bank, and Bank's officers, agents or employees, at all reasonable times, (a) the right of entry and free access to the Premises to inspect all work done, labor performed and materials furnished in furtherance of the Project and (b) to require to be replaced or otherwise corrected any materials or work which fails to comply with the Plans and Specifications.

(a) Section 6.19. INTENTIONALLY OMITTED.

Section 6.20. Title. Company will keep the title to the Premises free and clear of all liens, encumbrances, easements, restrictions and claims, except for (a) the Permitted Encumbrances, (b) any lien, restriction or encumbrance created in connection with this Reimbursement Agreement or otherwise approved by Bank, and (c) real estate taxes and installments of special assessments, if any, which are a lien but not yet due and payable.

Section 6.21. Subsequent Appraisals. Company will immediately upon demand reimburse Bank for the cost and expense of any appraisal of the Project obtained by Bank on or after the date hereof if such appraisal is obtained by Bank pursuant to the requirements of any law, statute, rule, regulation, interpretive ruling, opinion, or directive of any state or federal governmental agency or unit governing, regulating, or controlling the activities of Bank, whether now existing or hereafter enacted.

Section 6.22. Purchase of Materials, Equipment, etc. No materials, equipment, personal property, or fixtures of any kind will be purchased or acquired by Company for installation or use in or about the Facility under any conditional sales contract or security

agreement or any lease agreement, and all such materials, equipment, personal property, and fixtures will be fully paid for before payment therefor becomes past due or in any event within fifty (50) days after delivery thereof; provided, however, that the foregoing shall not apply to amounts withheld and unpaid on account of bona fide disputes with the suppliers.

Section 6.23. Amendment of Contracts. Company will not without the prior written consent of Bank modify or amend a material term contained in any contract of Company relating to the development or financing of the Project, including any such contracts described herein.

Section 6.24. Payment Schedule of Bonds. Company shall cause the original principal amount of the Bonds to be repaid not later than the scheduled payments described in Exhibit B attached hereto and made a part hereof.

Section 6.25. Financial Covenants.

(a) The Company shall maintain a minimum Fixed Charge Coverage Ratio of 1.25 to 1.00 calculated as of each May 31st and November 30th/ /based upon the most recently concluded four fiscal quarters of the Company.

(b) The Company shall maintain a minimum Interest Coverage Ratio of 2.00 to 1.00 calculated as of each May 31st and November 30th/ /based upon the most recently concluded four fiscal quarters of the Company.

In calculating the foregoing ratios for the periods ending November 30, 2002 and May 31st, 2003, (i) principal shall be determined using the current maturities of long term debt (in accordance with GAAP) on a pro-forma basis for the twelve months following the Closing Date, (ii) Cash Interest Expense shall be calculated as the pro-forma Cash Interest Expense for the twelve months following the Closing Date (utilizing the appropriate amortization schedules and interest rates for the Indebtedness, including the fixed rate achieved under the SWAP Agreement and all Letter of Credit Fees and related fees) and (iii) thereafter both principal and Cash Interest Expense shall be calculated on the actual principal and Cash Interest Expense, respectively, for the period in question.

Section 6.26. Distributions. The Company shall not make any distributions or payments of dividends.

Section 6.27. Deposit and Cash Management Accounts. Company shall maintain with the Bank all of its deposit accounts and cash management accounts.

Section 6.28. Payments to Affiliates/other Persons; Debt Subordination.

(a) The Company shall not make any payments of any kind to any other Person, including any Affiliate of the Company, except for payments in the ordinary course of business.

(b) Any Indebtedness due and owing E Z-EM, Inc. from the Company (hereinafter the Subordinated Indebtedness") shall be fully subordinated to the repayment by the Company of all amounts due and owing to the Bank hereunder and under the

other Credit Documents. Provided that no Event of Default has occurred, the Company may make payments of principal with respect to the Subordinated Indebtedness on a semi-annual basis provided that after giving effect to such payment on a pro-forma basis, the Company shall be in full compliance with all of the terms, provisions and conditions set forth herein and in the other Credit Documents.

SECTION SEVEN

EVENTS OF DEFAULT

Section 7.1. Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Reimbursement Agreement:

(a) If Company fails to make or cause to be made any payment to Bank required to be made pursuant to the terms of the Credit Documents, including, but not limited to the Swap Documentation;

(b) If any representation or warranty made by Company or any officer thereof herein, in the Credit Documents or in any other written statement, certificate, report, or financial statement at any time furnished by or for Company in connection with any of the Credit Documents, proves to be incorrect in any material respect when made; or

(c) If Company shall fail to perform or observe any other provision, covenant, or agreement contained in this Reimbursement Agreement or in any other of the Credit Documents applicable to Company, and such failure remains unremedied for thirty (30) calendar days after Bank shall have given written notice thereof to Company; or

(d) If Company (i) fails to pay any Indebtedness for borrowed money (other than as arising under this Reimbursement Agreement) owing by Company when due, whether at maturity, by acceleration, or otherwise including, but not limited to, any Indebtedness due and owing to the Bank or any Affiliate thereof; or (ii) fails to perform any term, covenant, or agreement on its part to be performed under any agreement or instrument (other than this Reimbursement Agreement) evidencing, securing or relating to such Indebtedness when required to be performed, or is otherwise in default thereunder, if the effect of such failure is to accelerate, or to permit the holder(s) of such Indebtedness or the trustee(s) under any such agreement or instrument to accelerate, the maturity of such Indebtedness, unless waived by such holder(s) or trustee(s); or

(e) If Company discontinues business except as otherwise permitted under this Reimbursement Agreement; or

(f) If Company at any time hereafter sponsors or establishes any Plan and Company (i) fails to notify Bank in writing of such occurrence within the ten (10) days after such Plan is authorized by Company or (ii) fails to agree within a reasonable time

to such amendments to this Reimbursement Agreement regarding provisions with respect to ERISA that Bank customarily uses at that time in loan agreements with other borrowers; or

(g) An Indenture Default shall have occurred under the Indenture; or

(h) A Determination of Taxability shall have been made under the Indenture; or

(i) If Company (i) is adjudicated a debtor or insolvent, or ceases, is unable, or admits in writing its inability, to pay its debts as they mature, or makes an assignment for the benefit of creditors; (ii) applies for, or consents to, the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property, or any such receiver, trustee, or similar officer is appointed without the application or consent of Company; (iii) institutes, or consents to the institution of, by petition, application, or otherwise, any bankruptcy reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceeding relating to it under the laws of any jurisdiction; (iv) has any such proceeding described in clause (iii) instituted against it and such proceeding remains thereafter undismissed for a period of ninety (90) days; or (v) has any judgment, writ, warrant of attachment or execution or similar process issued or levied against a substantial part of its property and such judgment, writ, or similar process is not released, vacated, or fully bonded within ninety (90) days after its issue or levy.

