UNI MARTS INC
Form PRER14A
May 12, 2004

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 1)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

UNI-MARTS INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.

[X] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock, $0.10 par value per share

(2) Aggregate number of securities to which transaction applies: 4,849,683

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $2.25

(4) Proposed maximum aggregate value of transaction: $9,265,320.75

(5) Total fee paid: $1173.92

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act

Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: ______________________________

(2) Form, Schedule or Registration Statement No.: ____________

(3) Filing Party: ______________________________

(4) Date Filed: ______________________________

[Uni-Mart Logo]
477 East Beaver Avenue
State College, Pennsylvania 16801-5690

[, 2004]

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Uni-Marts Inc. The meeting will be held at , on , , 2004, commencing at .M.

At the meeting, you will be asked to vote on a proposal to adopt the Agreement and Plan of Merger between Green Valley Acquisition Co., LLC and Uni-Marts Inc., dated January 26, 2004, and approve the transactions contemplated by the merger agreement, including the merger of Uni-Marts with and into Green Valley as the surviving company.

Green Valley is owned by two limited liability companies, one of which, Tri-Color Holdings, LLC, is owned by three individuals who are directors or executive officers of Uni-Marts and several of their family members. Following the merger, Green Valley will own Uni-Marts' assets and business. If the merger is completed, Uni-Marts' stockholders will have the right to receive $2.25 in cash in exchange for each share of Uni-Marts' common stock that is outstanding at the time of the merger. Uni-Marts' stockholders (other than those who own interests in Green Valley) will not have any interest in Uni-Marts' or Green Valley's business after the merger.

The Board of Directors, based upon the recommendation of the Ad Hoc Committee of Directors (a group of three independent directors who have no financial interest in the acquiring entity) that considered the merger proposal, recommends that you vote "FOR" the adoption of the merger agreement and approval of the merger. The Ad Hoc Committee determined and reported to the Board of Directors that the $2.25 per share to be received by Uni-Marts' stockholders pursuant to the merger agreement is fair from a financial point of view to such stockholders. In arriving at its recommendation, each member of the Ad Hoc Committee gave careful consideration to a number of factors described in the accompanying proxy statement. One factor was the opinion of Boenning & Scattergood, Inc., an investment banking firm retained by the Ad Hoc Committee to advise it as to the fairness from a financial point of view, of the consideration to be paid to Uni-Marts' stockholders pursuant to the merger agreement.

Under Delaware General Corporation Law, the affirmative vote of the holders of a majority of outstanding shares of Uni-Marts' common stock is required to adopt the merger agreement and approve the merger. The attached proxy statement explains the proposed merger and provides specific information concerning the special meeting of stockholders. It also includes copies of the merger agreement and the written opinion of Boenning & Scattergood as Annex A and Annex C, respectively. You should read these materials carefully before you vote. In particular, you should carefully consider the discussion in the section entitled "Special Factors" beginning on page 11.

Whether or not you plan to attend the meeting, please complete, sign, date and mail your proxy in the enclosed postage prepaid envelope promptly. If your shares are held in the form of a certificate registered in your name, and you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote "FOR" the adoption of the merger agreement and approval of the merger. If your shares are held in a brokerage account or otherwise held in the name of a nominee recordholder for your benefit, you must indicate on the voting card how you want to vote. A failure to return the proxy or voting card will have the same effect as a vote "AGAINST" the merger.

Sincerely,

Stephen B. Krumholz
Chairman of the Ad Hoc Committee

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THE TRANSACTION, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON , 2004

UNI-MARTS INC.
477 EAST BEAVER AVENUE
STATE COLLEGE, PENNSYLVANIA 16801-5690

To The Stockholders of Uni-Marts Inc:

You are hereby notified that a special meeting of stockholders of Uni-Marts Inc., will be held at , at .M. on , , 2004, for the following purposes:

(1) to consider and vote upon a proposal to adopt the Agreement and Plan of Merger between Green Valley Acquisition Co., LLC and Uni-Marts Inc., dated January 26, 2004, and approve the transactions contemplated by the merger agreement, including the merger of Uni-Marts with and into Green Valley as the surviving company; and

(2) to transact such other business as may properly come before the meeting.

The merger and related matters are described more fully in the attached proxy statement, which includes a copy of the merger agreement as Annex A.

We have fixed the close of business on , 2004 as the record date for determining the stockholders of Uni-Marts entitled to vote at the special meeting and any adjournments or postponements of the meeting. Only holders of record of Uni-Marts' common stock at the close of business on that date are entitled to notice of and to vote at the special meeting.

The Board of Directors unanimously recommends that you vote "FOR" the approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger of Uni-Marts with and into Green Valley. The affirmative vote by the holders of a majority of the outstanding shares of Uni-Marts' common stock is required to adopt the merger agreement and approve the merger.

The Board of Directors requests that you fill in and sign the enclosed proxy card and mail it promptly in the enclosed postage-prepaid envelope.

By order of the Board of Directors,

Mary Ann Miller
Secretary

State College, Pennsylvania
, 2004

PLEASE READ THE ATTACHED PROXY STATEMENT, THEN COMPLETE, EXECUTE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE. IF YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE BRING THE ADMISSION TICKET ATTACHED TO THE ENCLOSED PROXY CARD. IF YOU ARE A STOCKHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME AND YOU PLAN TO ATTEND THE MEETING, PLEASE BRING A COPY OF THE VOTING FORM SENT TO YOU BY YOUR BROKER OR OTHER EVIDENCE OF STOCK OWNERSHIP.

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PROXY STATEMENT

This proxy statement is furnished to the stockholders of Uni-Marts Inc. on or about 2004, in connection with the solicitation by the Board of Directors of Uni-Marts of proxies to be voted at the special meeting of stockholders on , 2004 and any adjournment or postponement of such meeting. References to "we," "us," and "our" in this proxy statement are references to Uni-Marts.

SUMMARY TERM SHEET

This summary term sheet summarizes the most material terms of the proposed merger between Uni-Marts and Green Valley Acquisition Co., LLC and contains other important information relating to the merger. You should read carefully the entire proxy statement and the documents and other materials that are annexed to this proxy statement before voting. The actual terms of the merger are contained in the merger agreement that is attached to this proxy statement as Annex A.

PARTIES TO THE MERGER

Uni-Marts Inc.
477 East Beaver Avenue
State College, PA 16801-5690
Phone: 814-234-6000

Uni-Marts is a Delaware corporation engaged in the operation of convenience stores and discount tobacco stores. Uni-Marts operates 282 convenience stores and Choice Cigarette Discount Outlets in Pennsylvania, New York, Delaware and Maryland. Self-service gasoline is sold at 235 of these locations. Uni-Marts is a public company whose stock is listed for trading on the American Stock Exchange under the symbol "UNI." See "BUSINESS OF UNI-MARTS."

Green Valley Acquisition Co., LLC
477 East Beaver Avenue
State College, PA 16801-5690
Phone: 814-234-6000

Green Valley is a Pennsylvania limited liability company organized specifically for the purpose of acquiring Uni-Marts. Green Valley has not carried on any activities to date other than those incident to its formation and the negotiation and execution of the merger agreement. See "BUSINESS OF GREEN VALLEY."

Green Valley is owned by two entities, one of which, Tri-Color Holdings, LLC, is controlled by Henry Sahakian, Daniel Sahakian and Ara Kervandjian. Henry Sahakian is the current Chairman and Chief Executive Officer of Uni-Marts, Daniel Sahakian is a current director of Uni-Marts, and Ara Kervandjian is the current President of Uni-Marts. Other members of Tri-Color include certain members of the extended families of Messrs. Henry and Daniel Sahakian and Kervandjian, certain trusts for the benefit of members of the families of such persons, and HFL Corporation, a corporation owned and controlled by Messrs. Henry and Daniel Sahakian.

The other entity that owns an interest in Green Valley is KOTA Holdings LLC. The principal beneficial owners of KOTA Holdings are Raj Vakharia and Paul Levinsohn, individuals who are not affiliated with Uni-Marts.

The business and affairs of Green Valley are managed under the direction of a Board of Managers that currently consists of six individuals, referred to as the "Green Valley Managers." Three of the Green Valley Managers were appointed by Tri-Color, and three were appointed by KOTA Holdings. The current Green Valley Managers are Henry Sahakian, Ara Kervandjian, Alex Sahakian, Raj Vakharia, Paul Levinsohn, and Jaime Broderick. See "BUSINESS OF GREEN VALLEY."

Messrs. Henry and Daniel Sahakian and Kervandjian are referred to collectively in this proxy statement as the "Affiliated Stockholders." The Affiliated Stockholders, together with members of their extended families, trusts for the benefit of members of their extended families and HFL, who are also beneficial owners of Uni-Marts' common stock and owners of Tri-Color, are referred to collectively as the "Tri-Color Members." All other Uni-Marts' stockholders, with the exception of KOTA Management Company, L.L.C., an entity owned and controlled by Messrs. Vakharia and Levinsohn, are referred to herein as the "Public Stockholders" or "unaffiliated stockholders." Collectively, Messrs. Henry and Daniel Sahakian, Kervandjian, Vakharia, and Levinsohn, Tri-Color, HFL, KOTA Holdings and KOTA Management, who, collectively, are the principal beneficial owners of Green Valley, are referred to as the "Green Valley Group." See "BUSINESS OF GREEN VALLEY."

PROPOSED MERGER

If the merger agreement is adopted, Uni-Marts will be merged with and into Green Valley. As a result of the merger, Uni-Marts' corporate existence will cease and Green Valley will continue as the surviving entity (and is anticipated to be renamed "Uni-Marts LLC"). The merger will become effective at the time a certificate of merger is filed with the State of Delaware and articles of merger are filed with the Commonwealth of Pennsylvania. The merger is expected to occur as soon as practicable after all conditions to the merger have been satisfied or waived.

Upon consummation of the merger, each issued and outstanding share of Uni-Marts' common stock will be cancelled and converted automatically into the right to receive $2.25 in cash per share. The Tri-Color Members have contributed to Green Valley their right to receive the merger consideration for substantially all of their Uni-Marts' shares. See "SPECIAL FACTORS -- Source of Funds for the Merger." In addition, each option to purchase shares of Uni-Marts, whether vested or unvested, will automatically be converted into the right to receive an amount in cash equal to $2.25 per share, less the applicable exercise price, for each share of common stock subject to such options. See "THE MERGER

AGREEMENT."

CONSEQUENCES OF MERGER

Consummation of the merger will constitute a "going private" transaction. Upon completion of the merger, Uni-Marts will be merged with and into Green Valley, with Green Valley being the surviving company. After the merger, Uni-Marts will cease to exist, and the assets, business and operations of Uni-Marts will be owned by Green Valley. The Public Stockholders of Uni-Marts, that is, all of Uni-Marts' stockholders other than the Tri-Color Members and KOTA Management, will not own any part of Green Valley, and their shares of Uni-Marts will automatically be converted into the right to receive an amount in cash equal to $2.25 per share. See "SPECIAL FACTORS -- Effects of the Merger."

VOTE REQUIRED

The adoption of the merger agreement and approval of the merger requires the affirmative vote of the holders of a majority of the shares of Uni-Marts' common stock outstanding and entitled to vote. The Board did not require a majority vote of the Public Stockholders in order to approve the merger because the merger and merger agreement were negotiated on behalf of all stockholders by a fully empowered Ad Hoc Committee of the Board composed of three disinterested and independent directors. The Ad Hoc Committee was advised of its duties and responsibilities by independent legal counsel and retained an investment banking firm to render an opinion with respect to the financial fairness of the consideration to be paid to Uni-Marts' stockholders. The Board concluded that members of the Ad Hoc Committee were fully informed, that they had vigorously negotiated at arm's-length with representatives of Green Valley, and that the decision making process followed by the Committee was procedurally fair to all stockholders, including the unaffiliated Public Stockholders.

Between the Voting Agreements described below and indications from other Directors and executive officers of Uni-Marts who are not Tri-Color Members, approximately 47.3% of Uni-Marts' shares outstanding as of April 30, 2004, are expected to be voted in favor of the merger. The failure of any stockholder to vote, including any broker non-vote, or the abstention by any stockholder, will have the same effect as a vote against the adoption of the merger agreement. See "CERTAIN QUESTIONS AND ANSWERS ABOUT VOTING AND THE SPECIAL MEETING" and "SPECIAL FACTORS -- Recommendations of the Ad Hoc Committee and Board of Directors."

VOTING AGREEMENTS. Each of the Tri-Color Members and KOTA Management has entered into a voting agreement with Green Valley pursuant to which such party has agreed to vote the shares of Uni-Marts' common stock over which he, she or it has voting control in favor of the merger and the merger agreement. The Tri-Color Members and KOTA Management beneficially own an aggregate of 3,304,559 outstanding shares of Uni-Marts' common stock (representing approximately 45.8% of the outstanding shares of Uni-Marts' common stock as of April 30, 2004). The shares beneficially owned by the Tri-Color Members and KOTA Management include a total of 401,400 shares acquired on March 19, 2004, at a price of $2.25 per share from HP Limited Partnership and certain of its affiliates, each of which is related to Jim Haseotes. HP Limited Partnership and Jim Haseotes had previously expressed interest in buying Uni-Marts. See "SPECIAL FACTORS -- Background of the Merger." See "BENEFICIAL OWNERSHIP -- Principal Stockholders."

The Tri-Color Members and KOTA Management also have (i) appointed Green Valley as their proxy to vote their Uni-Marts' shares in accordance with the matters covered by such voting agreements, (ii) agreed not to transfer any Uni-Marts' shares owned by them while the voting agreements are in effect, and (iii) agreed to tender their shares if Green Valley commences a tender offer pursuant to the terms of the merger agreement. See "VOTING AGREEMENTS."

SHARES HELD BY OTHER DIRECTORS AND OFFICERS

As of April 30, 2004, Directors and executive officers of Uni-Marts who are not Tri-Color Members had beneficial ownership of 110,225 outstanding shares of Uni-Marts' common stock, or 1.5% of the outstanding shares, and are expected to vote, or direct the voting of their shares, in favor of the merger proposal. See "BENEFICIAL OWNERSHIP -- Principal Stockholders."

SHARES HELD BY UNI-MARTS' 401(K) PLAN

A total of 342,798 shares of Uni-Marts' common stock are held in the Uni-Marts 401(k) Retirement Savings & Incentive Plan. The Trustee of the Plan, N. Gregory Petrick, is the Chief Financial Officer of Uni-Marts. He has delegated the discretion to vote the shares held by the Plan to Robert R. Thomas, CFA, of Vantage Investment Advisors, LLC, the independent investment advisor for the Plan. Uni-Marts has received no indication from Mr. Thomas as to how he intends to vote the shares held in the Plan.

RECOMMENDATIONS OF THE AD HOC COMMITTEE AND THE BOARD OF DIRECTORS

The Board of Directors believes that the merger and the merger agreement are procedurally and substantively fair to, and in the best interests of, Uni-Marts' stockholders, generally, and the Public Stockholders in particular, and recommends that the stockholders approve the merger and adopt the merger agreement. In making the determination to approve and recommend the merger and the merger agreement, the Board of Directors relied on the unanimous recommendation of the Ad Hoc Committee, which was comprised solely of independent directors who have no affiliation with Green Valley and no financial interest in the merger that is different from the interests of the Public Stockholders (other than the receipt of fees for service on the Board of Directors and its Committees), and which retained and was counseled by its own separate independent legal counsel and investment banking firm. Messrs. Henry and Daniel Sahakian abstained from voting with respect to the merger and the merger agreement because of their interests in the merger. See "SPECIAL FACTORS -- Recommendations of the Ad Hoc Committee and Board of Directors."

In determining to recommend the merger and the merger agreement to the Board of Directors, the Ad Hoc Committee considered a number of factors, including:

- The business, financial results and prospects of Uni-Marts;

- The strength and resources of Uni-Marts' competitors, the state of the economy, the substantial consolidation and inordinate number of bankruptcy proceedings in the convenience store industry and Uni-Marts' relative size and lack of capital resources;

- The expenses of reporting and compliance requirements of a public company (approximately $850,000 per year) compared to the historically thin trading volume of Uni-Marts' stock (approximately 2,300 shares per day over the prior four years);

- The fact that the $2.25 price per share to be paid to the Public Stockholders in the merger represents a premium over the market price of Uni-Marts' stock prior to the approval of the merger agreement and is the highest cash amount the Ad Hoc Committee believed could be obtained for the stock; and

- Boenning & Scattergood's opinion (subject to the considerations and limitations set forth therein) that the $2.25 price per share to be paid in the merger is fair, from a financial point of view, to the stockholders of Uni-Marts.

Each of these factors supported the decision of the Ad Hoc Committee and the Board of Directors. The Ad Hoc Committee also consid-

ered a variety of risks and other potential detriments concerning the merger, including:

- Following the merger, the Public Stockholders will cease to participate in any future earnings growth of Uni-Marts or benefit from any increase in the value of Uni-Marts or its assets;

- Under the terms of the merger agreement, Uni-Marts is unable to solicit or encourage other acquisition proposals; and

- Certain equity owners of Green Valley have conflicts of interest because of their continued employment and equity ownership in Green Valley following the merger.

The Committee ultimately concluded that the positive factors of the merger outweighed the negative factors. See "SPECIAL FACTORS -- Reasons for the Ad Hoc Committee's Determination."

COMMON STOCK PRICE

Uni-Marts' common stock is listed on the American Stock Exchange under the symbol "UNI." During the month before the Board of Directors received the draft letter of intent from Green Valley to purchase Uni-Marts, the average closing price of Uni-Marts' common stock was $1.67 per share. On January 26, 2004, the day preceding the public announcement of the signing of the merger agreement, the common stock closed at $1.97 per share. During the month prior to the date of this proxy statement, the average closing price of Uni-Marts' common stock was $ per share. See "MARKET PRICE AND DIVIDENDS ON COMMON STOCK."

FAIRNESS OPINION

Boenning & Scattergood delivered an opinion to the Ad Hoc Committee dated January 26, 2004, and made a presentation to the Board of Directors that, based on and subject to the assumptions, considerations and limitations set forth in its opinion, the consideration to be received by Uni-Marts' stockholders in the merger is fair, from a financial point of view. A copy of Boenning & Scattergood's written opinion, which sets forth, among other things, the assumptions made, matters considered and limits on the review undertaken, is attached as Annex C to this proxy statement. Stockholders are urged to read the opinion in its entirety. See "SPECIAL FACTORS -- Opinion of Boenning & Scattergood."

POSITION OF UNI-MARTS REGARDING THE PURPOSE OF THE MERGER

Uni-Marts' purpose for the merger is to provide the Public Stockholders with liquidity for their shares at a price above the market trading price for the shares. The shares are not actively traded and Uni-Marts lacks the capital resources for significant growth. See "SPECIAL FACTORS -- Purposes of the Merger."

INTERESTS OF CERTAIN PERSONS

When you consider the recommendation of the Board of Directors to vote in favor of the merger agreement and the merger, you should keep in mind that certain members of the Board of Directors and members of their families and other affiliates have interests in the merger that are different from the interests of Uni-Marts' other stockholders. Henry Sahakian, Chairman of the Board and Chief Executive Officer of Uni-Marts, Daniel Sahakian, a Director of Uni-Marts, and Ara Kervandjian, President of Uni-Marts, are each Affiliated Stockholders and have ownership interests in Green Valley. In addition, Frank R. Orloski, Sr., a Director of Uni-Marts, and Messrs. Henry and Daniel Sahakian and Mr. Kervandjian are recipients of lease payments for certain of Uni-Marts' properties. The Ad Hoc Committee and the Board of Directors were aware of these potential conflicts of interest and considered them in evaluating and approving the proposed merger. See "SPECIAL FACTORS -- Interests of Certain Persons."

POSITION OF THE GREEN VALLEY GROUP REGARDING THE FAIRNESS AND PURPOSE OF THE MERGER

The members of the Green Valley Group believe that the merger is substantively and procedurally fair to the Public Stockholders based on the same factors considered by the Ad Hoc Committee and the Board of Directors of Uni-Marts, including that the merger provides the Public Stockholders with liquidity for their shares, which are not otherwise actively traded, at a premium above the market trading price for the shares prior to the announcement of the proposed merger, and that Uni-Marts lacks the capital resources for significant growth.

The purpose of the Green Valley Group in conducting this transaction is to acquire all of Uni-Marts' common stock issued and outstanding immediately prior to the closing of the merger. The members of Uni-Mart's management who are owners of Green Valley believe that Uni-Mart's future business prospects can be improved by working with the principal beneficial owners of KOTA Holdings and receiving their collective active participation in the strategic direction and operations of the merged entities. In addition, the members of the Green Valley Group believe that Mr. Vakharia's access to capital sources may provide Green Valley with development opportunities not currently available to Uni-Marts. Such opportunities may include the ability to expand the existing business or to obtain financing to acquire similar businesses. See "SPECIAL FACTORS -- Position of Green Valley and the Green Valley Group Regarding the Fairness and Purpose of the Merger."

PLANS OF THE GREEN VALLEY GROUP AFTER THE MERGER

Green Valley will initially continue the current operations of Uni-Marts' business and maintain Uni-Marts' current credit facilities in their present form. Green Valley also plans to evaluate a variety of future alternatives, including the restructuring of these credit facilities, effecting another form of recapitalization or debt restructuring, and selling and licensing stores. See "SPECIAL FACTORS -- Plans of the Green Valley Group after the Merger."

APPRAISAL RIGHTS

If the merger is consummated, only those holders of Uni-Marts' common stock who do not vote in favor of the merger will have certain rights under Section 262 of the Delaware General Corporation Law to demand appraisal of their shares. Under Section 262, stockholders who demand appraisal of their shares and comply with the applicable statutory procedures will be entitled to receive a judicial determination of the fair value of their shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, and payment of that fair value in cash, together with a fair rate of interest, if any. The value so determined could be more or less than, or equal to, the price per share to be paid in the merger. Section 262 of the Delaware General Corporation Law is included in this proxy statement as Annex D. See "SPECIAL FACTORS -- Rights of Dissenting Stockholders of Uni-Marts."

COMPLETION OF THE MERGER

Uni-Marts is working to complete the merger as quickly as reasonably possible. Uni-Marts expects to complete the merger, if it is approved by the stockholders of Uni-Marts, within several days after the special meeting. See "THE MERGER AGREEMENT -- The Merger."

CONDITIONS TO COMPLETION OF MERGER

Uni-Marts and Green Valley will not complete the merger unless several conditions are satisfied or waived by Uni-Marts and Green Valley. These include:

- The merger agreement and the merger shall have been approved by the requisite vote of the holders of Uni-Marts' common stock;

- No final restraining order or injunction or other final order issued by any court or governmental entity preventing the consummation of the merger shall be in effect;

- All governmental and other consents and approvals necessary to consummate the merger shall have been obtained;

- Since September 30, 2003, there shall have been no events with respect to Uni-Marts that constitute a material adverse effect on Uni-Marts;

- Uni-Marts will be in compliance with certain financial parameters at the effective date of the merger;

- Uni-Marts shall have received estoppel certificates and consents from each of its principal lenders; and

- Holders of less than 15% of Uni-Marts' shares elect dissenters' rights.

Any of the foregoing conditions may be waived by Green Valley. See "THE MERGER AGREEMENT -- Conditions to the Merger."

REGULATORY FILINGS AND APPROVALS

Uni-Marts does not believe that any material federal or state regulatory approvals, filings or notices are required by Uni-Marts with respect to consummation of the merger other than (i) filings required under the Securities Exchange Act of 1934, as amended (the "Exchange Act"),

(ii) filing of (A) a certificate of merger with the Secretary of State of the State of Delaware and (B) articles of merger with the Secretary of State of the Commonwealth of Pennsylvania, and (iii) filings required by state licensing laws. See "SPECIAL FACTORS -- Regulatory Approvals."

SOURCE OF FUNDS FOR THE MERGER

Since both Tri-Color and KOTA Holdings have agreed to contribute their right to receive the cash merger consideration for shares of Uni-Marts' common stock held by them, $9.3 million in cash will be required under the merger agreement to purchase the remaining outstanding shares of Uni-Marts' common stock owned by the Public Stockholders and to pay the cash amounts owed in respect of stock options outstanding at the time of the consummation of the merger. This amount will be paid from funds contributed to Green Valley by Tri-Color and KOTA Holdings. See "SPECIAL FACTORS -- Source of Funds for the Merger."

NO SOLICITATION OF OFFERS; NOTICE OF PROPOSAL FOR THIRD PARTIES

Uni-Marts has agreed in the merger agreement not to participate in or initiate any action designed to facilitate a third party in acquiring Uni-Marts. However, if a third party makes an unsolicited acquisition proposal, the Board of Directors may, subject to specified conditions, respond to and negotiate with the third party. See "THE MERGER AGREEMENT -- Covenants."

TERMINATION OF MERGER AGREEMENT

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after shareholder approval is obtained:

- By mutual written consent of Uni-Marts and Green Valley;

- By either Green Valley or Uni-Marts (i) if the merger has not been consummated by July 31, 2004, or (ii) if any court or governmental entity has issued a final, non-appealable order or ruling which restrains, enjoins or otherwise prohibits the merger;

- By Uni-Marts if the Uni-Marts Board of Directors receives a superior proposal that it determines to be fully financed, or if it convenes a special stockholders meeting to approve the merger and fails to obtain the requisite stockholder vote; or

- By Green Valley if the Uni-Marts' Board of Directors recommends to its stockholders a superior proposal or withdraws its recommendation of the merger, or if certain conditions to closing are not satisfied, principally that holders of 15% or more of the Uni-Marts shares elect dissenters' rights or Uni-Marts fails to meet designated financial parameters.

If the merger agreement is terminated because holders of 15% or more of Uni-Marts' shares elect dissenters' rights, Green Valley is required to commence promptly a tender offer to purchase all outstanding Uni-Marts shares at a price of $2.25 per share. If Green Valley acquires a majority of the Uni-Marts shares pursuant to the tender offer and elects to deregister the shares, non-tendering stockholders may lose all liquidity with respect to their shares, and Green Valley will have the power to elect all members of Uni-Marts' Board of Directors. See "THE MERGER AGREEMENT -- Termination."

EXPENSES AND TERMINATION FEES

Uni-Marts and Green Valley have agreed to pay their respective fees and expenses in connection with the merger, whether or not the merger is consummated, except that Green Valley is entitled to an $800,000 break-up fee if Uni-Marts pursues a superior proposal, and Uni-Marts may recover up to $800,000 from Green Valley if the merger agreement is terminated because of a breach by Green Valley of any representation, warranty or covenant. See "THE MERGER AGREEMENT -- Expenses and Termination Fees."

FEDERAL INCOME TAX CONSEQUENCES

For federal income tax purposes, the merger of Uni-Marts into Green Valley will be treated as a sale of assets by Uni-Marts to Green Valley. The Public Stockholders, the Tri-Color Members and KOTA Management will be treated for federal income tax purposes as having sold their Uni-Marts stock for consideration of $2.25 per share, which will trigger the recognition of a taxable gain or loss. See "SPECIAL FACTORS -- Material United States Federal Income Tax Consequences."

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CERTAIN QUESTIONS AND ANSWERS ABOUT VOTING AND THE SPECIAL MEETING

Q: WHO IS ENTITLED TO VOTE ON THE MERGER PROPOSAL?

A: Stockholders of record as of the close of business on [, 2004] may vote at the special meeting.

Q: WHAT DO I NEED TO DO NOW?

A: Please vote. You are invited to attend the special meeting, however, you should mail your completed, signed and dated proxy card in the enclosed envelope as soon as possible, so that your shares will be represented at the special meeting in case you are unable to attend. No postage is required if the proxy card is returned in the enclosed postage prepaid envelope and mailed in the United States.

Q: HOW DO I VOTE MY SHARES?

A: The answer depends on whether you own your Uni-Marts' stock directly (that is, you hold stock certificates that show your name as the registered stockholder) or if your stock is held in a brokerage account or by another nominee holder.

If you own Uni-Marts' shares directly: Your proxy is being solicited directly by Uni-Marts, and you can vote by doing the following: (1) sign and date the enclosed proxy card, (2) mark the boxes indicating how you wish to vote, and (3) return the proxy card in the prepaid envelope provided. If you sign your proxy card but do not indicate how you wish to vote, the proxies will vote your shares "FOR" the adoption of the merger agreement and approval of the merger. You can also vote in person if you attend the meeting.

If you hold your Uni-Marts' shares through a broker, bank or other nominee: You will receive voting instructions directly from the nominee telling you how you can vote your shares. Ordinarily, you can vote by completing and returning a voting instruction card provided by the nominee. You may also be able to vote by telephone or via the Internet. Please refer to the instructions provided by the nominee with your voting instruction card for information about voting by telephone or via the Internet. If you hold your shares through a nominee and want to vote at the meeting, you must obtain a "legal proxy" from the nominee authorizing you to vote at the meeting.

Q: WHAT IF I WANT TO CHANGE MY VOTE OR REVOKE MY PROXY?

A: A registered stockholder may change his or her vote or revoke his or her proxy at any time before the special meeting by notifying our Corporate Secretary, Mary Ann Miller, in writing, at Uni-Marts' address, 477 East Beaver Avenue, State College, PA 16801-5690, that you revoke your proxy or by filing a duly executed proxy bearing a later date with Ms. Miller. You may then vote in person at the special meeting or submit a new proxy card. You may contact Mellon Investor Services LLC, Uni-Marts' transfer agent, at 800-756-3353 to get a new proxy card.

If you hold your shares through a broker, bank or other nominee and wish to change your vote, you must follow the procedures required by such nominee.

Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY OR VOTING INSTRUCTION CARD?

A: It means your shares are registered differently or are held in more than one account. Please provide voting instructions for each proxy card that you receive.

Q: WHO WILL COUNT THE VOTES?

A: Mellon Investor Services LLC, Uni-Marts' transfer agent, will count the votes.

Q: WHAT IS THE EFFECT IF I FAIL TO GIVE INSTRUCTIONS TO MY BROKER?

A: If your shares are held by a broker, bank, or other nominee recordholder and you sign but do not give instructions on the voting instruction card, your nominee recordholder will not have authority to vote your shares. If a nominee holding shares on behalf of a stockholder does not receive voting instructions from the stockholder by a specified date before the special meeting, the shares will be counted as present for purposes of determining whether a quorum is present, but the shares will not be voted. This is called a "broker non-vote." Brokers, banks and other nominees will not have authority to vote on the merger proposal without instructions from the stockholder. The effect of a broker non-vote on the outcome of the vote, therefore, is the same as a vote against the merger proposal.

Q: WHAT IS THE EFFECT ON THE OUTCOME OF THE VOTE IF I ABSTAIN FROM VOTING?

A: Abstentions will have the same effect as a vote against the merger proposal.

Q: WHO CAN ATTEND THE SPECIAL MEETING?

A: All stockholders are invited to attend the special meeting. If you plan to attend the special meeting, please bring the admission ticket attached to your proxy card. If you are a stockholder whose shares are not registered in your own name and you plan to attend the special meeting, please bring a copy of the voting instructions sent to you by your broker or other nominee or other evidence of your stock ownership.

Q: ARE THERE ANY EXPENSES ASSOCIATED WITH COLLECTING THE STOCKHOLDER VOTES?

A: Uni-Marts will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and other materials to our stockholders. Uni-Marts does not anticipate hiring an agency to solicit votes from stockholders at this time. Uni-Marts may decide that it is appropriate to have a proxy solicitation agency, in which case, the costs of such service will be paid by Uni-Marts. Officers and other employees of Uni-Marts may solicit proxies in person or by telephone but will receive no special compensation for doing so.

Q: WILL ANY EMPLOYEES OR ASSETS OF UNI-MARTS BE EMPLOYED OR USED IN CONNECTION WITH THE TRANSACTION?

A: Officers and employees of Uni-Marts are participating in the preparation of this proxy statement, and Uni-Marts will pay its own expenses to consummate the merger. Officers and employees of Uni-Marts may participate in the preparation of other proxy solicitation materials, if necessary. As described in the preceding answer, a proxy solicitation agency and/or officers and other employees of Uni-Marts may be called upon to solicit proxies in person or by telephone but will not receive any special compensation for doing so. Other than the foregoing, Uni-Marts does not expect its assets to be used in connection with the consummation of the merger.

Q: WHAT HAPPENS IF I SELL MY UNI-MARTS SHARES BEFORE THE SPECIAL MEETING?

A: The record date for the special meeting is [ ], 2004, which is earlier than the expected date of the merger. If you transfer your shares after the record date but before the merger, you will retain your right to vote at the special meeting, but the right to receive $2.25 in cash per share will pass to the person to whom you transfer your shares.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. If the merger is completed, you will receive written instructions explaining how to exchange your Uni-Marts stock certificates for cash.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains certain forward-looking statements that involve risks, uncertainties and assumptions. These statements are based on Uni-Marts' expectations, as of the date of this proxy statement, of future events and are subject to uncertainty and changes in circumstances. Such statements may include statements regarding Uni-Marts' plans, strategies and intentions or future financial performance, and frequently can be identified by the use of terminology such as "believes," "expects," "may," "should" or "anticipates" (or the negative or other variations thereof) or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Although Uni-Marts believes that its expectations are based on reasonable assumptions within the bounds of its knowledge, Uni-Marts' stockholders are cautioned that such statements are only projections and that actual events or results may differ materially from those expressed in any such forward-looking statements. In particular, Uni-Marts cannot assure you that the merger will be consummated. The forward-looking statements contained in this proxy statement include, but are not limited to, statements about the merger and expectations as to Uni-Marts' future results. The following factors, among others, could cause actual results to differ materially from those described herein: failure of the requisite number of our stockholders to approve the merger; failure of Green Valley or Uni-Marts to meet any condition to closing; litigation challenging the merger; and other economic, business, competitive and/or regulatory factors affecting our business generally, including, without limitation, the following:

- general economic, business and market conditions;

- environmental, tax and tobacco legislation or regulation;

- volatility of gasoline prices, margins and supplies; competition and ability to maintain merchandising margins;

- the ability to successfully consummate Uni-Marts' divestiture program;

- the sufficiency of cash balances, cash from operations and cash from asset sales to meet future cash obligations;

- volume of customer traffic;

- weather conditions;

- labor costs; and

- the level of capital expenditures.

Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

SPECIAL FACTORS

BACKGROUND OF THE MERGER

Uni-Marts' Board of Directors and its Strategic Planning Committee have periodically evaluated our business and operations, as well as our strategic direction and prospects. In the course of such an evaluation in early 2002, Uni-Marts' Board of Directors considered the adverse impact on Uni-Marts' market valuation that it attributed to, among other things, our capital constraints, liquidity concerns due to covenant constraints imposed under our credit facilities, and the level of competition in many of our markets.

On February 27, 2002, management presented to the Board of Directors an analysis for the divestiture of all of our convenience stores except for a limited number of stores which it intended to convert to Choice Cigarette Discount Outlets. The total number of stores to be marketed for sale was 190, including 115 owned and 75 leased locations, and the travel center located in Milroy, Pennsylvania.

The Board of Directors determined to form a separate Ad Hoc Committee to report to the Board of Directors on this divestiture strategy, and three independent directors, Stephen Krumholz, Herbert Graves and Jack Najarian, were appointed as the members of the Ad Hoc Committee. Richard Gallagher, a retired CPA who had been an advisor to the Uni-Marts' Board of Directors since June 1998, was appointed as an advisor to the Ad Hoc Committee.

On March 15, 2002, Ara Kervandjian and Greg Petrick, Chief Financial Officer of Uni-Marts, met in Scottsdale, Arizona with representatives of General Electric Capital Franchise Finance Corp of America ("GECFFC"), our principal long-term lender, to discuss our proposed divestiture strategy. The representatives of GECFFC, while noting that the sale of a significant part of our operations would require approval from all of the holders of the indebtedness, indicated that they believed a transaction of this type could receive lender support under the proposed financial parameters. During March

2002, management and members of the Ad Hoc Committee conducted interviews with various financial advisors for assistance in marketing 170 of the stores (management had identified another party interested in marketing the other 20 stores and travel center). Detailed presentations by several of these advisors were made to the Ad Hoc Committee on March 26 and March 27, 2002, and the Ad Hoc Committee, at a meeting held on April 2, 2002, selected Trefethen & Company LLC and Morgan Keegan & Company, Inc. to act as its financial advisors. While our intention at this time was principally directed toward the sale of the 190 convenience stores, the financial advisors were charged to explore and evaluate all strategic alternatives to enhance stockholder value, including a business combination as well as the sale of assets. After receiving GECFFC's support of our selection, we publicly announced the engagement of these financial advisors on April 5, 2002.

For the next several months, our selected financial advisors worked with us to prepare a confidential memorandum describing the 170 store locations being offered for sale and distributed this memorandum, beginning in June 2002, to interested parties as identified by the advisors and management. By July 2002, we had received two written indications of interest for the purchase of the 170 locations. One came from The Kroger Co., which indicated its interest in purchasing not only the business assets of the 170 marketed stores, but also 104 of these 170 real properties owned by Uni-Marts, for a cash price in the range of $55 to $60 million (these 170 properties secured long-term indebtedness of approximately $50.5 million). The other indication of interest came from United Refining Company, which stated its interest in purchasing the inventories and supplies of the 170 stores and leasing the real estate and equipment for an aggregate net lease amount to Uni-Marts of $6.5 million per year (with United Refining also assuming the rental payments on properties leased by Uni-Marts).

The Ad Hoc Committee, at a meeting held on July 23, 2002, reviewed these two responses as well as a summary of several other expressions of interest in specific groups of stores. The Ad Hoc Committee instructed its financial advisors to contact United Refining and Kroger to request that they revise their offers to conform to the parameters set forth in the confidential memorandum relating to Uni-Marts' proposal to sell the business assets of 170 of its convenience stores, including the operations, inventory, supplies and the Uni-Mart(TM) brand name. Uni-Marts' proposal included the sale of only the leasehold interests in the 66 leased locations with Uni-Marts retaining ownership of the real estate of Uni-Marts' 104 owned locations and equipment at each location. The financial advisors also were asked to gauge Kroger's interest in purchasing Uni-Marts in its entirety. At this meeting, Mr. Kervandjian reported that he had been contacted by Jim Haseotes, a major stockholder of a convenience store operator (Cumberland Farms) whose family limited partnership owned close to 10% of Uni-Marts' common stock. Mr. Haseotes had orally indicated his interest in purchasing Uni-Marts for "book value" if it did not receive a more attractive offer. On July 21, 2002, Mr. Kervandjian had met with Mr. Haseotes and his son to explore their interest in clarifying their offer or, alternatively, in partnering with management to make an offer to purchase Uni-Marts. Mr. Graves reported that he had been contacted by Michael Kelly, attorney for Mr. Haseotes, who reiterated the oral book value offer for Uni-Marts. It was not clear to Messrs. Kervandjian and Graves whether the oral offer of book value included goodwill recorded on our balance sheet, nor was it clear whether or not the oral offer represented an amount before or after payment of Uni-Marts' severance obligations upon sale. We instructed our counsel to contact Mr. Kelly for

clarification. By the time of the Board of Directors meeting later on the day of

July 23, 2002, counsel had spoken to Mr. Kelly, who orally confirmed that Mr. Haseotes' book value oral offer was intended to be net of any transaction-related obligations, including change-in-control agreements and payments under our transaction success bonus plan and any option spread values. Mr. Kelly later confirmed that "book value" was intended to mean tangible book value, and not include goodwill.

The Board of Directors instructed counsel to continue to request a written offer from Mr. Haseotes with a clear indication of what amount was being offered, and concluded that at least one member of the Ad Hoc Committee would participate in clarifying offers, together with the financial advisors, to protect the integrity of the process to assure the independent evaluation of the alternatives by the Ad Hoc Committee.

We never received a written offer from Mr. Haseotes, and Kroger did not respond to the financial advisors' request to modify its offer. United Refining, however, amended its indication of interest in August 2002 to present an offer for the business assets of the 170 marketed stores for a price in the range of $25 to $35 million, plus the purchase of the stores' inventories at cost and some undisclosed form of master lease arrangement for the properties. Our financial advisors were instructed by the Ad Hoc Committee to seek to narrow the price range and clarify the proposed master lease arrangement, and our financial advisors held many discussions with United Refining's financial advisors, Hill Street Capital, but were unable to receive a definitive purchase offer for the stores.

During the period from late July through August 2002, management also discussed with the Ad Hoc Committee the possibility of selling the real property as well as the business assets of 100 of our stores through our financial advisors. In September 2002, we engaged a business broker to market the business assets of 70 other stores.

United Refining continued its due diligence investigation of our stores during this period and, on September 30, 2002, notified the Board of Directors in writing (through its affiliate, Red Apple Group), that it now preferred to pursue the purchase of all outstanding Uni-Marts stock, and was "prepared in principle" to pay a per share value in the range of $3.00 to $4.00 subject to further investigation and its ability to assume Uni-Marts' existing debt. The Ad Hoc Committee met on October 2, 2002 to review the United Refining letter. One of our financial advisors who was present at the meeting, Bill Trefethen, recommended that the next action be to contact United Refining's financial advisors to narrow the range of the proposed consideration and clarify the timing of United's due diligence and financing questions. Mr. Trefethen also reported that once such clarifications had been received, a meeting should be scheduled between the parties, and the Ad Hoc Committee advised that either Mr. Krumholz or Mr. Najarian would be present in addition to management at any such meeting. On the same date, our counsel sent a letter to John Catsimatidis, Chairman and CEO of Red Apple Group, expressing the sentiments of the Ad Hoc Committee and asking that the parties attempt to negotiate a draft of the definitive acquisition agreement, as well as have United Refining convert its per share valuation range to a precise offer, prior to the Uni-Marts Board of Directors' next regularly scheduled meeting on October 30, 2002. Greg Petrick also sent a letter to Mark Wood of GECFFC asking him to discuss prospective financing strategies with United Refining and its affiliates concerning the potential acquisition of Uni-Marts.