(j) Except as otherwise permitted in this Reimbursement Agreement, if at any time, (i) the sum of the undisbursed portion of the Project Fund is less than the amount necessary for the timely and full payment of (a) all work done and not theretofore paid for or to be done in connection with the completion of the Project in accordance with the Plans and Specifications, including installation of all fixtures, furniture and equipment contemplated by the Plans and Specifications, and (b) all other costs incurred and not theretofore paid for, or to be incurred in connection with the Project, and (ii) Company fails within fifteen (15) Business Days after written request by Bank, to deposit the deficiency with Bank.

Section 7.2. No Waiver; Remedies. If an Event of Default occurs, Bank may exercise any and all remedies, legal or equitable, to collect the amounts due from Company, pursuant to this Reimbursement Agreement, and in its sole discretion, may notify the Trustee that an Event of Default has occurred and may instruct the Trustee to accelerate the principal amount of the Bonds. Upon receipt by the Trustee of such instructions from Bank, the Bonds shall be paid pursuant to the Indenture. No failure on the part of Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy. The remedies herein provided are cumulative and not exclusive of any remedies provided by law or equity.

SECTION EIGHT

TRANSFER, REDUCTION OR TERMINATION OF LETTER OF CREDIT

Section 8.1. Transfer of Letter of Credit; Reduction or Termination of Letter of Credit and Related Matters.

(a) The Letter of Credit may be transferred in accordance with the provisions set forth therein;

(b) If Company shall be entitled to a credit against the principal amount of the Bonds prior to maturity (the "Credit") pursuant to an optional redemption of a portion of the Bonds or to the purchase of Bonds in the open market and cancellation of such Bonds in accordance with the provisions of the Indenture, and such amounts have been paid by or on behalf of Company other than by Bank, Company shall have the right at any time thereafter to reduce permanently, without penalty or premium, the Letter of Credit Commitment in the manner set forth below. The Letter of Credit Commitment will be reduced by an amount equal to the sum of the following corresponding reductions in the Principal Commitment and the Interest Commitment: (a) the respective Principal Commitment will be reduced pro rata by an amount equal to the amount of such Credit; and (b) the respective Interest Commitment will be reduced pro rata by an amount equal to ninety eight (98) days' interest on the amount of such Credit at the Maximum Rate (using a 365-day divisor). The aforementioned reduction will occur not less than three (3) Business Days' after written notice to Bank, accompanied by the original Letter of Credit and the written certificate of the Trustee and Company stating that Company is entitled to such Credit and designating the amount of such Credit and the date upon which such credit shall become effective (which shall be a Business Day);

(c) If the Letter of Credit Commitment shall be reduced pursuant to paragraph (b) hereof, and Bank shall have received from the Trustee the outstanding Letter of Credit then, in substitution for the then outstanding Letter of Credit, a substitute irrevocable letter of credit, shall be issued dated such date, for an amount equal to the amount to which the Letter of Credit Commitment shall have been so reduced (also less the amount of any drawings upon the Letter of Credit which have not been reinstated under paragraph (d) hereof) but otherwise having terms identical to the then outstanding Letter of Credit;

(d) The obligation of Bank to honor Interest Drawings, under the Letter of Credit, up to the aggregate amount of the Interest Commitment (as same may have been reduced pursuant to subsection (b) of this Section 8.1 or in connection with a Principal Drawing)will be automatically reinstated pro rata to the Interest Coverage Requirement on the date of payment of each Interest Drawing; and

(e) Bank shall reinstate pro rata amounts drawn under the Letter of Credit pursuant to a Remarketing Drawing as set forth in the Letter of Credit.

The Letter of Credit shall terminate automatically on the earliest of (i) the payment by Bank to the Trustee of the final drawing available to be made under the Letter of Credit; (ii) receipt by Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an authorized representative of Company stating that no Bonds remain outstanding; (iii) receipt by Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an authorized representative of Company stating that "A Substitute Letter of Credit or a Substitute Credit Facility in substitution for the Letter of Credit has been accepted by the Trustee and is in effect"; or (iv) the stated Expiration Date. Notwithstanding the foregoing, the Expiration Date may be extended at Bank's option pursuant to Section 2.5 hereof.

SECTION NINE

MISCELLANEOUS

Section 9.1. Liability of Bank. Between Company and Bank, Company assumes all risks of the acts or omissions of the Trustee and any transferee of the Letter of Credit with respect to its use of the Letter of Credit or its proceeds. Neither Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or its proceeds or for any acts or omissions of the Trustee and any transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, inaccuracy of any of the statements or representations contained therein or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) good faith payment by Bank against presentation of documents which do not strictly comply with the terms of the Letter of Credit, including any failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit. In furtherance and not in limitation of the foregoing, Bank may accept documents that appear on their face to be in order, and may assume the genuineness and rightfulness of any signature thereon, without responsibility for further investigation, regardless of any notice or information to the contrary unless actually received by Bank; provided, that if Bank shall receive written notification from both the Trustee and Company that documents conforming to the terms of the Letter of Credit to be presented to Bank are not to be honored, Bank agrees that it will not honor such documents and Company shall indemnify and hold Bank harmless from such failure to honor.

Section 9.2. Right to Set-Off. Upon the occurrence of any Event of Default hereunder Bank is hereby irrevocably authorized at any time and from time to time without notice to Company, any such notice being expressly waived by Company, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect or contingent or matured or unmatured, at any time held or owing by Bank to or for the credit or the account of Company, or any part thereof in such amounts as Bank may elect, against and on account of the obligations and liabilities of Company to Bank hereunder and claims of every nature and description of Bank against Company, whether arising hereunder or otherwise, as Bank may elect, whether or not Bank has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. Bank agrees to notify in writing Company promptly of any such set-off and the application made by Bank, provided that the failure to give such notice shall not affect the validity of such set-off and

application. The rights of Bank under this subsection are in addition to other rights and remedies (including, without limitation, other rights of set-off) which Bank may have.

Section 9.3. Additional Collateral. As additional security for this Reimbursement Agreement, Company agrees that in the event that Trustee shall, after the occurrence of a continuing Event of Default hereunder and acceleration of the indebtedness evidenced hereby, draw upon the Letter of Credit to pay all Bonds, Bank shall be and become the assignee of all rights and interests of the Agency and the Trustee, all as provided more fully in the Indenture. Company does hereby consent to such Assignment, and does agree to execute any and all such documents, instruments and certificates in connection therewith as Bank shall deem appropriate.