At the meeting on October 30, 2002, the Board of Directors was advised that negotiations had not been successful in converting United Refining's indication of interest for Uni-Marts into a detailed offer. Henry Sahakian also advised the Board of Directors that based on preliminary results, it appeared that we would report a net loss of approximately $1.3 million, or $0.19 per share, for our fiscal year ended September 30, 2002, as compared to a profit of $451,000, or

$0.06 per share, for fiscal 2001. Mr. Petrick explained to the Board of Directors that based on forecasts of fourth quarter results, Uni-Marts would not be in compliance with certain loan pool covenants with GECFFC nor with certain covenants under its revolving line of credit with Provident Bank. Meetings had been held with both lenders to discuss amendments or waiver of covenant defaults and to update them on our divestiture initiatives. Mr. Petrick also explained that in light of our inability to successfully divest stores in a large group, management had begun to discuss with GECFFC a plan to sell stores in smaller groups and use the proceeds to pay down

debt. Management also requested the Board of Directors' approval to allow certain members of management to evaluate a management buyout of Uni-Marts. The Board of Directors authorized management and the Ad Hoc Committee to pursue each of these alternatives, namely the sale of individual stores, and the sale of Uni-Marts either to a third party or to management.

The Ad Hoc Committee next met on December 11, 2002 with management, who reported that Uni-Marts' October and November financial performance had continued to deteriorate compared to budget and to the comparable months in the previous fiscal year. Mr. Krumholz also reported on his meeting with Bill Trefethen and management on the previous day, during which management and Mr. Trefethen had noted their difficulties in negotiating amendments of loan documents with GECFFC necessary to accommodate our strategy of selling stores in smaller groups. Management recommended that Uni-Marts illustrate to GECFFC the potential adverse financial impact on both Uni-Marts and our lenders if we were unable to execute our divestiture plan in a timely manner. In the absence of a new arrangement regarding our long-term debt, the divestitures of smaller groups of stores would result in substantial loan prepayment penalties and generate minimal excess cash proceeds for Uni-Marts. Virtually all of Uni-Marts' long-term debt is held by GECFFC with approximately half on a fixed rate basis and half on a variable rate basis. Repayment of the variable rate debt requires prepayment penalties ranging from 3% to 5% of the amount outstanding. Repayment of the fixed rate debt requires a yield maintenance payment based on the present value of the principal and interest payments calculated using current reinvestment rates and time remaining until maturity. In order to repay all outstanding debt of Uni-Marts, prepayment penalties and yield maintenance costs would total approximately $7 million. Uni-Marts was seeking a substantial reduction in these debt retirement costs to improve the cash proceeds from the divestitures of stores. The Ad Hoc Committee authorized management, with the assistance of its attorneys and financial advisors, to develop a financial model to present to GECFFC.

Management then prepared a presentation summarizing convenience store industry conditions, Uni-Marts' recent deteriorating financial performance, our divestiture strategies and a restructuring proposal for our long-term debt, and Messrs. Kervandjian and Petrick and George Cerminara, a financial consultant to Uni-Marts, met with representatives of GECFFC on December 23, 2002 in Scottsdale, Arizona to review this presentation. Various alternatives were discussed, including the classification of Uni-Marts in a "special servicing" category to permit GECFFC more authority to amend certain provisions in the long-term debt instruments and allow us to sell stores, prepay debt and build a cash reserve. The GECFFC representatives agreed to provide us with a proposal shortly. The Ad Hoc Committee met on December 26, 2002 to discuss these developments and to address our current engagement of financial advisors that was due to expire on December 31, 2002. The Ad Hoc Committee decided that we should not continue the existing engagement, since the original strategy of a single divestiture of approximately 170 stores had not been successful and the new strategy of a series of divestitures of smaller groups of stores would require different advisory services. Management believed that we required assistance with our negotiations with our long-term lenders to amend the current debt instruments in order to effectuate the newly-evolving store divestiture strategy, and the Ad Hoc Committee authorized Uni-Marts to begin negotiations with Trefethen & Company independently for a new advisory relationship relating to its lender negotiations as opposed to its marketing of assets (with an emphasis on a success fee format). Mr. Trefethen was selected due to his extensive convenience store industry expertise and his knowledge of transactions with GECFFC. The new advisory relationship was entered into with Trefethen & Company on January 7, 2003.

On January 19, 2003, we received a term sheet from GECFFC for a consensual restructuring of our long-term debt, and a meeting was arranged at the lender's offices in Scottsdale, Arizona on February 3, 2003. Attending the meeting for Uni-Marts were Messrs. Kervandjian, Petrick and Cerminara, and David Antzis, a partner of the law firm of Saul Ewing LLP, our principal outside counsel. Immediately prior to the meeting with GECFFC, these individuals participated in a conference call with the members of the Ad Hoc Committee to review various aspects of the GECFFC term sheet and discuss how best to restructure the long-term debt arrangement. Negotiations with GECFFC continued throughout February and March 2003.

In the interim, United Refining renewed its overtures to acquire Uni-Marts. Management provided United Refining with various requested information, including a list of Uni-Marts' unencumbered assets (real estate and equipment) and the net book value thereof, culminating in a letter sent by e-mail from Martin Bring, counsel for United Refining, to Mr. Antzis on February 26, 2003, stating that United Refining was now prepared in principle to pay $2.25 per share in cash for all Uni-Marts stock. The letter was again subject to satisfactory completion of United's due diligence and assumption of existing debt, and stated that the purchase price would be financed by a combination of corporate liquidity and other resources provided by United Refining, its affiliates and their respective lenders. On February 27, 2003 and February 28, 2003, Uni-Marts' Board of Directors received two separate letters from Michael Kelly, counsel for the Haseotes family partnership, expressing support for United's offer and urging that the Ad Hoc Committee conduct the negotiations with United Refining.

The Ad Hoc Committee met on February 28, 2003 to discuss the February 26, 2003 letter from United Refining. The Ad Hoc Committee discussed that if the latest United letter resulted in an offer, the Committee would need to retain independent financial advisors and counsel to assist the Committee in evaluating the offer. Members of the Committee were concerned that the letter of interest from United Refining might not result in a definitive offer, noting that United Refining did not produce an offer after its letter of interest in the fall of 2002 and that Uni-Marts had spent a considerable amount of time and money on United Refining's due diligence process at that time. The Ad Hoc Committee instructed Mr. Antzis to work with Mr. Krumholz to draft a written response to United Refining requesting financing information that demonstrated United Refining's ability to consummate a transaction, and that Uni-Marts would accommodate further due diligence after receiving satisfactory evidence of United Refining's financing. Such a letter was sent on March 3, 2003. Thereafter, a letter dated March 21, 2003 from Fleet National Bank to United Refining was provided to the Ad Hoc Committee indicating that Fleet was willing to work closely with United Refining management to explore the possibility of acting as sole arranger and/or underwriter for a bank facility to finance the acquisition of Uni-Marts, subject to completion of satisfactory due diligence, Fleet's credit review and approval process and a number of other conditions. By letter from Mr. Krumholz to Henry Sahakian dated March 25, 2003, management was advised that the Ad Hoc Committee believed the Fleet letter provided by United Refining was a sufficient indication of its financing prospects to permit a continued due diligence investigation of Uni-Marts, and that the Ad Hoc Committee had given Mr. Petrick the authority to coordinate the assembly of any further information requested by United Refining. We provided a similar letter from Mr. Antzis to United Refining on the same date, and Mr. Petrick received an additional due diligence request from United Refining on March 31, 2003.

In its letter to United Refining on March 3, 2003, Uni-Marts had requested that United Refining convert its indication of interest into a firm offer, and had stated that meaningful negotiation could not take place until such an offer was submitted. United Refining never responded to this request (until submitting a letter of intent in May 2003 as discussed below), and instead United Refining simply pursued its financing and due diligence activities. In the meantime, we continued to act to advance our asset divestiture strategy. Effective April 1, 2003, Provident Bank agreed to amend its revolving credit facility with Uni-Marts (i) to extend the maturity from April 20, 2004 to December 31, 2004, (ii) to extend the seasonal line of credit increase of $2 million through April 30, 2004, and (iii) to amend certain financial covenants to align them with our divestiture plan. On April 22, 2003, GECFFC signed a term sheet to release 117 of our store locations from its loan pools for a period of approximately 18 months, thereby reducing prepayment penalties and other restrictive conditions of the loans in their then current form. We also entered into two separate asset sale agreements in April 2003 to sell four Virginia stores and 18 other stores, respectively.

The Ad Hoc Committee interviewed several law firms during late April and early May 2003 to serve as its independent counsel, and the Ad Hoc Committee determined to retain Rhoads & Sinon LLP on May 15, 2003 as counsel to the Ad Hoc Committee.

On April 30, 2003, Martin Bring, counsel for United Refining, delivered by facsimile transmission to Mr. Antzis a financing commitment letter from Fleet National Bank. Mr. Antzis informed Mr. Bring that

Uni-Marts had recently entered into an agreement to sell a number of convenience stores. Mr. Antzis also advised Mr. Bring that United Refining's ongoing due diligence without the submission of a formal offer was causing a burden on Uni-Marts' internal resources. Mr. Antzis again inquired whether a formal offer would be forthcoming. On May 12, 2003, United Refining submitted a letter of intent for a cash merger with Uni-Marts at a price of $2.25 per share. On May 14, 2003, HFL Corporation, a privately-held corporation controlled by Henry and Daniel Sahakian, submitted to the Ad Hoc Committee its letter of intent for the acquisition of all Uni-Marts common stock, also at a cash price of $2.25 per share. HFL had held a Board of Directors meeting on April 21, 2003 to discuss the possibility of making a proposal for the purchase of all of the outstanding shares of Uni-Marts, and had signed a confidentiality agreement with Uni-Marts on April 22, 2003. Between April 22 and May 14, 2003, HFL formulated its offer letter after review of publicly available information and the outstanding number of Uni-Marts' shares not already owned by the Tri-Color Members. Since Henry and Daniel Sahakian were already directors and Henry Sahakian was an executive officer of Uni-Marts, there was no need for any additional formal due diligence as would customarily be performed by an unrelated third party.

On May 15, 2003, the Ad Hoc Committee met to discuss the letters of intent from United Refining and HFL. The negative features of each letter of intent were discussed. The negative aspects of the United Refining letter of intent were that it was a non-binding proposal to acquire Uni-Marts, it contained a standstill provision preventing Uni-Marts not only from seeking any other merger partner, but from selling any stores, through June 30, 2003, it did not state whether the definitive merger agreement would contain a financing contingency and it was also still subject to United's satisfactory completion of due diligence in its sole discretion. The negative aspects of the HFL letter of intent were that it required the payment of a $2.5 million break-up fee due upon the signing by Uni-Marts of an agreement for a fundamental transaction with any other party.

The Ad Hoc Committee concluded that it was not in a position to immediately accept either offer because the Ad Hoc Committee had no basis to determine whether $2.25 per share was an adequate or fair price for the unaffiliated stockholders, and that the Ad Hoc Committee needed to engage an investment banking firm to advise the Ad Hoc Committee on the fairness of these proposals from a financial point of view. Charles Ferry, a partner of the law firm Rhoads & Sinon, was instructed to draft a response letter to each of United Refining and HFL, informing them that the Ad Hoc Committee would be consulting with an investment banking firm.

Following its receipt of the offer from HFL, the Ad Hoc Committee directed counsel to the Committee to communicate with counsel to United Refining in writing indicating the manner in which United Refining's letter of intent would need to be revised in order to be considered further by the Committee. Counsel to the Ad Hoc Committee, by letter dated May 16, 2003, advised counsel to United that in order to be considered further by the Ad Hoc Committee, United Refining needed to submit a revised letter of intent which would constitute a binding proposal and state whether or not a definitive merger agreement would be subject to a financing contingency or other material contingency, in addition to shareholder and regulatory approvals. The letter from counsel to the Ad Hoc Committee also advised that a revised proposal from United Refining should indicate what additional due diligence, if any, would be required by United Refining prior to executing a definitive agreement and set forth a timeframe in which that due diligence would be completed. The letter also requested that any revised and binding proposal from United Refining be received no later than May 22 in order to be considered by the Ad Hoc Committee at the same time it was considering the offer from HFL.

On May 23, 2003, the Ad Hoc Committee interviewed three investment banking firms and ultimately selected Boenning & Scattergood, Inc. to advise the Ad Hoc Committee as to the fairness, from a financial point of view, of any transaction transferring control of a material interest in Uni-Marts or our assets. Such selection was in part based on Scattergood's focus on mergers and acquisitions in middle market companies and the level of experience of the team assigned to the project. Several days later, Mr. Ferry contacted Robert Young, a partner of the law firm McCausland, Keen and Buckman and counsel for HFL, to request an extension of time to respond to HFL's letter of intent, since the letter expired by its own terms at the close of business on May 28, 2003. HFL was unwilling to extend the letter

of intent and the Ad Hoc Committee met on May 28, 2003 to consider the offer. Given the absence of any due diligence contingency or standstill provision in the HFL offer, Mr. Ferry was authorized to negotiate the HFL letter with the goals of (1) substantially reducing the amount of the break-up fee, (2) providing that the break-up fee would only be due upon consummation of a transaction with a third party, as opposed to the signing of an agreement with a third party, (3) requiring that a definitive agreement be signed with HFL by June 30, 2003, and (4) conditioning Uni-Marts' obligation to enter into an agreement on the receipt of a fairness opinion indicating that the $2.25 cash price was fair from a financial point of view to Uni-Marts' stockholders. The parties continued to negotiate before and during a Board of Directors meeting held later that day, and ultimately HFL agreed to reduce the break-up fee to $1.5 million, payable only upon the consummation of a third party transaction within six months of the termination of the letter of intent, and that the letter of intent would expire if the Ad Hoc Committee did not receive a fairness opinion or a definitive agreement was not signed by June 27, 2003. Mr. Ferry was authorized to revise the letter of intent with Mr. Young for execution as soon as possible.

On May 29, 2003, Mr. Ferry received a telephone call and revised draft proposal from United Refining. The new proposal did not contain any material changes or eliminate any of the contingencies set forth in United Refining's proposal of May 12, 2003. The Ad Hoc Committee met on June 2, 2003 and reviewed with counsel the failure of United Refining's revised proposal to address any of the Committee's prior concerns. The Ad Hoc Committee determined that the HFL letter of intent was preferable to the United Refining letter of intent even though the revised HFL letter of intent contained a $1.5 million break-up fee with a 6-month trailing provision, because the United Refining letter of intent had not been revised by United and still contained the negative features discussed above. Specifically, the United Refining letter of intent still constituted a non-binding proposal, required that Uni-Marts negotiate exclusively with United Refining through June 30, 2003, was subject to United Refining's satisfactory completion of due diligence in its sole discretion and did not state whether a definitive merger agreement would contain a financing contingency. The HFL letter of intent also required HFL to pay a $250,000 cash deposit at the time of signing the letter of intent which was nonrefundable if HFL did not proceed to close a transaction for any reason except (1) the failure of the parties to execute a definitive merger agreement, (2) the failure of the Uni-Marts Board of Directors to amend Uni-Marts' shareholder rights plan to permit a transaction with HFL to be consummated, or (3) the failure of Uni-Marts' lenders to consent to HFL assuming Uni-Marts' outstanding debt obligations. The Committee approved the final version of the letter of intent with HFL and the letter was signed late that day and publicly announced the following morning.

In the days following the execution of the letter of intent, principals of HFL contacted representatives of GECFFC and Provident Bank to determine whether such lenders would permit HFL to assume the indebtedness of Uni-Marts. HFL was advised by Provident that it would likely require some form of personal guarantees of the principals of HFL or performance milestones as a condition to providing consent to the assumption of its indebtedness because of HFL's privately-held status, and the fact that following the proposed merger HFL would be highly-leveraged. In addition, Provident indicated that it might insist upon the right to require HFL or its principals to contribute additional capital to Uni-Marts under designated performance milestones. Representatives of HFL called Mr. Krumholz on June 17, 2003 to advise him that HFL had decided to terminate the letter of intent because HFL's principals were not willing to provide personal guarantees or to agree to capital calls in order to obtain Provident's consent. Mr. Krumholz had Mr. Ferry speak to a Provident representative, who confirmed that it was highly likely that Provident would impose such conditions. The letter of intent between Uni-Marts and HFL was terminated on June 18, 2003.

Mr. Ferry called Mr. Bring on June 18, 2003 to advise him of the termination of the HFL letter of intent, in order to ascertain whether United Refining was interested in resuming merger discussions. Mr. Bring expressed some concern on behalf of United Refining as to whether Uni-Marts' lenders would impose the same personal guarantee requirement on any private third party purchaser. Mr. Ferry suggested a face-to-face meeting between representatives of the Ad Hoc Committee and United Refining, but United Refining never affirmatively responded to the invitation for further discussions.

Thereafter, we renewed our store divestiture efforts. At approximately the same time, the potential buyer of 18 of our stores introduced Messrs. Sahakian and Kervandjian to Mr. Raj Vakharia, who expressed interest in acquiring all of our remaining convenience stores in Pennsylvania (107 stores, of which 63 were owned and 44 were leased) for an aggregate purchase price of approximately $34 million. Mr. Vakharia's counsel submitted a draft asset purchase agreement and a negotiating meeting was held on July 16, 2003 in Philadelphia, Pennsylvania among Mr. Vakharia, Mr. Kervandjian and counsel for the parties. By the time of the meeting, the potential purchaser of the 18 stores had terminated its agreement with Uni-Marts, and Mr. Vakharia was negotiating for the purchase of 125 stores for an aggregate price of approximately $41.9 million. We objected to certain of the proposed terms of the transaction, principally that the buyer desired to purchase the stores in three separate transactions over an extended period of time (approximately 18 months), with very little financial exposure to the buyer if it did not elect to consummate the purchase of any group of stores, but with the effect of preventing us from marketing any of these stores to other parties during such extended period of time.

In early August 2003, Mr. Vakharia approached Mr. Paul Levinsohn, a business associate, to assist with the transaction. At the same time, Messrs. Vakharia and Levinsohn indicated that they were interested in submitting a proposal to acquire Uni-Marts. In order to pursue this alternative, however, they requested an exclusive period of time to conduct due diligence and negotiate a definitive acquisition agreement. Mr. Vakharia discussed these issues at a meeting in New York City on August 6, 2003 with Messrs. Henry Sahakian, Kervandjian and Najarian. The Ad Hoc Committee met by conference call on August 8, 2003, during which Mr. Najarian advised the Ad Hoc Committee of his meeting with Mr. Vakharia and the fact that Mr. Vakharia had engaged the investment banking firm of Piper Jaffray to raise additional funds for the transaction. Mr. Vakharia then joined the conference call, accompanied by his counsel, Peter Ehrenberg of the law firm of Lowenstein Sandler PC, and Scott LaRue and John Barrymore of Piper Jaffray, to discuss an exclusivity arrangement between Uni-Marts and the proposed buying entity controlled by Mr. Vakharia, Reliance Management LLC. The parties engaged in a negotiating session, with the Ad Hoc Committee ultimately agreeing to provide Reliance with an approximately 45-day exclusivity period in exchange for a $250,000 cash deposit which would not be refundable except in limited circumstances (principally tied to due diligence problems uncovered by Reliance or if Reliance ultimately offered $1.90 per share or more for all of the outstanding shares of Uni-Marts' common stock and such offer was not accepted by Uni-Marts). Noting that Uni-Marts had not been successful in selling groups of stores and United Refining had not positively responded to invitations for additional discussions, the Ad Hoc Committee instructed counsel to complete the negotiation of an exclusivity agreement with Reliance. The Board of Directors approved the exclusivity arrangement at a special meeting held on August 13, 2003.

Counsel for the parties continued their negotiation of the exclusivity agreement, including issues relating to the conditions under which the cash deposit would or would not be returned to Reliance, and when buyer's environmental due diligence would occur. A meeting was arranged on August 25, 2003, in Florham Park, New Jersey, at the offices of The Kushner Companies. Attending the meeting were all members of the Ad Hoc Committee, Messrs. Henry Sahakian, Kervandjian, Antzis, Ehrenberg, Vakharia and Charles Ramat of The Kushner Companies, a potential investor in Reliance. The parties compromised on open issues by agreeing to eliminate Uni-Marts' demand for a cash deposit in return for Reliance's agreement not to be reimbursed for environmental due diligence expenses if it discovered environmental issues that caused it to terminate the transaction. The parties also agreed to extend the exclusivity period from September 27, 2003 until October 10, 2003, and instructed counsel to revise the draft agreement accordingly.

Throughout September and early October 2003, Reliance performed its due diligence investigation of Uni-Marts and the parties negotiated a definitive merger agreement. The disputed issues relating to the merger agreement included (a) whether the buyer would be entitled to post-closing indemnification for breaches of Uni-Marts' representations and warranties, (b) whether a portion of the merger price would be escrowed to secure this indemnification, (c) Uni-Marts' ability to accept a superior proposal, and the break-up fee payable to the buyer in such event, (d) buyer's desire to obtain a certain level of voting lock-

up agreements, (e) the capitalization of Reliance, and (f) various conditions to closing, including environmental remediation above a certain dollar threshold and the maximum percentage of stockholders electing appraisal rights. The Ad Hoc Committee held meetings on September 25, September 30, and October 9, 2003 to discuss these issues. The September 25 meeting was attended not only by the members of the Ad Hoc Committee and Mr. Ferry, but also by representatives of Uni-Marts' management and Uni-Marts' counsel, Mr. Vakharia and several of his associates and Mr. Ehrenberg to negotiate various aspects of the merger agreement. Mr. Vakharia indicated that Reliance intended to propose a cash merger price of $1.90 per share, and the Affiliated Stockholders indicated that they were prepared to sign voting agreements supporting the merger at that price. There were a number of other conference calls among principals and counsel and exchanges of comments to the merger agreement during this time period. At the Ad Hoc Committee meeting on October 9, 2003, Mr. Krumholz indicated that Reliance had requested an extension of their exclusivity period from October 10 until October 17, 2003, and in light of the substantial progress in negotiations to date, he recommended that such extension be granted. The extension was permitted, and negotiations among counsel and the principals continued, together with two additional Ad Hoc Committee meetings on October 13 and October 16, 2003 to discuss the Committee's negotiating positions on Uni-Marts' behalf. At the meeting on October 16, 2003, the Ad Hoc Committee agreed to extend the exclusivity period with Reliance until the close of business on October 22, 2003.