Section 9.4. Optional Redemption. If Company elects to exercise its option to direct redemption of the Bonds by a prepayment, Company shall give Bank three (3) days' prior written notice of such intent. Prior to notifying the Trustee of its election to redeem the Bonds, Company shall deliver moneys (in good and collected funds) in an amount equal to the amount necessary to effect the redemption to Bank and Bank shall then inform the Trustee that those moneys are on deposit and that the Trustee may draw on the Letter of Credit to effect that redemption of the Bonds.

Section 9.5. Pledge of Bonds. Bonds which are not remarketed shall be held by the Trustee, as agent for Bank, as security for the obligations of Company under the Bond Pledge. Company hereby grants a lien on such Bonds while they are so held by the Trustee.

Section 9.6. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made when delivered, or mailed first-class postage prepaid, or receipt by fax, independently confirmed by other than the Sender's machine:

(a) if to Bank, at:

KeyBank National Association
Standby Letter of Credit Processing and Service Center
4910 Tiedeman Road - OH01510435
Cleveland, Ohio 44114-2338
Fax Number: (216) 813-3719

and a copy to:

KeyBank National Association
66 South Pearl Street
Albany, New York 12207
Fax Number: (518) 257-8587
Attention: Bryant J. Cassella, Vice President

and to:

Lemery Greisler LLC

10 Railroad Place
Saratoga Springs, New York 12866
Fax Number: (518) 581-8823
Attention: James A. Carminucci, Esq.

or at such other address as may have been furnished for such purpose to Company by Bank in writing; or

(b) if to Company, at:

Angiodynamics, Inc.
603 Queensbury Avenue
Queensbury, New York 12804
Fax Number: 518-798-3625
Attention: Eamonn P. Hobbs and Joseph Gerardi

and a copy to:

Bond Schoeneck & King PLLC
111 Washington Avenue
Albany, New York 12210
Fax Number: 518-462-7441
Attention: Kevin J. Kelley, Esq.

or at such other address as may have been furnished for such purpose to Bank by Company in writing.

Section 9.7. Survival of Representations and Warranties. All agreements, representations and warranties contained in the Credit Documents shall survive the execution and delivery of this Reimbursement Agreement, any investigation at any time made by or on behalf of Bank and the issuance and acceptance of the Letter of Credit. All statements contained in any certificates or other instruments delivered by or on behalf of Company pursuant hereto shall constitute representations and warranties by Company under this Reimbursement Agreement.

Section 9.8. Payments on Holidays. Whenever any payment to be made pursuant to this Reimbursement Agreement shall be stated to be due on a public holiday in the State of New York, Saturday or Sunday, such payment may be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest, if any, in connection with such payment.

Section 9.9. Computation of Interest. Unless specified to the contrary herein, all computations of interest hereunder shall be made on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

Section 9.10. Entire Agreement. The Credit Documents and the Letter of Credit embody the entire agreement and understanding between Bank and Company and supersede all

prior agreements and understandings relating to the subject matter hereof, provided, however, that in the event of any inconsistency between the Credit Documents and the Commitment Letter, the Credit Documents shall control.

Section 9.11. Parties in Interest. All the terms and provisions of this Reimbursement Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

Section 9.12. Participations. Bank reserves the right to sell participations in its obligations evidenced by the Letter of Credit, provided, however, that Company shall continue to deal solely with Bank in such event, it being understood and agreed that Company shall have no responsibility to such participants.

Section 9.13. Expenses. Company agrees, regardless of whether or not the Bonds are eventually issued and sold and regardless of whether or not the transactions contemplated hereby shall be consummated, to pay all reasonable expenses incurred by Bank incident to such transactions in the preparation of documentation relating thereto, including all fees and disbursement of the counsel (whether special outside counsel or attorneys in its Law Department) to Bank, for services to Bank. Company further agrees to pay all like expenses incurred by Bank in connection with any amendments of or waivers or consents requested by Company under or with respect to the Credit Documents or the enforcement from time to time by Bank of its rights under and pursuant to the Credit Documents.

Section 9.14. Counterparts. This Reimbursement Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Reimbursement Agreement by signing any such counterpart.

Section 9.15. Governing Law. This Reimbursement Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of New York.

Section 9.16. Waiver of Jury Trial.

(a) Company, to the extent permitted by law, waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between Bank and Company arising out of, in connection with, related to, or incidental to the relationship established between Company and Bank in connection with this Reimbursement Agreement or any other agreement, instrument or document executed or delivered in connection therewith or the transactions related thereto. This waiver shall not in any way affect, waive, limit, amend or modify Bank's ability to pursue remedies pursuant to any confession of judgment or cognovit provision contained in this Reimbursement Agreement, or any other agreement, instrument or document related thereto;

(b) Company waives demand, presentment for payment, notice of dishonor, protest and notice of protest, and diligence in the collection and bringing suit and agrees to the application of any bank balance as payment or part payment of this Reimbursement Agreement, or as an offset thereto, and that Bank may extend the time for payment, accept partial payment,

take security therefor, or exchange or release any collateral, without discharging or releasing Company; and

(c) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the bringing of any suit, action or proceeding arising out of or relating to this Reimbursement Agreement or any other document related hereto in any New York state or federal court sitting in New York. each of the parties hereto hereby waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Company confirms that the foregoing waivers are informed and freely made.

IN WITNESS WHEREOF, the undersigned have caused this Reimbursement Agreement to be executed as of the date first above written.

ANGIODYNAMICS, INC.

By: /s/ Eamonn P. Hobbs

Eamonn P. Hobbs,
President and Chief Executive Officer

KEYBANK NATIONAL ASSOCIATION

By: /s/ Bryant J. Cassella, V.P.

Bryant J. Cassella, Vice President

STATE OF NEW YORK)
)ss:
COUNTY OF Albany)

On the 28 day of August in the year 2002 before me, the undersigned, a notary public in and for said state, personally appeared EAMONN P. HOBBS, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

STATE OF NEW YORK)
)ss:
COUNTY OF Albany)

On the 28 day of August in the year 2002 before me, the undersigned, a notary public in and for said state, personally appeared BRYANT J. CASSELLA, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed the instrument.