The Ad Hoc Committee met again on October 21, 2003. Mr. Ferry explained that Reliance was insisting that it obtain a certain level of environmental remediation insurance as a condition to closing, and it was not sure whether it would be required to conduct Phase II environmental testing in order to obtain such insurance. Reliance also was insisting that it be entitled to the reimbursement of its costs in the event that it terminated the merger agreement if the underwriting criteria of its insurance company required Phase II environmental testing and Uni-Marts refused to permit such testing. The parties also had became aware of a pending claim against Uni-Marts, and after negotiations between the Ad Hoc Committee and Reliance, the Committee agreed to a reduction in the price per share to $1.87 to reflect the potential adverse impact of such claim to the surviving entity in the merger. In light of these and other issues, the Ad Hoc Committee decided that while it would allow the negotiations to continue, it would not extend the exclusivity agreement with Reliance beyond October 22, 2003. In addition, on October 23, 2003, Mr. Ramat called Mr. Krumholz and other members of Uni-Marts' negotiating team to inform them that Reliance now intended to obtain representation and warranty insurance to insure breaches of representations and warranties by Uni-Marts and that obtaining such insurance would be reflected in the merger agreement as another condition precedent to Reliance's obligation to consummate the merger. Mr. Ehrenberg also informed Mr. Krumholz in a telephone conversation on October 24, 2003, that Reliance was very concerned about the amount of prepayment penalties which could be incurred by Reliance under Uni-Marts' long-term debt agreements upon the sale of stores following the closing of the merger transaction. At a Uni-Marts' Board of Directors meeting held on October 24, 2003, Messrs. Antzis and Ferry were instructed to notify legal counsel for Reliance that Uni-Marts was willing to continue to negotiate the transaction without exclusivity, and that Reliance should devote the time necessary to complete its due diligence, identify any further issues, obtain commitments for its insurance requirements and then contact Uni-Marts when it was prepared to execute an agreement with very few conditions to closing.

On October 27, 2003, Messrs. Ferry, Ehrenberg, Krumholz and Uni-Marts counsel conferred via telephone conference call regarding the outstanding issues. Mr. Antzis received a subsequent telephone call from Mr. Ehrenberg on October 30, 2003, during which Mr. Ehrenberg advised Mr. Antzis that Reliance had determined that it required the signing of a definitive merger agreement before it would devote resources toward obtaining binding commitments for the environmental insurance and representation and warranty insurance. Mr. Krumholz had several telephone discussions with Mr. Ferry and representatives of Uni-Marts management and Uni-Marts counsel on October 30 and October 31, 2003, and as a result of these conversations, Mr. Ferry was instructed to prepare a response in writing to Reliance's counsel outlining the Ad Hoc Committee's positions with regard to the open issues raised by Mr. Ehrenberg. Mr. Ferry sent this letter to Mr. Ehrenberg on November 3, 2003, after an Ad Hoc Committee meeting on the same date to review Mr. Ferry's letter. At the request of Reliance, a meeting was then held in

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State College, Pennsylvania on November 11, 2003. Messrs. Krumholz and Graves attended the meeting in person, and Mr. Najarian participated by conference call. Also in attendance were Messrs. Ferry, Antzis, Ehrenberg, Henry and Daniel Sahakian, Kervandjian and Petrick, together with Mr. Ramat and Charles Kushner of The Kushner Companies. At the meeting, Mr. Kushner stated that Reliance would require an extension of the exclusivity period until January 9, 2004, because it believed that such period of time was necessary for Reliance to obtain commitments for environmental and representation and warranty insurance and Reliance was unwilling to commit funds to these efforts without a continuing exclusivity arrangement. The Ad Hoc Committee met on November 11, 2003, immediately following the meeting with Reliance, and determined that Reliance could either continue to negotiate without exclusivity or, in the alternative, the Committee would consider signing a definitive agreement after a preliminary meeting with GECFFC to determine its level of support for the assumption of debt by Reliance, and provided that the definitive agreement was revised to eliminate many of the conditions to closing as well as all instances of expense reimbursement to Reliance except in the case of a superior proposal being accepted by Uni-Marts. Mr. Krumholz called Mr. Kushner on November 12, 2003 to discuss these alternatives, and counsel for Reliance delivered a new draft agreement which was then reviewed by the Ad Hoc Committee at a meeting on

November 17, 2003. Since many of the changes requested by the Ad Hoc Committee were not reflected in the draft provided by Reliance's counsel, including the elimination of significant conditions to closing, Mr. Ferry was instructed to draft a revised version of the merger agreement and send it to Reliance's counsel. Mr. Ferry sent the revised version several days later, and received no response to the new draft.

In the spring of 2003, D. Christopher Ohly, an attorney with the law firm Blank Rome LLP and counsel to Nancy Ordoukhanian-Ohanissan, Armineh Ordoukhanian-Petrossian, Linda Ordoukhanian and Elsa Ordoukhanian, who (according to an amendment to a Schedule 13D filed in February 2002) collectively owned 838,468 shares or approximately 11.7% of the outstanding shares of common stock of Uni-Marts, had contacted Uni-Marts' counsel to inquire whether Uni-Marts had any interest in purchasing his clients' Uni-Marts stock. He was advised that Uni-Marts was not in a financial position to make such a purchase. In a letter dated June 11, 2003, Mr. Ohly requested on behalf of his clients an opportunity to review certain books and records of Uni-Marts, and after having his clients execute a confidentiality agreement, he was provided with the requested Uni-Marts information. Approximately one month later, Mr. Ohly inquired about arranging a meeting with Uni-Marts management to discuss the Ordoukhanians' interest in making an offer for Uni-Marts. Mr. Ohly was asked to provide some preliminary indication of the nature of his clients' financing and management team for such a transaction. Mr. Ohly did not respond to this request. In late August 2003, counsel for Uni-Marts called Mr. Ohly as a courtesy to advise him that Uni-Marts was about to enter into a letter agreement with another party which would contain a "standstill" provision prohibiting Uni-Marts from negotiating with any other person for a designated period of time. After the termination of the exclusivity arrangement with Reliance in October 2003, counsel for Uni-Marts left a telephone message for Mr. Ohly on October 24, 2003, and sent him a letter on October 28, 2003, notifying him that the exclusive relationship between Uni-Marts and a potential purchaser had expired, Uni-Marts was free to negotiate with other potential buyers and therefore Uni-Marts' management would be pleased to meet with Mr. Ohly and his clients to discuss their interest in acquiring Uni-Marts. Since the date of those communications, neither Uni-Marts nor its counsel has had any further response from Mr. Ohly or the Ordoukhanians on this matter.

In light of the inability to positively advance the merger negotiations with Reliance, the Ad Hoc Committee held a meeting on November 24, 2003 to review certain new alternatives with management. Specifically, Henry Sahakian and Messrs. Kervandjian and Petrick had approached Mr. Krumholz with the possibility of an auction sale process to divest certain store locations. Messrs. Kervandjian and Petrick indicated that they had met the previous week with representatives of National Real Estate Clearing House (NRC), headquartered in Chicago, Illinois, which specialized in the accelerated divestiture of petroleum and convenience store properties through an auction process. They indicated that NRC had recently represented companies such as Shell, BP, Clark, Sunoco and Swifty Serve in conducting auction processes with regard to the divestiture of convenience store properties. Mr. Kervandjian had also discussed this alternative with Dennis Rubin, Executive Vice President and General Counsel of GECFFC.

The Ad Hoc Committee discussed in detail the financial parameters of an auction sale process and asked Uni-Marts' management to prepare a written business plan for the auction process by December 5, 2003, so that the Ad Hoc Committee and

Board of Directors could consider it during the week of December 8th. Mr. Ferry was instructed to notify Mr. Ehrenberg that the Ad Hoc Committee needed time to consider an alternative proposal. Mr. Ferry sent such a letter to Mr. Ehrenberg on November 25, 2003. Shortly thereafter, Mr. Vakharia contacted Mr. Krumholz asking if the Ad Hoc Committee would oppose Mr. Vakharia's desire to reach out to members of the Sahakian family to possibly form an alliance to pursue the acquisition of Uni-Marts. Mr. Krumholz informed Mr. Vakharia that the Ad Hoc Committee was open to entertaining any offer for Uni-Marts. On December 8, 2003, Mr. Vakharia met with Messrs. Henry and Daniel Sahakian and Kervandjian in Harrisburg, Pennsylvania to discuss this alliance.

The Ad Hoc Committee next met on December 15, 2003 to review a financial analysis prepared by Uni-Marts with regard to the proposed auction sale of the business assets of 178 Uni-Marts' stores through NRC. The pro forma demonstrated that the sales of business assets of the stores without the underlying real estate would not yield sufficient proceeds to repay the indebtedness secured by these stores, and Uni-Marts would therefore require a substantial additional credit facility (at least $27.0 million) to pursue the auction alternative. The Committee also discussed the risks of execution of the auction process and the fact that GECFFC would have to agree to revised terms to its loan agreements with Uni-Marts. In preparing the pro forma with regard to the auction sale of stores through NRC, Uni-Marts did not obtain any valuations or appraisals of the business assets comprising the 178 Uni-Marts stores. The estimated sales price for the stores in the pro forma was based on a multiple of 1.5 times the historical earnings of each store before deducting any interest, taxes, depreciation or amortization. The 1.5 times earnings multiple was within the range provided by NRC as a sales multiple which it had successfully obtained in other convenience store auction scenarios. Mr. Krumholz also reported about the request of Mr. Vakharia to possibly form an alliance with the Sahakians to pursue the acquisition of Uni-Marts. At that time, the Ad Hoc Committee controlled all negotiations involving the sale of Uni-Marts, and Henry and Daniel Sahakian agreed, as they had during the discussions between HFL and Uni-Marts, to excuse themselves from any Board discussion and abstain from any vote by the Board of Directors regarding a possible transaction between Uni-Marts and an entity they might form with Mr. Vakharia. Mr. Vakharia had discussed this possible alliance with representatives of The Kushner Companies, who had indicated to Mr. Vakharia that they would not seek to oppose his pursuit of this opportunity. Mr. Krumholz then met in Dallas, Texas on December 17, 2003 with Evan Gladstone and Michael Bohnert, executives of NRC, to learn more about the NRC auction sale process. He presented this information to the Ad Hoc Committee at a meeting on December 19, 2003. Mr. Krumholz also advised the Ad Hoc Committee that he and Mr. Ferry had received a draft letter of intent on December 18, 2003 from the Sahakian/Vakharia group proposing to acquire Uni-Marts at a per share price of $2.25 in cash, and related that these parties had committed that their offer would not contain some of the more onerous conditions required by Reliance's potential investor, The Kushner Companies. The Ad Hoc Committee discussed questions which they required to be answered by the Sahakian/Vakharia group before further negotiations were conducted, including the likelihood that consents to the assumption of indebtedness could be obtained from GECFFC and Provident Bank, the timing of the proposed transaction, whether the acquiring entity had the requisite funds to pay the cash merger consideration and transactions costs, and the possibility of indemnification from the buyer for any potential liability to The Kushner Companies. The Ad Hoc Committee directed Messrs. Krumholz and Ferry to pose these and other questions to Messrs. Henry Sahakian and Vakharia and report back to the Ad Hoc Committee.

On December 22, 2003, the Ad Hoc Committee met again following a telephone conference among Messrs. Krumholz, Ferry, Henry Sahakian, Kervandjian, Vakharia and Antzis on December 19, 2003. Mr. Ferry advised that Mr. Kervandjian had communicated the intent of the Sahakian/Vakharia group to use the existing draft definitive agreement previously negotiated with Reliance as a template for negotiation of a definitive merger agreement, while deleting a number of the conditions to closing required by Reliance), to raise the offered price from the $1.87 per share offered by Reliance to $2.25 per share, and to form a limited liability company (Green Valley) to pursue the transaction. Mr. Kervandjian also indicated that he believed that GECFFC and Provident Bank would provide the required consents to the

merger because of the additional cash resources which Mr. Vakharia and his colleagues were supplying to the buying entity. Mr. Sahakian had indicated that members of the Sahakian family owning approximately 40% of the outstanding stock of Uni-Marts would sign voting agreements in favor of the transaction. Mr. Vakharia had indicated that he did not believe termination of his affiliation with The Kushner Companies would give rise to any litigation against either Mr. Vakharia, Uni-Marts or Green Valley as the new buying entity, both because of the discretionary nature of his relationship with The Kushner Companies and the fact that The Kushner Companies had previously supplied only a modest amount of money to Reliance's efforts, which Mr. Vakharia planned to reimburse. The Ad Hoc Committee still had certain outstanding questions about the transaction, such as desiring that members of the Ad Hoc Committee speak with representatives of GECFFC and Provident Bank to determine their support of the transaction, and requesting confirmation from the new buying group of its financing sources to supply the cash necessary to complete the transaction. Subject to these issues, the Ad Hoc Committee supported continuing negotiations with the Sahakian/Vakharia Group.

On December 30, 2003, Mr. Ferry sent to Robert Young, who was now representing Green Valley, an outstanding list of issues concerning the transaction and the merger agreement. Those issues were, (1) the requirement of a mandatory tender offer if the holders of Uni-Marts' shares representing 15% or more of the outstanding shares exercised dissenters' rights, (2) whether Green Valley should have a due diligence out, (3) the appropriateness of various conditions to closing including the obtaining of environmental insurance, limitations on debt and a requirement that Uni-Marts meet certain cash, net operating asset and EBITDA thresholds, (4) the payment of a termination fee if Green Valley elected not to close because of a material adverse change in Uni-Marts, (5) a limit on the damages for which Green Valley could be liable if it defaulted, and (6) the size of a proposed termination fee. On January 7, 2004, Mr. Ferry and Uni-Marts counsel met with Mr. Young in Radnor, Pennsylvania to negotiate the new merger agreement between Uni-Marts and Green Valley. One of the issues discussed was Uni-Marts' requirement of a $400,000 cash deposit from buyer which could be applied toward any future claim for breach of the agreement by buyer (or else applied toward the merger consideration). Mr. Young distributed a new draft of the merger agreement on January 8, 2004, and on January 12, 2004, Messrs. Ferry and Young and Uni-Marts counsel continued their negotiation by conference call. Several days later, another draft of the merger agreement was circulated and counsel continued to consult with their clients and negotiate open issues as to whether a deposit by Green Valley would be required, the appropriate amount of the termination fee, and the limitation on Green Valley's liability if it defaulted.

On January 16, 2004, the Ad Hoc Committee held a meeting to review the current status of the merger negotiations with Green Valley. Chad Hull, Director of Investment Banking at Boenning & Scattergood, joined the Committee by conference telephone to present his firm's initial analysis and preliminary conclusions as to the fairness of the proposed cash merger consideration to Uni-Marts' stockholders from a financial point of view. Such oral presentation was substantially identical to the presentation by Boenning & Scattergood to the Uni-Marts' Board on January 26, 2004, as discussed below. Mr. Hull indicated that, subject to completion of its analysis and due diligence, Boenning & Scattergood would be prepared to issue a fairness opinion to the Ad Hoc Committee as to whether the merger price of $2.25 per share was fair from a financial point of view to the stockholders of Uni-Marts. Members of the Committee asked Mr. Krumholz to obtain (1) a letter from representatives of the Sahakian/Vakharia group that no significant transaction involving Uni-Marts' assets was imminent, (2) comfort letters from representatives of the Sahakian and Vakharia groups as to their access to funds necessary to consummate the merger, and (3) a letter from representatives of the Vakharia group indemnifying Uni-Marts and its directors and officers for any claims or potential litigation from Reliance Management or The Kushner Companies for failure to proceed with the proposed transaction with Reliance. The Ad Hoc Committee unanimously recommended approval of the merger transaction with the Sahakian/Vakharia group conditioned upon receipt of the various comfort letters identified in the meeting, and its receipt of, and presentation to, the full Board of the fairness opinion from Boenning & Scattergood.

By January 23, 2004, the merger agreement had been revised and delivered to Messrs. Krumholz and Ferry and Uni-Marts counsel in virtually final form. Messrs. Krumholz and Ferry and representatives of

Uni-Marts management and Uni-Marts counsel had conference calls on January 12 and January 15, 2004, with representatives of GECFFC and Provident Bank, respectively, to discuss the lenders' willingness to consent to the merger. In a telephone call on January 22, 2004, Mr. Krumholz received assurances from Charles Kushner that The Kushner Companies did not object to Mr. Vakharia pursuing an offer for Uni-Marts with the Tri-Color Members. On January 23, 2004 the negotiated version of the merger agreement and the fairness opinion of Boenning & Scattergood were distributed to all Board of Directors members, and the Board of Directors scheduled a meeting for January 26, 2004, to vote upon the proposed merger transaction.

The Board of Directors was presented at its meeting on January 26, 2004 not only with the final version of the merger agreement, form of voting agreement with the Sahakian family members, and amendment to Uni-Marts' Rights Agreement, but also (a) a letter agreement with Mr. Levinsohn, indemnifying Uni-Marts and the members of the Board of Directors against any claims which might be asserted by The Kushner Companies in connection with the merger transaction, (b) letters from the accountants for Mr. Levinsohn and the Affiliated Stockholders advising that each such party had access to the funds necessary to pay their proportionate shares of the aggregate merger consideration, (c) a letter signed by Mr. Kervandjian and Mr. Levinsohn stating that there was no transaction involving the sale of a significant portion of Uni-Marts' assets imminent at that time, and (d) modifications to Uni-Marts' existing change in control agreements providing that Uni-Marts need not establish a trust fund upon the execution of the merger agreements to satisfy its severance obligations. At the beginning of the Board meeting, Mr. Krumholz summarized the due diligence regarding Green Valley's financing and other matters which he and Mr. Ferry had performed over the past week, and reiterated the Ad Hoc Committee's January 16, 2004 recommendation of the merger with Green Valley.

At the special meeting of Uni-Marts' Board of Directors held on January 26, 2004, Messrs. Ferry and Antzis also reviewed the finalized terms of the proposed merger agreement. The requirement to amend Uni-Marts' Rights Agreement to allow the transaction with the entity formed by the Sahakian/Vakharia Group, named Green Valley Acquisition Co., LLC, was also discussed with the Board of Directors. In addition, representatives of Boenning & Scattergood made a presentation regarding their analysis of the fairness, from a financial point of view, of the merger consideration. See "SPECIAL FACTORS -- Opinion of Boenning & Scattergood." Boenning & Scattergood rendered its written opinion that, as of such date, the consideration to be received by the holders of Uni-Marts' shares of common stock pursuant to the merger agreement with Green Valley was fair from a financial point of view to such stockholders. After such presentations, Messrs. Henry and Daniel Sahakian left the meeting so that the remaining disinterested members of the Board of Directors could discuss the proposed merger with their attorneys and financial advisors. Following a lengthy discussion, Messrs. Henry and Daniel Sahakian were asked to return to the meeting and Uni-Marts' Board of Directors voted unanimously (with Messrs. Henry and Daniel Sahakian abstaining): (i) to approve the proposed merger with Green Valley, the merger agreement and related exhibits as presented to them, (ii) to amend Uni-Marts' Rights Agreement to allow the acquisition by Green Valley, and (iii) to recommend that Uni-Marts' stockholders vote to approve the merger with Green Valley.

Following the approval of Uni-Marts' Board of Directors, the merger agreement in its definitive form was executed during the evening of January 26, 2004 and publicly announced the following morning.

PURPOSES OF THE MERGER

Uni-Marts' purpose for the merger is to provide the Public Stockholders with liquidity for their shares at a price above the market trading price for the shares. The shares are not actively traded and Uni-Marts lacks the capital resources for significant growth. For the past several years, Uni-Marts' management sought to sell assets to improve Uni-Marts' financial position, but its divestiture plan was never fully realized. The merger with Green Valley creates a liquidity event which Uni-Marts, in light of its current business operations and capital constraints, has been unable to accomplish independently in any significant manner.