/s/ Carolyn A. Wildman

Notary Public

[Notary Stamp]

KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

EXHIBIT A

A KeyCorp Bank

KEYBANK NATIONAL ASSOCIATION
STANDBY LETTER OF CREDIT
PROCESSING AND SERVICE CENTER
4910 TIEDEMAN ROAD - OH01510435
CLEVELAND, OHIO 44144-2338, USA

SWIFT: KEYBUS33SLC
TELEX: 212525 SNB UR
PHONE: 216-813-3701
FAX: 216-813-3719

IRREVOCABLE TRANSFERABLE DIRECT PAY LETTER OF CREDIT NO.S305206

DATE: AUGUST 29, 2002

Beneficiary:

THE HUNTINGTON NATIONAL BANK, AS TRUSTEE
Corporate Trust Department
7 Easton Oval - EA4E63 (CN03/CSG)
Columbus, Ohio 43219

Company:

ANGIODYNAMICS, INC.
603 Queensbury Avenue
Queensbury, New York 12804

Amount: USD $3,575,179.00

Expiration Date: August 22, 2005

Dear Sirs:

You, as Trustee under the Indenture of Trust, dated as of August 1, 2002 (the "Indenture"), between you and the Counties of Warren and Washington Industrial Development Agency (the "Agency"), pursuant to which Three Million Five Hundred Thousand and 00/100 Dollars ($3,500,000.00) in aggregate principal amount of the Counties of Warren and Washington Industrial Development Agency Multi-Mode Variable Rate Industrial Development Revenue Bonds (Angiodynamics, Inc. Project-Letter of Credit Secured) Series 2002 (the "Bonds") are being issued by the Agency, are hereby irrevocably authorized to draw on KeyBank National Association pursuant to this Irrevocable Transferable Direct Pay Letter of Credit, for the account of Angiodynamics, Inc., a Delaware corporation (the "Company"), available by one or more of your drafts at sight, upon the terms and conditions hereinafter set forth, an amount (subject to reinstatement as hereinafter set forth) not exceeding Three Million Five Hundred Seventy Five Thousand One Hundred Seventy Nine and 00/100 Dollars ($3,575,179.00) (the "Letter of Credit Commitment") of which (a) an amount not exceeding Three Million Five Hundred Thousand and 00/100 Dollars ($3,500,000.00) (the "Principal Commitment") may be drawn to pay (i) the principal amount of the Bonds as and when the same become due at maturity or by acceleration or by redemption, or (ii) the purchase price or a portion of the purchase price equal to the principal amount of any Bonds tendered for purchase by the Holders thereof, to the extent remarketing proceeds are not available for

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such purpose to pay the portion of the purchase price of any Bonds tendered for purchase by the Holders thereof; and (b) an amount not exceeding Seventy Five Thousand One Hundred Seventy Nine and 00/100 Dollars ($75,179.00) (the "Interest Commitment") may be drawn with respect to the payment of (i) up to 98 days' interest at a rate per annum of eight percent (8%) (using a 365-day divisor) (the "Maximum Rate") to pay interest on the Bonds when due, or (ii) a portion of the purchase price of up to 98 days' interest at a rate per annum equal to the Maximum Rate for interest accrued, if any, on Bonds tendered for purchase by the Holders thereof to the extent remarketing proceeds are not available for such purpose, in each instance effective immediately and expiring at the close of business on August 22, 2005(the "Expiration Date").

Funds under this Letter of Credit are available to you against your executed sight draft(s) drawn on us, stating on their face: "Drawn under KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206" and accompanied by: (A) if the drawing is being made with respect to the payment of principal on the Bonds, whether due at maturity, upon mandatory or optional redemption or upon acceleration (a "Principal Drawing"), a certificate signed by you in the form of Schedule 1 attached hereto appropriately completed; (B) if the drawing is being made with respect to a payment of interest on the Bonds when due (an "Interest Drawing"), a certificate signed by you in the form of Schedule 2 hereto appropriately completed; and (C) if a drawing is being made to pay the principal amount of and accrued interest on any Bonds tendered for purchase by the Holders thereof, to the extent remarketing proceeds are not available for such purpose (a "Remarketing Drawing"), a certificate signed by you in the form of Schedule 3 hereto appropriately completed. Presentation of such draft(s) and certificate(s) shall be made at our office at Standby Letter of Credit Processing and Service Center, 4910 Tiedeman Road - OH01510435, Cleveland, Ohio 44144-2338, or at any other office of ours which may be designated by us by written notice delivered to you. We hereby agree that all drafts drawn under and in compliance with the terms of this Letter of Credit and presented before 11:00 a.m. (New York City time) on a Business Day will be duly honored by us by 2:00 p.m. (New York City time) on the next Business Day after delivery of the draft(s) and certificate(s); provided, however, if a Remarketing Drawing is presented and if conforming drawing documentation is presented at or prior to 11:00 a.m. (New York City time) on a Business Day, payments shall be made to you on such Business Day. Payments under this Letter of Credit will be made only from our funds. If requested by you, payment under this Letter of Credit may be made by wire transfer of federal funds to your account at any Federal Reserve Bank, or by deposit of immediately available funds into a designated account that you maintain with us. As used herein, "Business Day" shall mean any day of the year other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in Cleveland, Ohio, or the city or cities in which are located the corporate trust offices of the Trustee and the Tender Agent, and our office at which demands for payment under this Letter of Credit are to be presented are authorized by law to close, or (iii) any day on which the New York Stock Exchange is closed.

Subject to the next succeeding paragraph, drawings hereunder shall not exceed the Letter of Credit Commitment, as the Letter of Credit Commitment may be reduced or reinstated pursuant hereto, and, except as hereinafter provided, each drawing honored by us shall pro tanto reduce the amount available under this Letter of Credit.

We will reinstate amounts drawn hereunder pursuant to a Remarketing Drawing hereunder, as to the Principal Commitment and the Interest Commitment, to the extent that money is received by us (other

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than from drawings under this Letter of Credit) from the Tender Agent described in the Indenture, which proceeds were held by the Trustee or the Tender Agent for the sole purpose of reimbursing us for all or a portion of the amounts drawn pertaining to said Remarketing Drawing, or upon the Trustee's certification that the Trustee or the Tender Agent is holding for our benefit Bonds together with an amount of money, the aggregate amount of which is equal to or greater than the principal portion of the Remarketing Drawing

In connection with any Interest Drawing, the Letter of Credit will be automatically decreased by the amount of such Interest Drawing and will be automatically reinstated by the amount of such Interest Drawing on the day of payment of such Interest Drawing. Upon presentation by you and payment by us of any Principal Drawing, the Principal Commitment shall be automatically decreased by an amount equal to the amount of such Principal Drawing and the Interest Commitment shall be automatically reduced by an amount equal to ninety-eight (98) days' interest at the Maximum Rate (using a 365-day divisor) on the amount of such Principal Drawing.

If the Company shall be entitled to a credit against the principal amount of the Bonds prior to maturity (the "Credit") pursuant to an optional redemption of a portion of the Bonds, or to the purchase of Bonds in the open market and cancellation thereof in accordance with the provisions of the Indenture, and such amounts have been paid by or on behalf of the Company other than by us, the Company shall have the right at any time thereafter to reduce permanently, without penalty or premium, the Letter of Credit Commitment in the manner set forth below. The Letter of Credit Commitment will be reduced by an amount equal to the sum of the following corresponding reductions in the Principal Commitment and the Interest Commitment: (i) the Principal Commitment will be reduced to an amount equal to the amount of such Credit, and (ii) the Interest Commitment will be reduced by an amount equal to ninety eight (98) days' interest at the Maximum Rate (using a 365-day divisor) on the amount of such Credit. The reduction in the Letter of Credit Commitment pursuant to such Credit will occur not less than three (3) Business Days after written notice to us, accompanied by this Letter of Credit and your written certificate in the form of Schedule 4 attached hereto, stating that the Company is entitled to such reduction and designating the amount of such Credit and the date of the Business Day upon which such reduction shall become effective. Upon such presentation we will either reissue this Letter of Credit in the maximum amount available hereunder or otherwise amend this Letter of Credit to reflect such maximum amount then available.

Only you, as Trustee, may make a drawing under this Letter of Credit. Upon the payment to you or your account of the amount specified in a sight draft drawn hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such sight draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such sight draft to you or to any other person who may have made to you or who makes to you a demand for payment of principal of or interest on any of the Bonds.

Except as otherwise provided herein, this Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits (1993 Revision), Publication No. 500 of the International Chamber of Commerce (the "UCP"); provided, however, that paragraphs d, e, f, g, h, i and j of Article 48 and the second sentence of Article 17 shall not apply to this Letter of Credit. Furthermore, as provided in the first sentence of Article 17 of the UCP, we assume no

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liability or responsibility for consequences arising out of the interruption of our business by Acts of God, riots, civil commotions, insurrections, wars or any other causes beyond our control, or strikes or lockouts. As to matters not covered by the UCP and to the extent not inconsistent with the UCP or made inapplicable by this Letter of Credit, this Letter of Credit shall be governed by the laws of the State of Ohio, including the Uniform Commercial Code as in effect in the State of Ohio.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded you as Trustee under the Indenture, and such transferred Letter of Credit may be successively transferred to any Successor Trustee or Co-Trustee thereunder, but may not be assigned, transferred or conveyed under any other circumstance. Transfer of the amount available under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a transfer fee of $500.00 (to be paid by the Company) and the transfer form in the form attached hereto as Schedule 5 and, unless this Letter of Credit is so presented to us, we shall have no obligation hereunder to any transferee. Upon such transfer, we will either reissue this Letter of Credit to the transferee in the maximum amount then available hereunder or endorse the transfer on the reverse of this letter of credit and forward it directly to the transferee with our customary notice of transfer.

Upon the earliest of (i) the honoring by us of the final drawing available to be made hereunder; (ii) our receipt of this outstanding Letter of Credit and a written certificate signed by your officer and an authorized representative of the Company, in the form of Schedule 6 hereto appropriately completed, stating that: (a) no Bonds are Outstanding within the meaning of the Indenture; and (b) such officer and representative are duly authorized to sign such certificate on behalf of you and the Company; (iii) our receipt of this Letter of Credit and a written certificate signed by your officer and an authorized representative of the Company, in the form of Schedule 7 hereto appropriately completed, stating that: (a) a Substitute Letter of Credit or a Substitute Credit Facility has been accepted by you and is in effect; and (b) such officer and representative are duly authorized to sign such certificate on behalf of you and the Company; or (iv) the Expiration Date, this Letter of Credit shall automatically terminate and be delivered to us for cancellation.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds or the Reimbursement Agreement), except only the certificate(s) and the sight draft(s) referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificate(s) and such sight draft(s).

- ---------- ----------

Authorized Signature Authorized Signature

KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

SCHEDULE 1

CERTIFICATE FOR THE PAYMENT OF PRINCIPAL
OF THE COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY
MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BONDS
(ANGIODYNAMICS, INC. PROJECT-LETTER OF CREDIT SECURED) SERIES 2002
(THE "BONDS")

The undersigned, a duly authorized signatory of The Huntington National Bank, as Trustee (the "Trustee"), hereby certifies to KeyBank National Association (the "Bank"), with reference to Irrevocable Transferable Direct Pay Letter of Credit No. S305206 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by Bank in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.

2. The Trustee is making a drawing under the Letter of Credit with respect to the payment of principal of the Bonds.

3. The amount of principal of the Bonds which will be due and payable on _____, is $_____.

4. The amount of the sight draft accompanying this Certificate ($_____), together with the aggregate of all prior payments made pursuant to Principal Drawings under this Letter of Credit for the payment of the Bonds, does not exceed $_____.

5. The amount of the sight draft accompanying this Certificate was computed in accordance with the terms and conditions of the Letter of Credit, the Bonds and the Indenture.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____, _____.

THE HUNTINGTON NATIONAL BANK, TRUSTEE,
As Trustee

By:

(Name and Title)

- ---------- ----------
Authorized Signature Authorized Signature

SCHEDULE 2

CERTIFICATE FOR THE PAYMENT OF INTEREST
OF COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY
MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BONDS
(ANGIODYNAMICS, INC. PROJECT-LETTER OF CREDIT SECURED) SERIES 2002
(THE "BONDS")

The undersigned, a duly authorized signatory of The Huntington National Bank, Trustee (the "Trustee"), hereby certifies to KeyBank National Association (the "Bank"), with reference to Irrevocable Transferable Direct Pay Letter of Credit No. S305206 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by Bank in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.

2. The Trustee is making a drawing under the Letter of Credit with respect to a payment of interest accrued on the Bonds on or prior to their stated maturity date.

3. The amount of interest on the Bonds which will be due and payable on _____, is $_____.

4. The amount of the sight draft accompanying this Certificate ($_____) does not exceed the amount available on the date hereof to be drawn under the Letter of Credit in respect of the payment of interest accrued on the Bonds on or prior to their stated maturity date.