REASONS FOR THE AD HOC COMMITTEE'S DETERMINATION

In concluding that the merger is fair to Uni-Marts' stockholders and recommending adoption of the merger agreement to Uni-Marts' Board of Directors, the material factors considered by the Ad Hoc Committee were as follows:

- The Committee is composed solely of independent directors who are not officers or employees of Uni-Marts and will not be owners or employees of Green Valley following the merger. The Committee members have no financial interest in the merger that is different from the interests of Uni-Marts' stockholders, other than the receipt of fees for services as members of Uni-Marts' Board of Directors and committees of the Board of Directors;

- The Committee was given authority, among other things, to evaluate, negotiate and recommend the terms of any proposed transaction, and to refuse to recommend a transaction that it did not believe to be fair;

- The Committee engaged its own separate independent legal counsel and investment banking firm in evaluating, negotiating and recommending the terms of the merger agreement. The Committee's firm, Boenning & Scattergood, had no previous affiliation or involvement with Uni-Marts, its management or the owners of Green Valley and were under the exclusive direction of the Committee;

- The Committee, together with legal advisors, conducted multiple active negotiating sessions and discussions with representatives of Green Valley and other interested parties;

- The Committee members' familiarity with Uni-Marts' business, financial results and prospects and their knowledge of Uni-Marts' industry, which they have developed through their years of service as members of Uni-Marts' Board of Directors, and their general business knowledge and experience;

- Boenning & Scattergood's presentation at the Board of Directors meeting on January 26, 2004 regarding the fairness of the price, and its opinion, subject to the considerations and limitations set forth in the opinion, that the price is fair, from a financial point of view, to the stockholders. See "SPECIAL FACTORS -- Opinion of Boenning & Scattergood" and the copy of Boenning & Scattergood's opinion attached as Annex C to this proxy statement;

- The relationship between the $2.25 price per share to be paid in the merger and the recent market prices of Uni-Marts' common stock. As reported by Boenning & Scattergood, the $2.25 per share to be paid in the merger represented (i) a 27.8% premium over the closing sale price per share for the one trading day prior to January 22, 2004 (the date of preparation of Boenning & Scattergood's fairness analysis), (ii) a 38.9% premium over the closing price for the five trading days before January 22, 2004, and (iii) a 33.1% premium over the closing sale price per share for the 30 trading days before January 22, 2004. These premiums compared to the median premiums in 168 similar-sized transactions analyzed by Boenning & Scattergood of 34.2%, 39.1% and 49.6%, respectively. While the $2.25 per share offer from Green Valley in January 2004 represented a much smaller premium to the market price of Uni-Marts' shares immediately prior to the announcement of the transaction, as compared to the premium over market represented by the $2.25 per share offered in the United Refining and HFL letters of intent in May 2003, the Committee took into account (i) the substantial increase in the market price of Uni-Marts' shares following announcement of the execution of the HFL letter of intent (from $1.70 per share on May 30, 2003 to $2.19 per share on June 3, 2003, the date of the announcement), and (ii) the fact that the market price of Uni-Marts' shares remained at much higher levels from June 2003 to January 2004 than the price per Uni-Marts' share in early 2003. The last day on which Uni-Marts' share price closed at a price equal to or in excess of $2.25 per share was July 22, 2002;

- The relation of the price to be paid in the merger and the implied valuation multiples of this price to (i) multiples implied by Boenning & Scattergood's comparable company analysis (the implied multiples based on the offer were higher than the median values in the case of four of the multiples examined, lower in the case of two and within or above the range in the case of all six of the multiples), (ii) implied equity values per share and enterprise values for Uni-Marts resulting from Boenning & Scattergood's discounted cash flow analysis and implied values resulting from Boenning & Scattergood's sensitivity analysis conducted as part of its discounted cash flow analysis which were below the offer price in the No Divestiture Scenario (defined below) and above the offer price in the Divestiture Scenario (defined below), (iii) implied multiples resulting from Boenning & Scattergood's industry transactions analysis (the implied multiples based on the offer were higher than the median values in the case of four of the multiples examined, lower in the case of two and within or above the range in the case of five of the six multiples), (iv) implied internal rates of return resulting from Boenning & Scattergood's financial sponsor analysis which were below, in all scenarios, generally required rates of return, (v) premiums paid to prevailing share price in recent transactions based on Boenning & Scattergood's premiums paid analysis which were lower than the median comparable values in all scenarios but within the range of comparable values in all scenarios, and (vi) indicated equity values per share resulting from Boenning & Scattergood's liquidation analysis which were less than $0.00 per share. See "SPECIAL FACTORS -- Opinion of Boenning & Scattergood";

- The geographic areas in which Uni-Marts operates are highly competitive and each store's ability to compete depends on its location, accessibility, product offerings and customer service. Uni-Marts competes with other convenience store chains, gasoline stations, supermarkets, drug stores, discount stores and mass merchants. In recent years, several non-traditional retailers, such as supermarkets and mass merchants, have impacted the convenience store industry by entering the gasoline retail business. In addition, the convenience store industry experienced a double-digit percentage drop in cigarette sales in 2002, attributed largely to the loss of sales to mail order and Internet cigarette merchants. While the convenience store industry held its own in 2003 with respect to cigarette sales (which increased 1.8% overall), in the convenience store sector, sales declined on a per store basis by 0.6%. In many instances, our competitors have greater financial, marketing and other resources than Uni-Marts does. As a result, our competitors may be able to respond better to changes in the economy and new opportunities within the industry. The Committee considered it unlikely that Uni-Marts would grow through new store locations or market share gains vis-a-vis its major competitors. The Committee also noted that Sheetz and WaWa have entered into many of Uni-Marts' markets. The decision to sell Uni-Marts and, ultimately, to go private at this time was largely based on these competitive pressures and Uni-Marts' liquidity concerns;

- The limited benefit to Uni-Marts' stockholders resulting from being publicly held. The common stock has experienced very thin trading volume (approximately 2,300 shares per day over the prior four years). On many days Uni-Marts' shares do not trade and relatively small trades can have a significant impact on the trading price. There is no significant institutional sponsorship of Uni-Marts' shares and no coverage by institutional research analysts. As a result, stockholders do not enjoy meaningful liquidity in their holdings and are unable to sell significant numbers of shares without a negative effect on the trading price, and Uni-Marts' shares are not viable currency for acquisitions. Uni-Marts also is not in a position to raise additional financing through the public capital markets;

- The expenses to Uni-Marts of the reporting and compliance requirements of a public company (approximately $850,000 annually), including the increased costs to Uni-Marts for reporting and compliance issues following adoption of the Sarbanes-Oxley Act of 2002 and related rules and regulations (approximately $150,000);

- The Committee's belief that in the absence of a transaction, the stockholders' ability to realize value in excess of $2.25 per share would be doubtful and would be accompanied by significant risks. The Committee's belief was based on the strength and resources of Uni-Marts' competitors, the instability of petroleum wholesale prices, increased competition among retailers for market share during the slow economic recovery period experienced in 2002 and 2003, trends in the convenience store industry (described above) and Uni-Marts' relative size and lack of capital resources;

- The Committee's belief that it was unlikely that any other buyer would be willing to pay a price for Uni-Marts greater than $2.25 per share in cash. This belief was based on the long history of our attempt to sell Uni-Marts to a third party. See "SPECIAL FACTORS -- Background of the Merger."

- The fact that the merger consideration will be paid entirely in cash, which eliminates any issues related to valuing the merger consideration;

- The fact that Uni-Marts may consider unsolicited alternative acquisition proposals that are superior to the Green Valley offer, to the extent required in connection with the directors' discharge of their fiduciary duty. See "THE MERGER AGREEMENT -- Covenants."

The material risks and other potential detriments concerning the merger considered by the Ad Hoc Committee were as follows:

- Following the merger, stockholders (other than the Tri-Color Members and KOTA Management because of their direct or indirect ownership of Green Valley) will cease to participate in any future earnings growth of Uni-Marts or benefit from any increase in the value of Uni-Marts (just as they will cease to bear the risk of any decrease in the value of Uni-Marts);

- Under the terms of the merger agreement, Uni-Marts is unable to solicit or encourage other acquisition proposals;

- If the merger agreement is terminated because Uni-Marts receives a "superior proposal," as discussed in more detail under "THE MERGER AGREEMENT," Green Valley shall be entitled to receive a termination or "break-up" fee of $800,000 from Uni-Marts. The obligation to pay this fee may deter another party from making a superior proposal;

- A stockholder generally will be required to include in his or her taxable income the amount, if any, by which $2.25 exceeds the stockholder's basis in his or her shares of Uni-Marts' common stock. If the shares are a capital asset in the hands of the stockholder, resulting gain may be long-term or short-term capital gain, depending on the stockholder's holding period for the shares. See "SPECIAL FACTORS -- Material United States Federal Income Tax Consequences";

- Through voting agreements, Green Valley controls the vote of approximately 45.8% of the outstanding common stock of Uni-Marts (47.9% including options exercisable by June 29, 2004). This substantial voting percentage significantly increases the likelihood that the merger will be approved, even if a group of Public Shareholders vote against the merger;

- Certain equity owners of Green Valley, who include Uni-Marts' President and Chief Executive Officer, have conflicts of interest because of their continued employment and equity ownership in Green Valley following the merger (including their right to certain preferential distributions from Green Valley; see "SPECIAL FACTORS -- Other Agreements Between Green Valley, the Tri-Color Members and Uni-Marts");

- Disruption to the operations of Uni-Marts and the morale of its employees might result following announcement of the merger, due to employee concerns regarding continued employment as a result of store closings. If, for any reason, the merger is not completed, Uni-Marts could encounter (i) liquidity problems if it is unable to divest store locations in a timely manner and on acceptable terms, and (ii) adverse changes to its current bank or vendor relations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources."

The Committee concluded that the positive factors described above supporting the fairness of the merger to the Uni-Marts' stockholders outweighed the negative factors. Because of the number and variety of factors considered, the Committee members did not find it practicable to quantify or otherwise assign specific relative weights to each of the factors and analyses considered by them in reaching their conclusion. The Committee's determination was made after considering all these factors together.

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RECOMMENDATIONS OF THE AD HOC COMMITTEE AND BOARD OF DIRECTORS

On January 16, 2004, the Ad Hoc Committee unanimously determined that the merger and the merger agreement are advisable, fair to and in the best interests of Uni-Marts' stockholders and recommended (subject to receipt of a fairness opinion and the receipt of various comfort letters identified in the meeting) that the Board of Directors and Uni-Marts' stockholders adopt and approve the merger agreement and the merger. On January 26, 2004, the Board of Directors relied on the unanimous recommendation of the Ad Hoc Committee, and, after a thorough discussion, which included a review of the merger agreement with its legal advisors and a presentation of the fairness opinion by Boenning & Scattergood, adopted the Ad Hoc Committee's analysis and conclusions and determined that the merger and the merger agreement are procedurally and substantively fair to and in the best interests of Uni-Marts' stockholders and recommended that Uni-Marts' stockholders adopt the merger agreement and approve the merger. Henry Sahakian and Daniel Sahakian attended the Board of Directors meeting for quorum purposes, but abstained from voting with respect to the merger and the merger agreement. At this meeting, the Board of Directors did not consider any other alternatives to the merger.

A separate vote of a majority of the Public Stockholders was not imposed by the Board as a condition of approving the merger because the Board, in adopting the recommendations of the Ad Hoc Committee, determined that the Ad Hoc Committee had fairly and fully negotiated the merger in a disinterested and informed manner, with advice and assistance of independent legal counsel and investment bankers. The Board was aware of the process followed by the Ad Hoc Committee and concluded that the process was procedurally fair to all Uni-Marts' stockholders, including the Public Stockholders. Factors considered in determining that the Ad Hoc Committee had functioned in a proper and procedurally fair manner for the benefit of all stockholders included the following:

- Committee members were independent from Green Valley and the controlling shareholders of Uni-Marts.

- The Committee was given full authority to negotiate on an arm's-length basis with representatives of Green Valley and to recommend for or against the merger.

- The Committee was formed in February 2002 and empowered to conduct all negotiations as soon as it became apparent that management and controlling shareholders of Uni-Marts would be involved on both sides of the merger.

- The Committee presented a process and record of informed, deliberate and careful negotiations.

- The Committee demonstrated that it had the power to and did actively negotiate with the buyer regarding the material terms of the merger.

- The Committee had authority to and did hire its own independent and conflict-free legal and investment banker.

In view of the foregoing, the Ad Hoc Committee and Board of Directors believe that sufficient procedural safeguards exist to ensure the fairness of the merger and to permit the Ad Hoc Committee to effectively represent the interests of the Public Stockholders, and therefore, additional unaffiliated representatives to act on behalf of the Public Stockholders are not necessary.

POSITION OF THE GREEN VALLEY GROUP REGARDING THE FAIRNESS AND PURPOSE OF THE MERGER

SEC rules require the members of the Green Valley Group to express their beliefs as to the substantive and procedural fairness of the merger to the Public Stockholders. Each of the members of the Green Valley Group (GreenValley, Henry Sahakian, Daniel Sahakian, Ara Kervandjian, Tri-Color, HFL, Raj Vakharia, Paul Levinsohn, KOTA Holdings and KOTA Management) believe that the merger is substantively and procedurally fair to the Public Stockholders even though a majority vote of the Public Stockholders is not required to approve the merger, for the same reasons that the Ad Hoc Committee and the Board of Directors of Uni-Marts concluded that the merger was procedurally fair to the Public

Stockholders. See "SPECIAL FACTORS -- Recommendations of the Ad Hoc Committee and Board of Directors."

In reaching this conclusion, the members of the Green Valley Group did not assign any particular weight to any specific factor (though they considered all of the factors considered by the Ad Hoc Committee and the Board of Directors) other than that particular consideration was given to the opinion of Boenning & Scattergood that the merger consideration was fair, from a financial point of view, to Uni-Marts' stockholders.

The purpose of the members of the Green Valley Group for the merger is to allow certain members of Uni-Marts' management, working in a new alliance with the beneficial owners of KOTA Holdings, to create an enhanced platform for future business opportunities. By acquiring all of the Uni-Marts' stock and leveraging the industry contacts of Mr. Vakharia, the members of the Green Valley Group believe that Green Valley will be better situated to negotiate with existing lenders and seek new financing sources, as well as to divest assets and pursue new growth opportunities. See "SPECIAL FACTORS -- Plans After the Merger" for a description of the post-merger plans of the Green Valley Group.

OPINION OF BOENNING & SCATTERGOOD

On May 23, 2003, the Ad Hoc Committee retained Boenning & Scattergood in connection with the proposed transactions for the sale of Uni-Marts and to deliver an opinion to the Ad Hoc Committee as to the fairness, from a financial point of view, to Uni-Marts' stockholders of the consideration to be received in connection with such a transaction.

The engagement letter between Boenning & Scattergood and the Ad Hoc Committee provides that, for its services, Boenning & Scattergood is entitled to receive a fee of $125,000, of which $25,000 was payable upon its engagement and $100,000 was payable upon delivery of Boenning & Scattergood's written opinion. Boenning & Scattergood will be reimbursed for certain of its out-of-pocket expenses, including legal fees, and be indemnified for certain losses, claims, damages and liabilities relating to or arising out of services provided by Boenning & Scattergood. Neither Uni-Marts nor any affiliate imposed any limitation on the scope of the fairness opinion or provided any instructions to Boenning & Scattergood with respect to the fairness opinion.

The following paragraphs summarize the financial and comparative analyses performed by Boenning & Scattergood in connection with its opinion. The following paragraphs also describe the financial and comparative analyses used in preparation of the materials distributed to the Board of Directors on January 23, 2004. Boenning & Scattergood has consented to being named in this proxy statement. The summary does not represent a complete description of the analyses performed by Boenning & Scattergood; however, it does capture the results of all of the material analyses performed by Boenning & Scattergood.

Boenning & Scattergood was retained by the Ad Hoc Committee on the basis of its experience, expertise and familiarity with a wide variety of comparable businesses and transactions. As part of its investment banking business, Boenning & Scattergood regularly is engaged in the valuation of assets, securities and companies in connection with various types of asset and securities transactions, including mergers, acquisitions, going-private transactions, private placements and valuations for various other purposes, and in the determination of the adequacy of consideration in such transactions. In the ordinary course of its business as a broker-dealer, Boenning & Scattergood may, from time to time, purchase securities from, and sell securities to, Uni-Marts. In the ordinary course of business, Boenning & Scattergood may actively trade the securities of Uni-Marts for its own account and for the accounts of customers and accordingly may at any time hold a long or short position in such securities.

On January 26, 2004, Boenning & Scattergood met in person with the Board of Directors and discussed its analysis, and delivered to the Ad Hoc Committee its written opinion dated January 26, 2004, to the effect that, as of that date, and based upon and subject to the assumptions, considerations and limitations set forth in its opinion, the financial consideration to be received in the merger was fair, from a financial point of view, to Uni-Marts' stockholders.

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BOENNING & SCATTERGOOD'S OPINION IS DIRECTED TO THE AD HOC COMMITTEE AND ADDRESSES ONLY THE FAIRNESS, FROM A FINANCIAL POINT OF VIEW, TO THE STOCKHOLDERS OF THE MERGER CONSIDERATION AND DOES NOT ADDRESS UNI-MARTS' UNDERLYING BUSINESS DECISION TO ENTER INTO THE MERGER OR ANY OTHER TERMS OF THE MERGER AGREEMENT. THE OPINION WAS PROVIDED FOR THE INFORMATION AND ASSISTANCE OF THE AD HOC COMMITTEE IN CONNECTION WITH ITS CONSIDERATION OF THE TRANSACTION CONTEMPLATED BY THE MERGER AGREEMENT. THE OPINION DOES NOT CONSTITUTE A RECOMMENDATION TO ANY UNI-MARTS STOCKHOLDER AS TO HOW SUCH STOCKHOLDER SHOULD VOTE AT ANY MEETING OF STOCKHOLDERS HELD IN CONNECTION WITH THE MERGER. BOENNING & SCATTERGOOD IS AWARE, HOWEVER, THAT ITS OPINION IS BEING ATTACHED TO THIS PROXY STATEMENT, AND THAT SUCH OPINION MAY BE CONSIDERED BY UNI-MARTS' STOCKHOLDERS WHEN MAKING THEIR DECISIONS AS TO WHETHER TO VOTE IN FAVOR OF THE MERGER.

It should be noted that Boenning & Scattergood's opinion is based on economic and market conditions and other circumstances existing on, and information made available as of, the date thereof and does not address any matters subsequent to such date. In addition, the opinion is, in any event, limited to the fairness, as of such date, from a financial point of view, of the merger consideration to be received by the stockholders pursuant to the merger agreement and does not address Uni-Marts' underlying business decision to effect the merger or any other terms of the merger agreement. Boenning & Scattergood was not engaged to solicit indications of interest or to otherwise explore the viability of any alternative transaction to the merger. It should be noted that although subsequent developments may affect Boenning & Scattergood's opinion, it does not have any obligation to update, revise or reaffirm it. Boenning & Scattergood did not determine or recommend the amount of consideration to be paid pursuant to the merger agreement.

The full text of Boenning & Scattergood's written opinion which sets forth, among other things, the assumptions made, matters considered and limits on the review undertaken by Boenning & Scattergood in connection with the opinion, is attached as Annex C to this proxy statement and is incorporated herein by reference. Stockholders are urged to read the opinion in its entirety.

In connection with rendering its opinion, Boenning & Scattergood, among other things: (i) reviewed the historical financial performance, current financial position and general prospects of Uni-Marts, and reviewed certain internal financial analyses and forecasts prepared by the management of Uni-Marts; (ii) reviewed a draft of the merger agreement; (iii) studied and analyzed the stock market trading history of Uni-Marts; (iv) considered the terms and conditions of the transaction as compared with the terms and conditions of certain acquisition transactions involving operators of convenience stores and blocks of stores; (v) met and/or communicated with certain members of Uni-Marts' senior management to discuss its operations, historical financial statements, future prospects and business strategy, including its plan to divest of 128 underperforming stores and stores located in non-core geographic areas, as well as certain alternative store counts; and (vi) conducted such other financial analyses, studies and investigations as it deemed appropriate. All material analyses, studies and investigations that were performed are described in this proxy statement.

In its review and analyses and in arriving at its opinion, Boenning & Scattergood assumed and relied upon, without assuming any responsibility for independent verification, the accuracy and completeness of all financial and other information and data publicly available or furnished to, discussed with or otherwise reviewed by or for it. Boenning & Scattergood further relied upon the assurances of management of Uni-Marts that they are not aware of any facts that would make any of such information inaccurate or misleading. Boenning & Scattergood did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Uni-Marts. In addition, Boenning & Scattergood has not assumed any obligation to conduct, nor did it conduct, any physical inspection of the properties or facilities of Uni-Marts. With respect to financial projections, Boenning & Scattergood was advised by the management of Uni-Marts and assumed that such projections and other information were reasonably prepared on a basis reflecting the best currently available estimates and judgment of the management as to the future financial performance of Uni-Marts. Boenning & Scattergood expressed no view with respect to such projections and other information or the assumptions on which they are based.

In evaluating the merger consideration, Boenning & Scattergood performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses performed by Boenning & Scattergood. The preparation of a fairness opinion and the related analyses are complex analytical processes involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, such an opinion and the related analyses are not readily susceptible to summary description. Accordingly, Boenning & Scattergood believes that selected portions of its analyses and certain factors, without considering all analyses and all factors, could create a misleading or incomplete view of the processes underlying its analyses and opinion. In addition, some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses of Boenning & Scattergood, the tables must be read together with the full text of each summary.

In its analyses, Boenning & Scattergood considered industry, market, general business and economic, financial and other conditions and other matters existing as of the date of its analyses and opinion, many of which are beyond the control of Boenning & Scattergood and Uni-Marts. No company, transaction or business considered in those analyses as a comparison is identical to Uni-Marts or the proposed merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed. There were no specific factors, when viewed in the context of all of the analyses, which did not support Boenning & Scattergood's fairness opinion.