5. The amount of the sight draft accompanying this Certificate was computed in accordance with the terms and conditions of the Letter of Credit, the Bonds and the Indenture.

6. The amount of the Interest Commitment available after the draw, if reinstated pursuant to the Letter of Credit, is $_____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, _____.

THE HUNTINGTON NATIONAL BANK, TRUSTEE,
As Trustee

By:

(Name and Title)

- ---------- ----------
Authorized Signature Authorized Signature

SCHEDULE 3

CERTIFICATE FOR THE PAYMENT OF PURCHASE PRICE IN REMARKETING OF COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BONDS (ANGIODYNAMICS, INC. PROJECT-LETTER OF CREDIT SECURED) SERIES 2002 (THE "BONDS")

The undersigned, a duly authorized signatory of The Huntington National Bank, as Trustee (the "Trustee"), hereby certifies to KeyBank National Association (the "Bank"), with reference to KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by Bank in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds. The total amount of Bonds outstanding (as defined in the Indenture) is $_____.

2. The Trustee is making a drawing under the Letter of Credit at the written request of the Remarketing Agent (as defined in the Indenture), to pay, pursuant to the terms of the Indenture, the purchase price equal to the principal amount of those Bonds which the Remarketing Agent has been unable to remarket and the interest accrued on such Bonds but not paid.

3. The Trustee: (a) is delivering or causing to be delivered to Bank, or its designated agent, of the Bonds, registered in the name of the Company as Company and Bank as pledgee; referred in this second paragraph hereof; (b) acknowledges the pledge by the Company to Bank of the Bonds delivered pursuant to subparagraph (a); and (c) agrees that all payments of principal, premium, if any, and interest made on such Bonds shall be made to Bank, so long as Bank is the pledgee of such Bonds.

4. The principal amount of the Bonds delivered to the Remarketing Agent which the Remarketing Agent has been unable to remarket is $_____. The amount of interest upon such Bonds which has accrued but is unpaid is $_____. The amount of the draft accompanying this Certificate does not exceed such amount due as the purchase price of the Bonds corresponding to such principal amount of, and interest accrued on, such Bonds.

Upon receipt by the Trustee of the amount demanded hereby, (a) the Trustee will deliver it to Bond holders only for the purpose of payment of the purchase price of the Bonds referenced in the second paragraph hereof, (b) no portion of it shall be applied by the Trustee for any other purpose, and (c) no portion of it shall be commingled with other funds held by the Trustee. This drawing is made in accordance with the provisions of the Indenture and the Letter of Credit.

The amount of the draw accompanying this Certificate was computed in accordance with the terms and conditions of the Bonds and the Indenture.

- ---------- ----------

Authorized Signature Authorized Signature

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the _____ day of _____, _____.

THE HUNTINGTON NATIONAL BANK, TRUSTEE,
As Trustee

By:

(Name and Title)

- ---
Authorized Signature

Authorized Signature

SCHEDULE 4

CERTIFICATE AS TO REDUCTION
OF LETTER OF CREDIT COMMITMENT
COUNTIES OF WARREN AND WASHINGTON INDUSTRIAL DEVELOPMENT AGENCY
MULTI-MODE VARIABLE RATE INDUSTRIAL DEVELOPMENT REVENUE BONDS
(ANGIODYNAMICS, INC. PROJECT-LETTER OF CREDIT SECURED) SERIES 2002
(THE "BONDS")

KeyBank National Association
Standby Letter of Credit
Processing and Service Center
4910 Tiedeman Road -OH01510435
Cleveland, Ohio 44144-2338,

RE: KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

Ladies and Gentlemen:

The undersigned, a duly authorized signatory of The Huntington National Bank, as Trustee (the "Trustee"), and a duly authorized representative of Angiodynamics, Inc. (the "Company"), hereby certifies to KeyBank National Association, with reference to KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by KeyBank National Association in favor of the Trustee, that:

A. The Trustee is the Trustee under the Indenture for the holders of the Bonds.

B. The Company is entitled to a reduction in the Letter of Credit Commitment. The Letter of Credit Commitment shall be reduced, effective as of _____ _____, as follows:

1. The Principal Commitment shall be reduced to $_____.

2. The Interest Commitment shall be reduced to $_____.

C. The undersigned officer and representative are duly authorized to sign this certificate on behalf of the Trustee and on behalf of the Company, respectively.

- ---------- ----------
Authorized Signature Authorized Signature

IN WITNESS WHEREOF, the Trustee and the Company have executed and delivered this Certificate as of the _____ day of _____, _____.

TRUSTEE: THE HUNTINGTON NATIONAL BANK, as Trustee

By: ----------

Title: ----------

COMPANY: ANGIODYNAMICS, INC.

By: ----------

Title: ----------

- ---------- ----------

Authorized Signature Authorized Signature

KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

SCHEDULE 5

CERTIFICATE OF TRANSFER

KeyBank National Association
Standby Letter of Credit
Processing and Service Center
4910 Tiedeman Road - OH01510435
Cleveland, Ohio 44144-2338

Date:_____, 20__

RE: KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to the following (the "Transferee"):

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the Transferee, and the Transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments of the Letter of Credit, whether increases in the amount to be drawn thereunder, extensions of the Expiration Date thereof, or other amendments, and whether such amendments now exist or are made after the date hereof. All amendments of the Letter of Credit are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned beneficiary. The undersigned hereby certifies that the Transferee has become successor Trustee under the Indenture of Trust dated as of August 1, 2002, between the undersigned and the Counties of Warren and Washington Industrial Development Agency (the "Agency"), relating to the Counties of Warren and Washington Industrial Development Agency Multi-Mode Variable Rate Industrial Development Development Revenue Bonds (Angiodynamics, Inc. Project-Letter of Credit Secured) Series 2002 and has accepted such appointment in writing.

We enclose the Company's check in the amount of $500.00 representing your transfer fee.

- ---------- ----------
Authorized Signature Authorized Signature

KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

The original of the Letter of Credit is returned herewith, and in accordance therewith we ask you to endorse the within transfer on the reverse thereof and forward it directly to the Transferee with your customary notice of transfer, or issue a replacement Letter of Credit to the Transferee as provided therein.

Very truly yours,

THE HUNTINGTON NATIONAL BANK, TRUSTEE,
as Trustee

By:

(Authorized Officer)

- ---
Authorized Signature

Authorized Signature

SCHEDULE 6

CERTIFICATE THAT NO BONDS ARE OUTSTANDING

KeyBank National Association
Standby Letter of Credit
Processing and Service Center
4910 Tiedeman Road - OH01510435
Cleveland, Ohio 44144-2338,

RE: KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

Ladies and Gentlemen:

The undersigned, a duly authorized signatory of The Huntington National Bank, as Trustee (the "Trustee"), and _____, a duly authorized representative of Angiodynamics, Inc. (the "Company"), hereby certify to KeyBank National Association, with reference to KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by KeyBank National Association in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.