Boenning & Scattergood's opinion was among many factors considered by the Ad Hoc Committee and Board of Directors in its evaluation of the merger and should not be viewed as determinative of the views of the Ad Hoc Committee and Board of Directors with respect to the merger consideration or the merger. In the event that the merger agreement is proposed to be amended in any material manner that would materially diminish the rights of Uni-Marts, or the benefits to the Public Stockholders, the Ad Hoc Committee will consider whether a revised fairness opinion is warranted.

Boenning & Scattergood Analysis

On January 26, 2004, Boenning & Scattergood delivered its written opinion to the Ad Hoc Committee of the Board of Directors, that, as of such date and based upon the assumptions made, matters considered and limitations on the review set forth therein, the consideration to be received by holders of Uni-Marts' shares pursuant to the merger is fair from a financial point of view to such stockholders. The opinion was issued following a presentation to the Board of Directors on January 26, 2004, which contained analyses dated January 22, 2004.

THE DESCRIPTION BELOW SETS FORTH THE METHODOLOGY FOLLOWED BY BOENNING & SCATTERGOOD, WHICH PROVIDED THE BASIS FOR ITS OPINION. HOLDERS OF SHARES ARE

URGED TO, AND SHOULD, READ CAREFULLY SUCH OPINION (ATTACHED AS ANNEX C) IN ITS ENTIRETY.

The following is a summary of the material analyses utilized by Boenning & Scattergood in connection with the opinion.

Summary of Transaction

Boenning & Scattergood calculated the implied pricing and valuation multiples based on the offer of $2.25 per share, balance sheet and operating data as of January 1, 2004 and shares and options outstanding as of January 1, 2004. (Note: In the third quarter of 2003, Uni-Marts classified certain assets as discontinued operations. For comparative purposes, Boenning & Scattergood in its analyses adjusted affected historical income statement figures to remove the impact of this reclassification, based on information provided by Uni-Marts' management. Additionally, Boenning & Scattergood excluded the

impact of items related to changes in accounting principles in examining Uni-Marts.) Based on this data, the key valuation statistics were as follows:

Offer Price Per Share......................................	$ 2.25
Total Equity Value ($Millions)............................	$18.406
Net Debt ($Millions)......................................	$71.379
Enterprise Value(a) ($Millions)...........................	$89.784
Equity Value/Net Income...................................	NM(b)
Equity Value/Book Value...................................	0.9x
Enterprise Value/Last Twelve Months ("LTM") Revenue.........	0.2x
Enterprise Value/LTM Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA").................	7.9x
Enterprise Value/LTM Earnings before Interest and Taxes ("EBIT")...	16.9x
Offer/Market Price Per Common Share 1 Day Before Announcement..	27.8%

(a) Enterprise value equals total market value of equity plus net debt (debt and preferred stock, less cash and marketable securities).

(b) For the period shown, Uni-Marts had negative earnings resulting in a "NM" or not meaningful value.

Comparable Company Analysis

Boenning & Scattergood compared certain financial and operating ratios for Uni-Marts with the corresponding financial and operating ratios for a group of companies comparable to Uni-Marts (collectively, the "Comparable Companies"). The Comparable Companies are those publicly traded companies identified by Boenning & Scattergood which are based in North America and derive a significant portion of their business from the operation of convenience stores. Boenning & Scattergood identified the following as Comparable Companies:

- 7-Eleven, Inc.;
- Alimentation Couche-Tard Inc.;
- Bowlin Travel Centers, Inc.;
- Casey's General Stores, Inc.;
- The Kroger Co.; and
- The Pantry, Inc.

For each of the Comparable Companies, Boenning & Scattergood calculated gross margins, EBITDA margins, net margins and debt to total capital ratios based on the Comparable Companies' LTM operating figures and most recent balance sheets. The analysis resulted in the following:

	RANGE OF COMPARABLE COMPANIES	MEDIAN OF COMPARABLE COMPANIES	UNI-MARTS
LTM Gross Margin....................	18.3% - 36.8%	24.3%	18.5%
LTM EBITDA Margin...................	3.7% - 6.9%	5.2%	2.4%
LTM Net Margin......................	0.6% - 2.3%	2.0%	NM(a)
Debt to Total Capital...............	25.8% - 83.8%	49.7%	79.0%

(a) For the period shown, Uni-Marts had negative earnings resulting in a "NM" or not meaningful value.

On an LTM basis, Uni-Marts' gross margin of 18.5% was within the range of the Comparable Companies of 18.3% to 36.8%. Its EBITDA margin of 2.4% and its not meaningful net margin were both

less than the range of the Comparable Companies of 3.7% to 6.9% for EBITDA margins and 0.6% to 2.3% for net margins. For all three of these margins (gross, EBITDA, and net), Uni-Marts' LTM value was less than the median value of the Comparable Companies, which were 24.3%, 5.2% and 2.0%, respectively, which indicates that Uni-Marts was less profitable than the median of the Comparable Companies for each dollar of revenue earned. Uni-Marts' debt to total capital ratio of 79.0% was within the range of the Comparable Companies of 25.8% to 83.8% but was greater than the median value of 49.7%, indicating that it had greater leverage than the median of the Comparable Companies.

For each of the Comparable Companies, Boenning & Scattergood calculated price-to-book value multiples based on the Comparable Companies' most recent balance sheet data and price-to-earnings multiples based on the Comparable Companies' LTM earnings and estimated earnings for the calendar year ended December 31, 2004. This analysis resulted in the following multiples:

	RANGE OF MULTIPLES	MEDIAN	OFFER
LTM earnings.......................................	11.9 - 28.7x	22.4x	NM(a)
Estimated 2004 earnings............................	12.4 - 19.5x	17.8x	NM(a)
Book Value...	0.7 - 6.3x	3.3x	0.9x

(a) For the periods shown, Uni-Marts had or was projected to have negative earnings resulting in a "NM" or not meaningful value.

The multiples for the Comparable Companies ranged from 11.9 - 28.7x LTM earnings, 12.4 - 19.5x estimated 2004 earnings, and 0.7 - 6.3x book value. The median values for the three multiples were 22.4x LTM earnings, 17.8x estimated 2004 earnings, and 3.3x book value. The multiples implied by the offer were not meaningful for LTM earnings and estimated 2004 earnings, and 0.9x for book value. The not meaningful earnings multiples result from negative earnings and are the highest possible earnings multiples. The multiple of book value implied by the offer was within the range of the Comparable Companies but below the median of the Comparable Companies.

Boenning & Scattergood also calculated enterprise value multiples based on LTM sales, LTM EBITDA and LTM EBIT. This analysis resulted in the following multiples:

	RANGE OF MULTIPLES	MEDIAN	OFFER
LTM Sales..	0.3-0.6x	0.4x	0.2x
LTM EBITDA...	6.1-13.5x	7.7x	7.9x
LTM EBIT...	9.0-35.9x	13.6x	16.9x

The enterprise value multiples for the Comparable Companies ranged from 0.3 - 0.6x LTM sales, 6.1 - 13.5x LTM EBITDA, and 9.0 - 35.9x LTM EBIT. The median values for the three multiples were 0.4x LTM sales, 7.7x LTM EBITDA, and 13.6x LTM EBIT. The multiples implied by the offer were 0.2x LTM sales, 7.9x LTM EBITDA, and 16.9x LTM EBIT. The multiple implied by the offer for sales was less than the range implied by the Comparable Companies and less than the median value of the Comparable Companies. The multiples implied by the offer for EBITDA and EBIT were within the range of the Comparable Companies and greater than the median of the Comparable Companies.

To calculate the trading multiples utilized in the Comparable Company Analysis, Boenning & Scattergood used publicly available information concerning the historical and projected financial performance of the Comparable Companies, including public historical financial information and consensus analysts' earnings estimates.

None of the Comparable Companies is, of course, identical to Uni-Marts, as Uni-Marts differs materially in some cases from the Comparable Companies in terms of size, product offerings, geographic location and profit margins, among other things. No directly comparable public company exists and conclusions as to the valuation of Uni-Marts based on the Comparable Company method is limited. Accordingly, a complete analysis of the results of the foregoing calculations cannot be limited to a quantitative review of such results and involves complex considerations and judgments concerning

differences in financial and operating characteristics. In addition, the multiples of stock price to estimated earnings for the Comparable Companies is based on projections prepared by research analysts using only publicly available information. Accordingly, such estimates may or may not prove to be accurate.

Industry Transactions Analysis

Boenning & Scattergood performed an Industry Transactions Analysis based upon the review and analysis of the range of multiples paid in acquisitions of majority ownership positions, in which information regarding the transactions was publicly available, announced between January 1, 2000 and January 22, 2004 ("Industry Transactions") involving transactions (i) with selling operators of convenience stores, including independent companies, units of independent companies and blocks of convenience stores; and (ii) with the target being based in the United States. Specifically, Boenning & Scattergood reviewed the following transactions for the Industry Transactions:

ACQUIRER	TARGET
Alimentation Couche-Tard Inc.	Circle K Corporation (ConocoPhillips)
Alimentation Couche-Tard Inc.	Clark Retail Enterprises, Inc.
United Refining Company	Country Fair, Inc.
Alimentation Couche-Tard Inc.	Dairy Mart Convenience Stores, Inc.
Marlaz Financial Group/Polar Investments Ltd.	Fas Mart Convenience Stores, Inc
OAO LUKOIL	Getty Petroleum Marketing Inc.
The Pantry, Inc.	Golden Gallon (Koninklijke Ahold N.V.)
Alimentation Couche-Tard Inc.	Johnson Oil Company, Inc.
Sunoco, Inc.	Marathon Ashland Petroleum LLC
Uni-Marts, Inc.	Orloski Service Station, Inc.
Sunoco, Inc.	The Coastal Corporation (El Paso Corporation)
Delek Group Ltd.	The Williams Companies, Inc.
WHP Holdings Corp.	White Hen Pantry (Clark Retail Enterprises, Inc.)

The targets analyzed in the Industry Transactions differ materially in some cases from Uni-Marts in terms of size, product offerings, geographic location and profit margins, among other things. Boenning & Scattergood also noted that assumptions and comparisons regarding growth prospects, synergy opportunities, and industry and financial market conditions at the time of the Industry Transactions and the merger cannot be quantified. Therefore, conclusions as to the valuation of Uni-Marts based on these transactions is limited.

Boenning & Scattergood calculated the transaction values for the target companies based on financial results for the LTM immediately preceding the announcement of each of the respective transactions (or the most recently available twelve-month period prior to the announcement of the transaction), including equity value to net income, equity value to LTM, book value, enterprise value to LTM EBIT, enterprise value to LTM EBITDA, enterprise value to LTM revenue and enterprise value to stores acquired. The analysis resulted in the following multiples:

	RANGE OF MULTIPLES	MEDIAN	OFFER
Equity Value/LTM Net Income................	12.5 - 22.6x	15.5x	NM(a)
Equity Value/Book Value....................	1.2 - 25.8x	3.4x	0.9x
Enterprise Value/LTM EBIT..................	4.2 - 16.0x	8.4x	16.9x
Enterprise Value/LTM EBITDA................	2.7 - 9.5x	5.4x	7.9x
Enterprise Value/LTM Revenue	0.1 - 0.6x	0.1x	0.2x
Enterprise Value/Stores Acquired...........	$46,466 - $1,355,072	$332,444	$307,481

(a) For the period shown, the Company had negative earnings resulting in a "NM" or not meaningful value.

The equity value multiples for the Industry Transactions ranged from 12.5 - 22.6x LTM net income and 1.2 - 25.8x book value. The median values for the equity value multiples were 15.5x LTM net income and 3.4x book value. The multiples implied by the offer were not meaningful for LTM net income and 0.9x for book value. The not meaningful earnings multiple results from negative earnings and is the highest possible earnings multiple. The multiple of book value implied by the offer was below the range and the median of the Industry Transactions.

The enterprise value multiples for the Industry Transactions ranged from 4.2 - 16.0x LTM EBIT, 2.7 - 9.5x LTM EBITDA, 0.1 - 0.6x LTM sales, and $46,455 - $1,355,072 per store acquired. The median values for the four multiples were 8.4x LTM EBIT, 5.4x LTM EBITDA, 0.1x LTM sales, and $332,444 per store acquired. The multiples implied by the offer were 16.9x LTM EBIT, 7.9x LTM EBITDA, 0.2x LTM sales, and $307,481 per store acquired. The multiple implied by the offer for EBIT was greater than the range implied by the Industry Transactions and greater than the median value of the Industry Transactions. The multiples implied by the offer for EBITDA and sales were within the range of the Industry Transactions and greater than the median of the Industry Transactions. The multiple implied by the offer for stores acquired was within the range implied by the Industry Transactions and less than the median value of the Industry Transactions.

No target within the Industry Transactions Analysis is directly comparable to Uni-Marts nor is any transaction identical to the merger. The merger differs, in some cases markedly, from the Industry Transactions. An analysis of the results, therefore, requires complex considerations and judgments regarding the financial and operating characteristics, size and number of outstanding shares in the public market of Uni-Marts and the companies involved in the Industry Transactions, as well as other facts that could affect their publicly traded and/or transaction values. The numerical results are not in themselves meaningful in analyzing the contemplated transaction as compared to the Industry Transactions.

Discounted Cash Flow Analyses

Boenning & Scattergood performed two Discounted Cash Flow Analyses (i.e., analyses of the present value of the forecasted unlevered after-tax cash flows) of Uni-Marts based on projected financial data prepared by Uni-Marts for the five-year period from September 30, 2003 to September 30, 2008. The first analysis was based on a set of projections prepared by management that assumed that all of Uni-Marts' store locations as of September 30, 2003 were operated by Uni-Marts through the end of the five-year time period ("No Divestiture Scenario"). The second analysis was based on a set of projections prepared by management that assumed that Uni-Marts divested of 128 store locations between September 30, 2003 and September 30, 2004 ("Divestiture Scenario") and received the book value of the real estate and a multiple of cash flow for the business assets of these stores. In each analysis, Boenning & Scattergood used a discount rate of 10.56%, which is Uni-Marts' Weighted Average Cost of Capital as determined through the use of the Capital Asset Pricing Model. In each analysis, Boenning & Scattergood calculated two terminal values by using (i) the perpetuity method, assuming a perpetuity growth rate of 1.25% (the growth rate supplied by management which was consistent with Uni-Marts' in-store sales growth rate over the past few years and less than the in-store sales growth rate in the convenience store industry generally) in the No Divestiture Scenario and 1.17% in the Divestiture Scenario, which was provided by Uni-Marts; and (ii) the exit EBITDA multiple method, assuming a 5.4x exit EBITDA multiple, which was the median EBITDA multiple implied by the Industry Transactions Analysis. In the No Divestiture Scenario, under both the perpetuity method and the EBITDA multiple method, the implied share price was less than $0.00 as compared to the offer of $2.25. In the Divestiture Scenario, based on the perpetuity method, the implied share price was $3.33, and based on the exit EBITDA multiple method, the implied share price was $2.53, as compared to the offer of $2.25. In considering the results of this analysis, Boenning & Scattergood considered the achievability of the divestiture transaction given prior unsuccessful efforts to execute a similar transaction, the likelihood that book value would be received by Uni-Marts in exchange for the divested assets and the probability that the transaction would occur by September 30, 2004. Boenning & Scattergood also tested these implied share prices by performing sensitivity analyses. Boenning & Scattergood's sensitivity analyses examined variances of the perpetuity growth rate (using values both higher and lower than

management's estimates), the exit EBITDA multiple and the discount rate. Four analyses were prepared that calculated an implied enterprise value. As a means of comparison, Boenning & Scattergood calculated the enterprise value implied by the offer price of $2.25 per share to be $89,784,403.

			(IN THOUSANDS)	
SCENARIO	METHOD	VARIABLES	LOW END OF RANGE	HIGH END OF RANGE
No Divestiture	Perpetuity	Perpetuity growth rate: 0.25% - 2.25% Discount rate: 8.56% - 12.56%	$42,767	$ 78,876
No Divestiture	Exit EBITDA multiple	Exit EBITDA multiple: 4.4x - 6.4x Discount rate: 8.56% - 12.56%	$39,249	$ 56,941
Divestiture	Perpetuity	Perpetuity growth rate: 0.17% - 2.17% Discount rate: 8.56% - 12.56%	$82,252	$122,120
Divestiture	Exit EBITDA multiple	Exit EBITDA multiple: 4.4x - 6.4x Discount rate: 8.56% - 12.56%	$79,631	$100,961

In the No Divestiture Scenario the enterprise value implied by the offer price exceeded the range of the sensitivity analyses implied under both the perpetuity method and the exit EBITDA multiple method. In the Divestiture Scenario the enterprise value implied by the offer price was within the range of the sensitivity analyses implied under both the perpetuity method and the exit EBITDA multiple method.

Financial Sponsor Transaction Analyses

Using the financial forecasts developed in connection with the Discounted Cash Flow Analyses described above, Boenning & Scattergood performed two Financial Sponsor Transaction Analyses for Uni-Marts. The analyses considered the same two scenarios as described above in the Discounted Cash Flow Analyses, the No Divestiture Scenario and the Divestiture Scenario. For purposes of the analyses, Boenning & Scattergood analyzed how much a Financial Sponsor (an investor that acquires companies for a limited time period in order to achieve a return) would likely pay for Uni-Marts, given Uni-Marts' balance sheet, market guidelines for acceptable levels of total debt to EBITDA, and average equity contributions in leveraged buyouts. These analyses resulted in a negative amount of equity contribution. As a result, Boenning & Scattergood examined the returns Financial Sponsors could receive based on the offer price of $2.25. Boenning & Scattergood assumed an initial financing structure of a maximum total debt to LTM EBITDA ratio of 4.0x with the remaining purchase price provided by a Financial Sponsor in the form of an equity investment. Based on a 5.4x residual value EBITDA multiple, which was the median EBITDA multiple implied by the Industry Transactions Analysis, and the offer price of $2.25, the implied rate of return on the equity investment was less than 0.0% in the No Divestiture Scenario and 7.0% in the Divestiture Scenario. This compares to a range of 30%

to 40% rate of return that a Financial Sponsor would generally require on invested capital over a period of five years. Boenning & Scattergood also tested the implied share price by performing sensitivity analyses, which involved changing the debt, equity, required return, and other assumptions in the Financial Sponsor Transaction Analysis. In the No Divestiture Scenario the implied rate of return on the equity investment was less than 0.0% in all the

sensitivity analyses. In the Divestiture Scenario the implied rate of return on the equity investment ranged between 4.5% and 9.4% in the sensitivity analyses.

Premiums Paid Analysis

Boenning & Scattergood performed a Premiums Paid Analysis for Uni-Marts based upon a review and analysis of the range of premiums paid in acquisitions for majority ownership positions of publicly held companies for the period between January 1, 2001 through January 22, 2004 ("Recent Transactions") involving transactions (i) with equity values between $10 million and $35 million and (ii) with the target company being based in the United States. Boenning & Scattergood reviewed a total of 168 selected transactions meeting these criteria for which the terms of the transaction were publicly disclosed. Using information obtained from FactSet Mergerstat, LLC ("Mergerstat"), Boenning & Scattergood obtained the premium of the offer price per share relative to the target company's stock price one day, five days, and 30 days prior to the date of announcement of the transaction (the "Announcement"). The following range is the median of premiums that were offered to the target company's stock prior to Announcement compared to the premiums to Uni-Marts' closing price on January 22, 2004 implied by the offer:

RECENT TRANSACTIONS PREMIUMS PAID ANALYSIS

	RANGE OF PREMIUMS	MEDIAN	OFFER
One Day	(78.0%) -- 520.0%	34.2%	27.8%
Five Days	(80.0%) -- 520.0%	39.1%	38.9%
Thirty Days	(88.4%) -- 520.0%	49.6%	33.1%

The premiums in Recent Transactions ranged from (78.0%) -- 520.0% for one-day premiums, (80.0%) -- 520.0% for five-day premiums, and (88.4%) -- 520.0% for thirty-day premiums. The median values for premiums in Recent Transactions were 34.2% for one-day premiums, 39.1% for five-day premiums, and 49.6% for thirty-day premiums. The premiums implied by the offer were 27.8% on a one-day basis, 38.9% on a five-day basis, and 33.1% on a thirty-day basis. The premiums implied by the offer based on a one-day basis, a five-day basis, and a thirty-day basis, all were within the range of the Recent Transactions and less than the median of the Recent Transactions.

Liquidation Analysis

Boenning & Scattergood considered the potential per share liquidation value to be received by holders of common stock if Uni-Marts were to liquidate based on balance sheet values as of January 1, 2004. Uni-Marts management provided all assumptions and estimates including the realizable cash values for Uni-Marts specific asset classes, including: (i) cash, (ii) accounts receivable, (iii) inventories, (iv) prepaid and current deferred taxes, (v) property and equipment held for sale, (vi) prepaid expenses and other current assets, (vii) long-term net property, equipment and improvements, (viii) intangible assets and (ix) other assets. Uni-Marts management assumed that each specific liability class would be fully paid, including: (i) accounts payable, (ii) accrued expenses, (iii) revolving credit, (iv) current and non-current portions of long-term debt, (v) deferred income and other liabilities and (vi) current and non-current portions of capital leases. Uni-Marts management also estimated a range of probable expenses, which would be incurred in a liquidation, including: (i) operating lease payoffs, (ii) gasoline contract termination costs, (iii) debt prepayment costs, and (iv) supply contract termination costs. Based upon the analysis of Uni-Marts' specific assets, liabilities and liquidation expenses, as provided by Uni-Marts management, Boenning & Scattergood estimated the remaining value to equity holders to be less than $0.00 per share.