2. No Bonds are Outstanding within the meaning of the Indenture.

3. The undersigned officers and representatives are duly authorized to sign this certificate on behalf of the Trustee and on behalf of the Company, respectively.

- ---------- ----------
Authorized Signature Authorized Signature

IN WITNESS WHEREOF, the Trustee and the Company have executed and delivered this Certificate as of the _____ day of _____, ____.

THE HUNTINGTON NATIONAL BANK, TRUSTEE,
as Trustee

By:

(Name and Title)

ANGIODYNAMICS, INC.

By:

Title:

- ---
Authorized Signature

Authorized Signature

SCHEDULE 7

CERTIFICATE OF ACCEPTANCE OF ALTERNATE LETTER OF CREDIT

KeyBank National Association
Standby Letter of Credit
Processing and Service Center
4910 Tiedeman Road - OH01510435
Cleveland, Ohio 44144-2338,

RE: KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206

Ladies and Gentlemen:

The undersigned, a duly authorized signatory of The Huntington National Bank, as Trustee (the "Trustee"), and _____, a duly authorized representative of Angiodynamics, Inc. (the "Company"), hereby certify to KeyBank National Association, with reference to KeyBank National Association Irrevocable Transferable Direct Pay Letter of Credit No. S305206 (the term "Letter of Credit" and other capitalized terms used herein and not defined shall have their respective meanings as set forth in the Letter of Credit) issued by KeyBank National Association in favor of the Trustee, that:

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.

2. An Substitute Letter of Credit or a Substitute Credit Facility in substitution for the Letter of Credit has been accepted by the Trustee.

3. The undersigned officer and representative are duly authorized to sign this certificate on behalf of the Trustee and on behalf of the Company, respectively.

- ---------- ----------
Authorized Signature Authorized Signature

IN WITNESS WHEREOF, the Trustee and the Company have executed and delivered this certificate as of the _____ day of _____, ____.

THE HUNTINGTON NATIONAL BANK, as
TRUSTEE, as Trustee

By:

(Name and Title)

ANGIODYNAMICS, INC.

By:

Title:

- ---
Authorized Signature

Authorized Signature

EXHIBIT "B"

PRINCIPAL REDUCTION SCHEDULE

Exhibit 10.17

FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT

THIS FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT (the "Amendment") dated as of December 29, 2003 by and between ANGIODYNAMICS, INC., a Delaware corporation, with its principal place of business at 603 Queensbury Avenue, Queensbury, New York 12804 (the "Company"), and KEYBANK NATIONAL ASSOCIATION, a national banking association, having an office at 66 South Pearl Street, Albany, New York 12207 (the "Bank");

W I T N E S S E T H:

WHEREAS, in connection with the issuance of the Letter of Credit (as hereinafter defined), the Company and the Bank executed and delivered a certain reimbursement agreement dated as of August 1, 2002 (the "Reimbursement Agreement") (all terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Reimbursement Agreement); and

WHEREAS, the parties desire to modify the Reimbursement Agreement in the manner hereinafter set forth; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 1.1 of the Reimbursement Agreement is hereby amended to include the following defined terms to appear in their proper alphabetical order with Section 1.1:

"Senior Funded Indebtedness" shall mean total Indebtedness less any subordinated Indebtedness.

"Senior Leverage Ratio" shall mean the ratio of the Company's (i) Senior Funded Indebtedness to (ii) EBITDA less Unfunded Capital Expenditures, calculated in accordance with GAAP.

2. Section 1.1 of the Reimbursement Agreement is hereby amended to delete the defined terms "Interest Coverage Ratio" and "Funded Debt Ratio".

3. All references in the Reimbursement Agreement to the term "Funded Debt Ratio" shall be amended to instead refer to "Senior Leverage Ratio".

4. Subsection (b) of Section 6.25 of the Reimbursement Agreement is hereby amended and restated in its entirety to read as follows:

> "(b) The Company shall not allow its Senior Leverage Ratio to exceed 2.75 to 1.00 calculated as of each May 31st and November 30/th/ based upon the most recently concluded four fiscal quarters of the Company.

5. The Company hereby represents and warrants as follows:

(i) no Event of Default has occurred and no event has occurred with which the passage of time or the giving of notice or both would constitute an Event of Default;

(ii) there exist no defenses or offsets to the obligations of the Company under the Reimbursement Agreement; and

(iv) the execution and delivery of this Amendment have been approved by all necessary corporate action on the part of the Company.

6. As modified hereby, all of the terms, provisions and conditions of the Loan Agreement are hereby ratified and confirmed.

7. The Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first above written.

ANGIODYNAMICS, INC.

By: /s/ Joseph G. Gerardi

Joseph G. Gerardi, Vice President and Controller

KEYBANK NATIONAL ASSOCIATION

By: /s/ Bryant J. Cassella

Bryant J. Cassella, Senior Vice President

Exhibit 10.20

AGREEMENT

THIS AGREEMENT (the "Agreement"), effective as of January 1, 2004 by and between AngioDynamics, Inc., a Delaware corporation (the "Company") and Donald A. Meyer ("Meyer").

WHEREAS, Meyer is a current member of the Board of Directors of the Company (the "Board") and has served as a member of the Board for the past 8 years; and

WHEREAS, the Company recognizes Meyer's past contributions to the Company and wants to provide for the continuation of his contributions to the Company.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Position. Meyer shall provide to the Company certain services, including (i) serving as Trustee of the Company's 401(k) savings plan, and (ii) such other services as may reasonably be requested by the Company from time to time (collectively, the "Services").

2. Independent Contractor. Meyer shall perform the Services as an independent contractor and consultant and not as an employee of the Company. The Company shall not withhold any amounts for taxes from payments made to Meyer. Meyer shall be responsible for the payment of all taxes in connection with amounts paid to him by the Company and shall indemnify the Company and hold the Company harmless with respect to the payment of all such taxes.

3. Board of Directors. Meyer hereby agrees to resign from the Board when his replacement is selected by the Board. Except as provided in Section 5, Meyer shall not receive any compensation for his continued service as a member of the Board from the effective date of this Agreement until his resignation.