The analyses performed by Boenning & Scattergood are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those suggested by such analyses. The analyses do not purport to be appraisals or to reflect the prices at which Uni-Marts might actually be sold, or the prices at which the Uni-Marts shares may trade, at any time in the future. Such analyses were prepared solely for the purposes of Boenning & Scattergood providing its opinion to the Ad

Hoc Committee as to the fairness, from a financial point of view, of the consideration to be received in the merger by holders of Uni-Marts shares. Because such analyses are inherently subject to uncertainty, being based upon numerous factors and events, including, without limitation, factors related to general economic and competitive conditions beyond the control of Boenning & Scattergood, Boenning & Scattergood does not assume responsibility if future results or actual values are materially different from those forecast. The foregoing is qualified by reference to the written opinion of Boenning & Scattergood dated as of January 26, 2004 (attached as Annex C to this proxy statement).

UNI-MARTS' FINANCIAL PROJECTIONS

Uni-Marts does not as a matter of course make public forecasts as to future revenues, earnings or other financial information nor has Uni-Marts historically prepared internal budget forecasts beyond the upcoming fiscal year. Uni-Marts did, however, prepare certain projections that it provided to Boenning & Scattergood in connection with the proposed merger. The projections set forth below are included in this document solely because such information was requested by and, therefore, provided to Boenning & Scattergood.

The projections set forth below were not prepared by Uni-Marts with a view to public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Pubic Accountants regarding prospective financial information. In addition, the projections were not prepared with the assistance of or reviewed, compiled or examined by independent accountants. While prepared with numerical specificity, the projections were not prepared in the ordinary course and the projections reflect numerous estimates and hypothetical assumptions with respect to industry performance, general business, economic, market, interest rate and financial conditions and other matters, that may not be accurate, may not be realized, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond Uni-Marts' control. Generally, the further in the future to which forecasts relate, the more unreliable those forecasts become due to the difficulty in making accurate predictions of future events. Accordingly, there can be no assurance that the assumptions made in preparing the projections set forth below will prove to be accurate, and actual results may be materially different from those contained in the projections set forth below.

In light of the uncertainties inherent in forward-looking information of any kind, Uni-Marts cautions against undue reliance on this information. The inclusion of this information should not be regarded as an indication that anyone who received this information considered it a reliable predictor of future events, and this information should not be relied on as such. While Uni-Marts has prepared these projections with numerical specificity and has provided them to Boenning & Scattergood in connection with this proposed transaction, Uni-Marts has not made, and does not make, any representations to any person that the projections will be met. Uni-Marts does not intend to update or revise the projections to reflect circumstances existing after the date they were prepared or to reflect the occurrence of future events, unless required by law.

Set forth below are two sets of projections provided to Boenning & Scattergood, one set of which assumes all of Uni-Marts' store locations as of September 30, 2003 were operated for the five-year period thereafter (labeled as "Without Divestiture"), and the other set of which assumes that Uni-Marts divested 128 store locations between September 30, 2003 and September 30, 2004 and received the book value of the real estate and a multiple of cash flow for the business assets of these stores (labeled as "With Divestiture"). These projections should be read together with the historical financial statements of Uni-Marts, the cautionary statements set forth above under the heading "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS," and the assumptions set forth below.

UNI-MARTS INC. AND SUBSIDIARIES

CONSOLIDATED FIVE YEAR PROFORMA STATEMENT OF PROFIT & LOSS

WITH DIVESTITURE

(IN THOUSANDS)

	2004	% CHANGE	2005	% CHANGE	2006	% CHANGE
REVENUES:						
Merchandise sales..................	$149,813	(16.57)	$124,987	2.50	$128,112	2.50
Gasoline sales.....................	142,958	--	142,958	--	142,958	--
Other income.......................	1,528	(25.65)	1,136	(0.97)	1,125	(1.00)
Total revenues..................	294,299	(8.57)	269,081	1.16	272,195	1.17
COSTS AND EXPENSES:						
Cost of sales......................	233,626	(5.88)	219,891	1.20	222,535	1.11
Selling............................	45,264	(22.91)	34,894	2.00	35,591	2.00
General and administrative.........	5,551	(31.53)	3,801	3.00	3,915	3.00

Depremargin-bottom:0px">**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 FDA 510(k) clearance or, possibly, a premarket approval. The FDA requires every manufacturer to make its own determination as to whether a modification requires a new 510(k) clearance or premarket approval, but the FDA may review and disagree with any decision reached by the manufacturer. We have modified aspects of some of our devices since receiving regulatory clearance. We believed that some of these modifications did not require new 510(k) clearance or premarket approval and, therefore, we did not seek new 510(k) clearances or premarket approvals. In the future, we may make additional modifications to our products after they have received FDA clearance or approval and, in appropriate circumstances, determine that new clearance or approval is unnecessary. Regulations in other countries in which we market or sell, or propose to market or sell, our products may also require that we make judgments about changes to our products and whether or not those changes are such that regulatory approval or clearance should be obtained. In the United States and elsewhere, regulatory authorities may disagree with our past or future decisions not to seek new clearance or approval and may require us to obtain clearance or approval for modifications to our products. If that were to occur for a previously cleared or approved product, we may be 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 some of our suppliers fail to comply with the FDA s Quality System Regulation, or QSR, and other applicable postmarket requirements, our manufacturing operations could be disrupted, our product sales and profitability could suffer, and we may be subject to a wide variety of FDA enforcement actions.

After a device is placed on the market, numerous regulatory requirements apply. We are subject to inspection and marketing surveillance by the FDA to determine our compliance with all regulatory requirements. Our failure to comply with applicable regulatory requirements could result in the FDA or a court instituting a wide variety of enforcement actions against us, including a public warning letter; an order to shut-down some or all manufacturing operations; a recall of products; fines or civil penalties; seizure or detention of our products; refusing our requests for 510(k) clearance or a premarket approval, or PMA, of new or modified products; withdrawing 510(k) clearance or PMA approvals already granted to us; and criminal prosecution.

Our manufacturing processes and those of some of our suppliers must comply with the FDA s Quality System Regulation, or QSR, 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 devices. The FDA enforces the QSR through unannounced inspections. If we or one of our suppliers fails a QSR inspection, or if a corrective action plan adopted by us or one of our suppliers is not sufficient, the FDA may bring an enforcement action, and our operations could be disrupted and our manufacturing delayed. We are also subject to the FDA s general prohibition against promoting our products for unapproved or off-label uses, the FDA s adverse event reporting requirements and the FDA s

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reporting requirements for field correction or product removals. The FDA has recently placed increased emphasis on its scrutiny of compliance with the QSR and these other postmarket requirements.

If we or one of our suppliers violate the FDA s requirements or fail to take adequate corrective action in response to any significant compliance issue raised by the FDA, the FDA can take various enforcement actions which could cause our product sales and profitability to suffer.

In addition, most other countries require us and our suppliers to comply with manufacturing and quality assurance standards for medical devices that are similar to those in force in the United States before marketing and selling our products in those countries. If we or our suppliers should fail to do so, we would lose our ability to market and sell our products 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 or field action 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.

Failure to attract additional capital which we may require to expand our business 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. In addition, we may require financing in addition to the proceeds from this offering to fund any significant acquisitions we may seek to make. Needed financing may not be available or, if available, may not be available on terms satisfactory to us and may result in significant stockholder dilution. Currently, 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, which occurred on October 30, 2004, will qualify as tax-free to E-Z-EM and its stockholders. Specifically, we are limited to issuing a total of approximately 5.5 million shares of our common stock, including the shares included in this offering, in capital raising transactions until October 30, 2006. 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.

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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 of our stock by E-Z-EM.

For the distribution of our stock by E-Z-EM, which occurred on October 30, 2004, to qualify as tax-free to E-Z-EM and its stockholders, 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 related transactions associated with the distribution (in either case, hereinafter, a plan).

Whether the distribution and any subsequent acquisition are part of a plan is determined based on all the facts and circumstances. 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 (*e.g.*, with an investment banker in the case of an acquisition of our stock by way of a public offering) 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.

We are not aware of any agreement, understanding, arrangement or substantial negotiation of the nature described in the preceding paragraph. Nevertheless, in order to achieve certainty under the rules described above, our ability to use our stock for acquisitions and other similar strategic transactions, to raise capital, or to compensate our employees and others with our stock, will be restricted for the near future, but may be re-evaluated as the two-year anniversary of the distribution of our stock by E-Z-EM passes. Many of our competitors use their equity to complete acquisitions, expand their product offerings and attract and retain employees and other key personnel, giving them a potentially significant competitive advantage over us.

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

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

Certain stockholders may have significant influence over our affairs due to their ownership of a significant amount of our stock.

The estate of the late Howard S. Stern and Linda Stern, the executor and principal beneficiary of the estate, own an aggregate of approximately 13.8% of our outstanding common stock (including shares subject to currently exercisable options) and thus may significantly influence our important corporate and business matters. Additionally, this influence may delay, deter or prevent a third-party from acquiring or merging with us. As a result, this influence may not be in the best interests of our other stockholders and may, in turn, reduce the market price of our common stock.

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

Two of our directors, Messrs. Echenberg and Meyers, are also directors of E-Z-EM, and a third director, Peter J. Graham, is an executive officer of E-Z-EM. These directors 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. Additionally, these directors own E-Z-EM stock or options to purchase E-Z-EM stock that 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 are faced with decisions that could have different implications for our company and E-Z-EM.

The agreements we have entered into with E-Z-EM in connection with our initial public offering in 2004 could restrict our operations.

We and E-Z-EM have entered into several 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 have agreed 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 include obligations and restrictive provisions, including, but not limited to:

- an agreement to indemnify E-Z-EM, its affiliates, and each of their respective directors, officers, employees, agents and representatives from all liabilities that arise from our breach of, or performance under, the agreements we have entered into with E-Z-EM in connection with the separation and for any of our liabilities;

- an agreement to indemnify E-Z-EM for certain tax liabilities and for any action or inaction by us that causes the distribution by E-Z-EM, which occurred in October 2004, of our stock to its stockholders to be taxable to E-Z-EM or its stockholders; and

- an agreement not to compete with E-Z-EM s current business activities until October 31, 2006.

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

Until October 30, 2004, we were included in E-Z-EM s consolidated group for Federal income tax purposes. Under a tax allocation and indemnification agreement we have entered 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, under the tax 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.

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

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so would benefit our stockholders. Our amended and restated certificate of incorporation and bylaws contain the following provisions, among others, that may inhibit an acquisition of our company by a third party:

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

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

In addition, our master separation and distribution agreement with E-Z-EM provides that we will indemnify E-Z-EM for any taxes due if the distribution by E-Z-EM of its AngioDynamics shares 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 that our stockholders may otherwise considered favorable or reduce the amount they receive as part of the transaction.

Risks Related to the Offering of our Securities

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;
- the depth and liquidity of the market for our common stock;
- future sales of common stock or the perception that sales could occur;

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.

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In addition, the stock market in general, and the Nasdaq National Market in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of medical device companies. These broad market and industry factors may mutually reduce the market price of our common stock regardless of our operating performance. 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 current and future performance of our business.

Future sales of our common stock may adversely affect our stock price.

Sales of a substantial number of our shares of common stock in the public market following this offering, or the perception that these sales could occur, could substantially decrease the market price of our common stock. All the shares sold in this offering will be freely tradeable, other than any shares sold to our affiliates. A substantial number of shares of our common stock, including an aggregate of approximately 1.6 million shares held by two affiliated stockholders, approximately 337,000 shares held by a director, and approximately 1.4 million shares issuable upon exercise of options granted under our stock option plans, are potentially available for resale in the public market (for our affiliates, in compliance with Rule 144 under the Securities Act of 1933) subject to the restrictions on sale or transfer during the lock-up period following the date of this prospectus. As restrictions on resale end, the market price of our common stock could drop significantly if the option holders exercise the options and sell the shares or are perceived by the market as intending to sell them. We can make no prediction as to the effect, if any, that future sales of common stock, or the availability of common stock for future sale, will have on the market price of our common stock prevailing from time to time.

Management will have broad discretion for the use of proceeds from this offering, including the ability to apply the proceeds to uses that do not increase our operating results or market value.

We estimate that our net proceeds from this offering will be approximately $68,150,000, based on an assumed offering price of $30.50 per share, the last reported sale price of our common stock on May 1, 2006, and after deducting underwriting discounts and commissions and estimated offering expenses. Our management will retain broad discretion in the use of the net proceeds of this offering and could spend the net proceeds in ways that do not yield a favorable return or to which certain shareholders may object. You will not have the opportunity, as part of your investment decisions, to assess whether the net proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not increase our operating results or market value.

There is currently only a limited public market for our common stock.

Our common stock has been quoted on the Nasdaq National Market since May 27, 2004. Historically, there has been only a limited float for our common stock and there may be difficulty in selling shares of our common stock.

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.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, competition, trends or developments in our industries, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information incorporated by reference in this prospectus or included in this prospectus, particularly under the headings Prospectus Summary , Use of Proceeds , Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. When used or incorporated by reference in this prospectus, the words estimates, expects, anticipates, projects, plans, intends, seeks, believes and variations of such words or similar expressions are inten identify forward-looking statements. All forward-looking statements, including, without limitation, our explanation of operating trends, are based upon our current expectations and various assumptions.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained or incorporated by reference in this prospectus. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this prospectus are set forth in this prospectus and the documents we incorporate by reference, including under the heading Risk Factors in this prospectus. We cannot assure you that our expectations, beliefs and projections will be realized.

In addition, future trends for pricing, margins, revenue and profitability are difficult to predict in the industries in which we operate. There may also be other factors that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included or incorporated by reference in this prospectus.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the shares of common stock we are offering will be approximately $68,150,000, based on an assumed public offering price of $30.50 per share and after deducting the underwriting discounts and approximately $650,000 of estimated offering expenses payable by us. Each $1.00 increase or decrease in the public offering price per share would increase or decrease our gross proceeds, before underwriting discounts, commissions and offering expenses, by $2,400,000.

We will retain broad discretion in the allocation of the net proceeds of this offering. To support our growth strategy, we will use the net proceeds for possible acquisitions of complementary businesses and technologies, for working capital and for other general corporate purposes. We have no agreements for any acquisition at this time.

Pending the application of the net proceeds, we expect to invest the proceeds in short-term, interest bearing, investment-grade marketable securities or money market obligations.

MARKET PRICE OF COMMON STOCK

Our common stock has traded on the Nasdaq National Market under the symbol ANGO since May 27, 2004.

The table below sets forth, for the fiscal quarters indicated, the high and low sales prices per share as reported on the Nasdaq National Market for our common stock.

	High	Low
Fiscal 2005		
First Quarter	$ 15.80	$ 11.00
Second Quarter	$ 16.74	$ 8.90
Third Quarter	$ 27.30	$ 13.35
Fourth Quarter	$ 23.50	$ 15.77
Fiscal 2006		
First Quarter	$ 26.00	$ 19.00
Second Quarter	$ 23.46	$ 18.44
Third Quarter	$ 29.54	$ 19.84
Fourth Quarter (through May 1, 2006)	$ 31.29	$ 21.68

On May 1, 2006, the last reported sale price for our common stock on the Nasdaq National Market was $30.50 per share. At the close of business on May 1, 2006, there were 320 holders of record of our common stock. This number of record holders does not reflect the actual number of beneficial owners of our common stock because shares are often held in street name by securities dealers and others for the benefit of the beneficial owners.

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.

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CAPITALIZATION

The following table sets forth our capitalization as of February 25, 2006.

the Actual column shows our capitalization on a historical basis, without any adjustments to reflect subsequent or anticipated events.

the As Adjusted column shows our capitalization with adjustments to reflect receipt by us of the net proceeds from the sale of shares of common stock by us in this offering at an assumed public offering price of $30.50 per share, after deducting the underwriting discounts and commissions and offering expenses payable by us. See Use of Proceeds.

The information in this table does not include, as of February 25, 2006:

an aggregate of 1,498,827 shares of our common stock issuable upon exercise of outstanding stock options under our 1997 Stock Option Plan, our 2004 Stock and Incentive Award Plan and our two Spin-off Adjustment Stock Option Plans with a weighted average exercise price of $11.31 per share and 67,500 shares of our common stock underlying outstanding performance share awards and restricted stock units; and

378,589 shares of our common stock available for issuance under our 1997 Stock Option Plan and our 2004 Stock and Incentive Award Plan.

You should read this table with our Selected Consolidated 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 included elsewhere in this prospectus.

	February 25, 2006	
	Actual	**As Adjusted**
	(in thousands)	
Cash, cash equivalents and marketable securities	$ 28,907	$ 97,065
Long-term debt, including current portion	2,980	2,980
Stockholders equity		
Preferred stock, par value $.01 per share, 5,000,000 shares authorized, no shares issued and outstanding		
Common stock, par value $.01 per share, 45,000,000 shares authorized, 12,434,212 shares issued and outstanding (actual), 14,834,212 shares issued and outstanding (as adjusted)	124	148
Additional paid-in capital	56,257	124,391
Retained earnings	1,108	1,108
Accumulated other comprehensive loss	(155)	(155)
Total stockholders equity	57,334	125,492

Total capitalization	$ 60,314	$ 128,472

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SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected consolidated 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 that are included elsewhere in this prospectus. The consolidated statements of income data and the selected consolidated operating data for the fifty-two weeks ended May 31, 2003, May 29, 2004 and May 28, 2005, and the consolidated balance sheet data as of May 29, 2004 and May 28, 2005, are derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The consolidated statements of income data and the selected consolidated operating data for the fifty-two weeks ended June 2, 2001, and June 1, 2002, and the consolidated balance sheet data as of June 2, 2001, June 1, 2002 and May 31, 2003, are derived from our audited consolidated financial statements not included in this prospectus. The consolidated statements of income data and the selected consolidated operating data for the thirty-nine weeks ended February 26, 2005 and February 25, 2006, and the consolidated balance sheet data as of February 25, 2006, 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 state fairly our financial position as of February 25, 2006, and results of operations for the thirty-nine weeks ended February 26, 2005 and February 25, 2006. Historical results are not necessarily indicative of the results of operations to be expected for future periods.

	Fifty-two weeks ended					Thirty-nine weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	May 29, 2004	May 28, 2005	Feb. 26, 2005	Feb. 25, 2006
	(in thousands, except share and per share data)						
Consolidated Statements of Income Data:							
Net sales	$ 23,390	$ 30,890	$ 38,434	$ 49,055	$ 60,289	$ 42,957	$ 54,859
Cost of goods sold	12,418	15,333	18,572	23,254	26,912	19,336	22,945
Gross profit	10,972	15,557	19,862	25,801	33,377	23,621	31,914
Operating expenses							
Sales and marketing	7,089	8,901	11,338	13,562	16,000	11,382	15,021
General and administrative	1,875	2,317	2,777	3,565	5,080	3,753	5,181
Research and development	1,426	1,951	2,509	3,551	4,570	3,276	4,510
Loss on sale of subsidiary and related assets(a)	872						
Total operating expenses	11,262	13,169	16,624	20,678	25,650	18,411	24,712
Operating profit (loss)	(290)	2,388	3,238	5,123	7,727	5,210	7,202
Other income (expense)							
Interest income	71	45	38	16	304	190	549
Impairment loss on investment					(300)	(300)	
Interest expense, net(b)	(952)	(863)	(1,021)	(758)	(150)	(113)	(103)
Other income	1				36	16	149
Income (loss) before income tax provision	(1,170)	1,570	2,225	4,381	7,617	5,003	7,797
Income tax provision (benefit)	(1,513)	561	1,069	1,238	3,069	2,121	2,969
Net income	$ 343	$ 1,009	$ 1,186	$ 3,143	$ 4,548	$ 2,882	$ 4,828

Earnings per common share:							
Basic	$ .04	$ .11	$ .13	$ .34	$ .39	$ .25	$ .39
Diluted	$ .04	$ .11	$ .13	$ .32	$ .37	$ .24	$ .37

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	Fifty-two weeks ended					Thirty-nine weeks ended	
	June 2, 2001	June 1, 2002	May 31, 2003	May 29, 2004	May 28, 2005	Feb. 26, 2005	Feb. 25, 2006
	(in thousands, except share and per share data)						
Weighted average number of shares used in per share calculation:							
Basic	9,200,000	9,200,000	9,200,000	9,216,027	11,571,317	11,498,425	12,253,254
Diluted	9,200,000	9,337,425	9,472,233	9,838,168	12,328,783	12,192,518	12,908,800
Net cash provided by operating activities	$ 409	$ 1,206	$ 680	$ 2,500	$ 4,788	$ 2,997	$ 4,736
Net cash used in investing activities	1,499	(715)	(4,572)	(996)	(13,537)	(9,662)	(7,736)
Net cash provided by (used in) financing activities	(1,761)	371	3,306	(696)	21,500	20,322	1,858

	As of					
	June 2, 2001	June 1, 2002	May 31, 2003	May 29, 2004	May 28, 2005	February 25, 2006
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash, cash equivalents and marketable securities(c)	$ 1,948	$ 1,525	$ 2,466	$ 2,585	$ 27,099	$ 28,907
Working Capital	9,676	10,101	12,360	30,981	42,080	46,004
Total Assets	16,782	20,647	27,056	49,726	59,672	70,227
Non-current liabilities	15,754	15,165	19,403	3,100	2,935	2,800
Retained earnings	(13,138)	(12,129)	(10,943)	(8,268)	(3,720)	1,108
Total stockholders (deficit) equity	(1,309)	(295)	1,488	37,232	49,110	57,334

(a) Loss on sale of subsidiary and related assets relates to our sale of AngioDynamics, Ltd., in July 2000. The sale was the culmination of a strategic decision to exit the cardiovascular market and focus entirely on the interventional radiology marketplace.