4. Term. The term of this Agreement shall be thirty-six (36) months, commencing on January 1, 2004 and terminating on December 31, 2006 (the "Term"). Notwithstanding the foregoing, this Agreement shall terminate upon the earliest to occur of (i) a change in control (as defined in the Company's standard change in control agreement), (ii) Meyer's death or (iii) thirty days after the proper giving of notice by one party of a material breach of this Agreement by the other party (unless such material breach is cured during such 30-day period).

5. Compensation. In consideration of Meyer's continued service as a member of the Board until January 24, 2004, and his performance of the Services, Meyer shall receive thirty-six (36) equal monthly payments of $3,500.00, payable on the first day of each month commencing January 1, 2004. Meyer shall continue to receive such payments upon his disability, but such payments shall cease upon the end of the month in which a change in control or Meyer's death occurs. Except as set forth herein, Meyer shall not receive any additional compensation or payments.

6. Stock Options. The Company shall take all action deemed necessary and appropriate so that all Company stock options held by Meyer as of December 31, 2003 shall expire on the earlier of (i) December 31, 2006, or (ii) the 10 year anniversary of the original

grant date of each stock option, provided, that in the event this Agreement is terminated, all vested stock options shall expire ninety (90) days after the date of termination.

7. Business Expenses. In addition to the Compensation provided for in Section 5, during the Term the Company shall reimburse Meyer for reasonable travel expenses incurred consistent with the Company's policies, in connection with his performance of the Services.

8. Confidentiality. Meyer shall execute the Company's standard Nondisclosure and Assignment of Inventions Agreement (the "NDA"), which shall prohibit his use and disclosure of confidential information during the Term and thereafter until such information no longer constitutes confidential information.

9. Non-Competition. Provided that the Company shall not be in material breach of its obligations under paragraphs 1, 3, 5 and 6 hereof (it being understood that no such material breach shall be deemed to have occurred until and unless Meyer has provided the Company with written notice of such material breach and the Company has not cured such breach in all material respects within thirty days after receipt of such notice), Meyer agrees that during the Term and for a period of twelve (12) months following the termination or expiration of this Agreement, he shall not in any state or territory of the United States in which the Company conducts business, directly or indirectly, own, manage, operate, control, be employed by, be a shareholder of, be an officer of, participate in, contract with or be connected in any capacity or any manner with any business that directly or indirectly (whether through related companies or otherwise) manufactures, develops, designs, distributes, sells, or markets any product, device or equipment substantially similar to any product, device or equipment which during the Term has been manufactured, marketed, sold or distributed by the Company or any product, device or equipment (unless such product, device or equipment has been abandoned by the Company or such product, device or equipment is not competitive with the Company's business) which the Company was developing or designing during the Term for future manufacturing, marketing, sale and distribution; provided, however that nothing herein shall prohibit Meyer from owning, directly or indirectly, as a passive investor, in the aggregate not more than one percent (1%) of the outstanding publicly traded stock of any company that competes with the Company. For purposes of this Section 10, E-Z-EM, Inc. shall not be deemed a competitor and nothing herein shall prevent Meyer from continuing to provide services to E-Z-EM, Inc.

10. Miscellaneous.

10.1. Notices. All notices, requests and other communications hereunder must be in writing and shall be deemed to have been duly given only if delivered personally against written receipt or by facsimile transmission or mailed by prepaid first class certified mail, return receipt requested, or mailed by overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to the Company:

AngioDynamics, Inc.
603 Queensbury Avenue
Queensbury, NY 12804
Attn: President & CEO
Facsimile: (518) 798-1215

If to Meyer:

Donald A. Meyer
1261 Vallecita Drive
Santa Fe, NM 87501
Facsimile: (505) 982-2828

Any party may from time to time change its address or facsimile number for the purpose of notices to that party by a similar notice specifying a new address or facsimile number, but no such change shall be deemed to have been given until it is actually received by the party sought to be charged with its contents.

10.2. Entire Agreement. This Agreement supersedes all prior discussions and agreements between the parties with respect to the subject matter hereof and thereof and contain the sole and entire agreement between the parties hereto with respect to the subject matter hereof and thereof. Without limiting the foregoing, all prior agreements between the Company and Meyer provided, however, the foregoing shall not apply to options, vested or unvested, previously granted to Meyer by the Company or AngioDynamics, Inc.

10.3. Waiver. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, shall be cumulative and not alternative.

10.4. Amendment. This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

10.5. No Third Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other person.

10.6. Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder of Meyer may be assigned (by operation of law or otherwise) without the prior written consent of the Company and any attempt to do so shall be void.

10.7. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement shall not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

10.8. Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

10.9. Dispute Resolution. Any dispute, controversy or claim between the Company and Meyer arising from or in connection with this Agreement (a "Dispute") regardless of the magnitude thereof or the amount in controversy or whether such Dispute would otherwise be considered justiciable or ripe for resolution by a court or arbitral tribunal, shall be submitted to, and finally determined by, arbitration in accordance with the AAA Commercial Rules. The arbitration shall be held in New York, New York. Any award pursuant to such arbitration may be enforced in any court having competent jurisdiction. The prevailing party shall recover its legal fees and costs from the non-prevailing party.

10.10. Construction. The parties hereto agree that this Agreement is the product of negotiation between sophisticated parties and individuals, all of whom were represented by counsel, and each of whom had an opportunity to participate in and did participate in, the drafting of each provision hereof. Accordingly, ambiguities in this Agreement, if any, shall not be construed strictly or in favor of or against any party hereto but rather shall be given a fair and reasonable construction without regard to the rule of contra proferentum.

10.11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.12. Captions. Captions herein are inserted for reference purposes only and shall not affect the interpretation or construction of this Agreement.

10.13. Further Assurances. Each party hereto, at its own expense, shall deliver all such further instruments and documents as may reasonably be requested by the other party in order to fully carry out the intent and accomplish the purposes of the transactions referred to therein.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first above written.

E-Z-EM, INC.

By: /s/ Eamonn P. Hobbs

Name: Eamonn P. Hobbs
Its: President & CEO

/s/ Donald A. Meyer

Donald A. Meyer

Exhibit 21.1

Subsidiaries of the Registrant

1. Leocor, Inc., Delaware

Exhibit 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated July 3, 2003, accompanying the consolidated financial statements of AngioDynamics, Inc. and Subsidiaries, a wholly-owned subsidiary of E-Z-EM, Inc., contained in the Registration Statement and Prospectus. We consent to the use of the aforementioned report in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption "Experts."

/s/ GRANT THORNTON LLP

Melville, New York
March 3, 2004