(b) Interest expense, net, includes imputed interest on debt to E-Z-EM of $892 and $596 for the fifty-two weeks ended May 31, 2003 and May 29, 2004, respectively. The interest charges are treated as non-cash items for cash flow purposes and increases to additional paid-in capital. Of our indebtedness to E-Z-EM, $13,148 was capitalized prior to the completion of our initial public offering and the remaining $3,000 was repaid-in June 2004 from the proceeds of the initial public offering.

(c) Cash, cash equivalents and marketable securities include restricted cash of $798 and $101 as of May 31, 2003 and May 29, 2004, respectively.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the 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 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. The following table sets forth our aggregate net sales from the following product categories for our last three fiscal years and the thirty-nine weeks ended February 25, 2006:

	2003		2004		2005		Thirty-nine weeks ended February 25, 2006	
	$	%	$	%	$	%	$	%
	(dollars in thousands)							
Angiographic Products and Accessories	$ 13,701	35.6%	$ 15,725	32.1%	$ 18,106	30.0%	$ 15,076	27.5%
Dialysis Products	9,371	24.4	13,381	27.3	15,938	26.4	14,289	26.0
Vascular Access Products	2,656	6.9	3,309	6.7	6,886	11.4	8,655	15.8
Venous Products	2,106	5.5	5,657	11.5	7,716	12.8	7,867	14.3
PTA Products	3,048	7.9	3,410	7.0	3,729	6.2	2,901	5.3
Thrombolytic Products	2,989	7.8	3,174	6.5	3,612	6.0	3,079	5.6
Drainage Products	1,311	3.4	1,380	2.8	1,444	2.4	1,368	2.5
Other	3,252	8.5	3,019	6.1	2,858	4.8	1,614	3.0
Total	$ 38,434	100.0%	$ 49,055	100.0%	$ 60,289	100.0%	$ 54,859	100.0%

We sell our broad line of quality devices in the United States through a direct sales force comprised of 49 sales representatives, five regional managers, an eastern and a western zone director, and a vice president of sales. Outside the United States, we sell our products indirectly through a network of distributors in 34 markets. For fiscal years 2003, 2004 and 2005, 6.9%, 4.8% and 4.2%, respectively, 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. For fiscal 2005, approximately 51% of our net sales 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. Research and development expenditures were 7.6% of net sales for fiscal 2005 and we expect these expenditures to reach 8% of net sales for fiscal 2006 and remain at that level thereafter. However, downturns in our business could cause us to reduce our research and development spending.

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We are seeking to grow through selective acquisitions of complementary businesses and technologies. Our cash resources are limited and, except to the extent we can use our equity securities as acquisition consideration, we may require equity or debt financing in addition to the proceeds of this offering to fund any significant acquisitions. We cannot assure you that we will be able to successfully identify or complete any such acquisitions or that any required financing will be available on terms satisfactory to us or at all.

For fiscal 2005, approximately 43% of our net sales were derived from products manufactured for us by third parties, compared to 45% for fiscal 2004. We intend to continue to manufacture more of these products in-house to achieve lower product costs and increased profitability. In 2003, we expanded our manufacturing facility to provide us with significantly greater manufacturing capacity and to accommodate additional research, development and administrative requirements. We are not currently operating our manufacturing facility at full capacity.

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

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, have established relationships with cardiologists and may be better positioned than us to take advantage of any opportunities for sales to these physicians.

Through the effective date of our initial public offering, our primary sources of financing were loans and capital contributions from our former parent company, E-Z-EM, long-term bank debt and cash generated from operations. As we are no longer a subsidiary of E-Z-EM, we will not receive any further financing from E-Z-EM. In addition, to preserve the tax-free nature of our spin-off from E-Z-EM, we are, and until October 31, 2006, will be, 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.

In April 2006, we participated in an auction for a medical device company but the target company accepted the bid of the competing bidder. As a result, we incurred expenses of approximately $350,000 in connection with our unsuccessful bid, which will result in greater general and administrative expenses in the fourth quarter of fiscal 2006.

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:

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Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the SEC s Staff Accounting Bulletin No. 104, Revenue Recognition, which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence that an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has occurred or services have been rendered. Decisions relative to criterion (iii) regarding collectibility are based upon our judgments, as discussed under Accounts Receivable below, and should conditions change in the future and cause us to determine this criterion is not met, our results of operations may be affected. We recognize revenue as products are shipped, based on F.O.B. shipping point terms when title passes to customers. We negotiate shipping and credit terms on a customer-by-customer basis and products are shipped at an agreed upon price. All product returns must be pre-approved by us, and customers may be subject to a 20% restocking charge. To be accepted, a returned product must be unadulterated, undamaged and have at least 12 months remaining prior to its expiration date.

Accounts Receivable

Accounts receivable, principally trade, are generally due within 30 to 90 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customer s current credit worthiness, as determined by a review of their current credit information. We continuously monitor aging reports, collections and payments from customers, and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we identify. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that the same credit loss rates will be experienced in the future. We write off accounts receivable when they become uncollectible. For the period from the beginning of fiscal 2003 to February 25, 2006, our write offs of accounts receivable aggregated $32,000.

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 income. If actual results differ from our estimates due to changes in assumptions, the provision for income taxes could be materially affected. As of February 25, 2006, our valuation allowance and net deferred tax asset were approximately $628,000 and $1.3 million, respectively. We have a tax allocation and indemnification agreement with E-Z-EM with whom we have filed consolidated Federal tax returns for periods through October 30, 2004. Under this agreement, we 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 agreement does not cover tax liabilities arising from state, local and other taxing authorities to whom we report separately.

Inventories

We value inventories at the lower of cost (on the first-in, first-out method) or market. On a quarterly basis, we review inventory quantities on hand and analyze the provision for excess and obsolete inventory

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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 May 31, 2003, May 29, 2004, May 28, 2005, and February 25, 2006, our reserves for excess and obsolete inventory were $676,000, $885,000, $779,000 and $1.2 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. We evaluate these assets for impairment annually or as changes in circumstances or the occurrence of events suggest the remaining value is not recoverable. Any change in condition that would cause us to change our estimate of the useful lives of a group or class of assets may significantly affect depreciation expense on a prospective basis.

Results of Operations

Our fiscal years ended May 31, 2003, May 29, 2004, and May 28, 2005, represent fifty-two weeks. Our operating results for fiscal 2003, 2004 and 2005, and for the thirty-nine weeks ended February 26, 2005 and February 25, 2006, are expressed as a percentage of total net sales in the following table.

	Fifty-two weeks ended			**Thirty-nine weeks ended**	
	May 31, 2003	**May 29, 2004**	**May 28, 2005**	**Feb. 26, 2005**	**Feb. 25, 2006**
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	48.3	47.4	44.6	45.0	41.8
Gross profit	51.7	52.6	55.4	55.0	58.2
Operating expenses					
Sales & marketing	29.5	27.7	26.6	26.5	27.5
General & administrative	7.2	7.3	8.4	8.8	9.4
Research and development	6.5	7.2	7.6	7.6	8.2
Total operating expenses	43.2	42.2	42.6	42.9	45.1
Operating profit	8.5	10.4	12.8	12.1	13.1
Other income (expenses)					
Interest income	0.1	0.1	0.5	0.4	1.0
Interest (expense)	(2.7)	(1.6)	(0.3)	(0.3)	(0.2)
Other, Net	0.0	0.0	(0.4)	(0.6)	0.3

Income before income tax provision	5.9	8.9	12.6	11.6	14.2
Income tax provision	2.8	2.5	5.1	4.9	5.4
Net income	3.1%	6.4%	7.5%	6.7%	8.8%

Thirty-nine weeks ended February 25, 2006 and February 26, 2005

Net sales. Net sales consist of revenue derived from the sale of our products and related freight charges, less discounts and returns. Net sales for the thirty-nine weeks ended February 25, 2006, or the fiscal 2006 period, increased by 27.7%, or $11.9 million, to $54.9 million, compared to the thirty-nine weeks ended February 26, 2005, or the fiscal 2005 period. The increase in net sales was primarily due to the continued growth from new products released in, or subsequent to, the fiscal 2005 period as well as the continuing market share gains of our existing product lines. Faster growing products included our vascular access line, for which sales increased 93.5%, or $4.2 million, due primarily to the continued growth of our MORPHEUS CT PICC; dialysis products, for which sales increased by 19.8%, or $2.4 million; venous products, for which sales increased by 55.0%, or $2.8 million; and angiographic products, for which sales increased 14.8%, or $1.9 million. Net sales to non-U.S. markets for the fiscal 2006 period were $2.3 million, or 4.2% of net sales, compared to $2.0 million, or 4.5% of net sales, for the fiscal 2005 period. This increase was due to increased unit sales of angiographic products. All of the increase in our net sales was due to increased unit sales.

Gross profit. Gross profit consists of net sales less the cost of goods sold, which includes the cost of materials, products purchased from third parties and sold by us, manufacturing personnel, freight, business insurance, depreciation of property and equipment and other manufacturing overhead. For the fiscal 2006 period, gross profit as a percentage of sales increased to 58.2% from 55.0% for the fiscal 2005 period. The increase in gross margin percentage was due to a favorable product mix resulting from increased sales of higher margin products, such as our EvenMore catheter, the VenaCure procedure kit, and the MORPHEUS CT PICC, and production efficiencies resulting from continuing efforts to streamline the manufacturing process.

Selling and marketing expenses. Sales and marketing expenses consist primarily of the costs of salaries, commissions, travel and entertainment, attendance at medical society meetings, and advertising and product promotions and samples. Selling and marketing expenses were 27.5% of net sales for the fiscal 2006 period, compared to 26.5% for the fiscal 2005 period. For the fiscal 2006 period, selling and marketing expenses increased 32.0%, or $3.6 million, compared to the fiscal 2005 period. Selling expenses increased 38.8%, or $3.1 million, due to personnel expenses related to the increased number of territories and commissions on higher sales as well as product promotions and samples. Marketing expenses increased 15.4%, or $507,000, due to increased personnel costs, promotions, professional society membership fees and convention expenses.

General and administrative expenses. General and administrative expenses include corporate, finance, human resources, administrative and professional fees, as well as information technology expenses. General and administrative expenses were 9.4% of net sales for the fiscal 2006 period, compared to 8.8% for the fiscal 2005 period. For the fiscal 2006 period, these expenses increased 38.0%, or $1.4 million, partially due to increased legal and consulting fees, accounting fees for audit and quarterly reviews, income tax return filings, and internal controls review required by Section 404 of the Sarbanes-Oxley Act, as well as computer supplies and amortization expense related to a recently implemented business software platform. Non-recurring consulting fees incurred in connection with our initial efforts to comply with Section 404 of the Sarbanes-Oxley Act comprised $239,000 of this increase, or 0.4% of net sales for the fiscal 2006 period.

Research and development expenses. 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 were 8.2% of net sales for the fiscal 2006 period, compared to 7.6% for the fiscal 2005 period. R&D expenses increased by 37.7%, or $1.2 million, due to expenses associated with ongoing projects.

Other income (expenses). Other income (expenses) primarily includes interest income and interest expenses. Other income increased $802,000 to $595,000 for the fiscal 2006 period, due to an increase in interest income of $359,000. Both an increase in our investment portfolio and higher yields contributed to this increase. Other income for the fiscal 2006 period also included realized gains on the sale of marketable securities totaling $133,000. This fiscal 2005 period included an impairment charge of $300,000 related to our investment in Surgica Corporation.

Income taxes. Our effective tax rate for the fiscal 2006 period was 38.1%, compared to 42.4% for the fiscal 2005 period. The decrease is attributable to research and development credits recorded in the fiscal

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2006 period, plus a decrease in state taxes compared to the fiscal 2005 period, which included a catch-up provision for states in which we had recently attained a taxable presence. Additionally, the fiscal 2005 period included a non-deductible capital loss. These decreases were offset by additional income taxes incurred in the fiscal 2006 period under our tax sharing arrangement with E-Z-EM in connection with E-Z-EM s filing of the consolidated fiscal 2005 Federal income tax return, which included our taxable income prior to our spin-off from E-Z-EM.

Fiscal years ended May 28, 2005 and May 29, 2004

Net sales. For fiscal 2005, net sales were $60.3 million, an increase of $11.2 million, or 22.9%, compared to fiscal 2004. Sales increased across all of our principal product lines for fiscal 2005. 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 vascular access products, featuring our Morpheus CT PICC, increased by $3.6 million. Sales of dialysis catheters increased by $2.6 million, principally due to our introduction of the Dura-Flow and EvenMore chronic dialysis catheters. Sales of angiographic products and accessories increased by $2.3 million. Our VenaCure products, which are used in the treatment of varicose veins, accounted for $2.1 million of the increase in our net sales for fiscal 2005. Sales of PTA balloon dilation catheters, thrombolytic products, and drainage products in the aggregate accounted for $0.6 million of the increase in our net sales for fiscal 2005. Net sales to non-U.S. markets for fiscal 2005 were $2.5 million, or 4.2% of net sales, compared to $2.3 million, or 4.8% of net sales, for fiscal 2004. This increase was due to higher unit sales of angiographic and dialysis products. Price increases were not a significant factor in the increase of our net sales.

Gross profit. Gross profit for fiscal 2005 increased by $7.6 million, or 29.4%, to $33.4 million, compared to fiscal 2004. As a percentage of net sales, gross profit increased to 55.4% for fiscal 2005 from 52.6% for fiscal 2004. The improvement in our gross profit margin was due to increased sales volume, a favorable product mix compared to the prior fiscal year, and improved manufacturing efficiencies.

Sales and marketing. Sales and marketing expenses were $16.0 million for fiscal 2005, an increase of $2.4 million, or 18.0%, compared to fiscal 2004. 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 fiscal 2005, we added six new domestic sales representatives, bringing the total to 40, and one regional sales manager, bringing the total to six. Marketing expenses increased principally due to hiring of additional personnel to support customer orders and VenaCure marketing efforts. As a percentage of net sales, sales and marketing expenses were 26.6% and 27.7% for fiscal 2005 and fiscal 2004, respectively.

General and administrative. General and administrative expenses increased to $5.1 million for fiscal 2005, an increase of $1.5 million, or 42.5%, compared to fiscal 2004. This increase was principally due to increased professional fees associated with being a public company and increased compensation expenses. As a percentage of net sales, general administrative expenses were 8.4% and 7.3% for fiscal 2005 and fiscal 2004, respectively.

Research and development. Research and development expenses increased to $4.6 million for fiscal 2005, an increase of $1.0 million, or 28.7%, from fiscal 2004. This increase was due primarily to increased personnel in both our research and development departments and expanded efforts to maintain and register our intellectual property assets. As a percentage of net sales, research and development expenses were 7.6% and 7.2% for fiscal 2005 and fiscal 2004, respectively.

Other income (expenses). For fiscal 2005, other income (expenses) decreased to a net expense of $110,000 from a net expense of $742,000 for fiscal 2004. This decrease was primarily due to the elimination of interest expense on indebtedness to E-Z-EM, on which we recorded imputed interest charges

of $596,000 for fiscal 2004, and additional interest income of $288,000, which were offset by an impairment loss of $300,000. The imputed interest charges were 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 0.2% and 1.5% for fiscal 2005 and fiscal 2004, respectively.

Income tax. Our effective income tax rates for fiscal 2005 and fiscal 2004 were 40.3% and 28.3%, respectively, compared to the Federal statutory rate of 34.0%. In both fiscal years, we recorded expenses that were non-deductible for Federal income tax purposes. Further, in fiscal 2004, the effect of non-deductible expenses was partially offset by utilization of capital loss carryforwards for which no tax benefit was previously recorded. The tax benefit of the utilization of these carryforwards increased income by $692,500, or $0.07 per diluted share.

Fiscal years ended May 29, 2004 and May 31, 2003

Net sales. For fiscal 2004, net sales were $49.1 million, an increase of $10.6 million, or 27.6%, compared to fiscal 2003. Sales increased across all of our principal product lines for fiscal 2004 compared to fiscal 2003. 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 dialysis products for fiscal 2004 increased by $4.0 million, principally due to our introduction of the Dura-Flow chronic dialysis catheter in September 2002. Our VenaCure products were introduced in June 2002 and accounted for $3.6 million of the increase in our net sales for fiscal 2004. Sales of angiographic products and accessories, vascular access products, PTA products, and thrombolytic, drainage and all other products in the aggregate accounted for $3.0 million of the increase in our net sales for fiscal 2004. Net sales to non-U.S. markets for fiscal 2004 were $2.3 million, or 4.8% of net sales, compared to $2.7 million, or 6.9% of net sales, for fiscal 2003. 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 for fiscal 2004 increased by $5.9 million, or 29.9%, to $25.8 million, compared to fiscal 2003. As a percentage of net sales, gross profit increased to 52.6% for fiscal 2004, from 51.7% for fiscal 2003. Improvement in gross profit margins was due to increased sales volume, a favorable product mix and improved manufacturing efficiencies.

Sales and marketing. Sales and marketing expenses were $13.6 million for fiscal 2004, an increase of $2.2 million, or 19.6%, compared to fiscal 2003. 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 fiscal 2004, we added three new domestic sales representatives, bringing the total to 34, and one regional sales manager, bringing the total to five. Marketing expenses increased principally due to hiring of additional personnel to support customer orders and VenaCure marketing efforts. As a percentage of net sales, sales and marketing expenses were 27.7% and 29.5% for fiscal 2004 and fiscal 2003, respectively.

General and administrative. General and administrative expenses increased by $788,000, or 28.4%, to $3.6 million for fiscal 2004, compared to fiscal 2003. This increase was principally due to increased professional fees, related in large part to our initial public offering, 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 7.2% for fiscal 2004 and fiscal 2003, respectively.

Research and development. Research and development expenses increased by $1.0 million, or 41.5%, to $3.6 million for fiscal 2004, from fiscal 2003. This increase was due primarily to hiring additional personnel in both our research and development departments and expanded efforts to maintain and register our intellectual property assets. As a percentage of net sales, research and development expenses were 7.2% and 6.5% for fiscal 2004 and fiscal 2003, respectively.

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Other income (expenses). For fiscal 2004, other income (expenses) decreased to a net expense of $742,000 from a net expense of $983,000 for fiscal 2003. This decrease was due to lower interest expense on our indebtedness to E-Z-EM, which resulted from lower prevailing interest rates when the notes payable to E-Z-EM were renewed as they became due throughout the year. Although E-Z-EM waived interest charges on this debt, we recorded imputed interest charges of $596,000 and $892,000 for fiscal 2004 and fiscal 2003, respectively. These charges are treated as non-cash items for cash flow purposes and as increases to additional paid-in capital. As a percentage of net sales, other expenses, net, were 1.5% and 2.6% for fiscal 2004 and fiscal 2003, respectively.

Income tax. Our effective income tax rates for fiscal 2004 and fiscal 2003 were 28.3% and 47.4%, respectively, compared to the Federal statutory rate of 34.0%. In both fiscal years, we recorded expenses that were non-deductible for Federal income tax purposes, principally the imputed interest expense on our indebtedness to E-Z-EM, which contributed to our higher than statutory effective tax rate. Further, in fiscal 2004, the effect of non-deductible expenses was partially offset by utilization of capital loss carryforwards for which no tax benefit was previously recorded. The tax benefit of the utilization of these carryforwards increased income by $692,500 or $0.07 per diluted share.

Liquidity and Capital Resources

During the past three years, we have financed our operations primarily through cash flow from operations, the proceeds of our initial public offering in 2004, and long-term debt. As of February 25, 2006, $28.9 million, or 41.2%, of our assets consisted of cash, cash equivalents and marketable securities. Marketable securities are comprised of corporate bonds and U.S. government issued or guaranteed securities. Our current ratio was 5.6 to 1, with working capital of $46.0 million, as of February 25, 2006, compared to a current ratio of 6.5 to 1, with net working capital of $42.1 million, as of May 28, 2005. As of February 25, 2006, total debt was $3.0 million, comprised of short and long-term bank debt for financing our facility expansion in Queensbury, New York. Total debt was $3.1 million at May 28, 2005.

For fiscal 2005 and 2004, capital expenditures were funded by cash provided by operations. For the thirty-nine weeks ended February 25, 2006, we funded our capital expenditures and working capital requirements with cash from operations, except for installment payments totalling $2.4 million under a supply and distribution agreement that was made from the proceeds of our initial public offering.

Through May 26, 2004, our primary sources of financing were loans and capital contributions from E-Z-EM. At May 29, 2004, May 31, 2003 and June 1, 2002, notes payable to E-Z-EM were $3.0, $16.2 and $16.2 million respectively. Under our master separation and distribution agreement with E-Z-EM, E-Z-EM capitalized $13.1 million of this amount on May 26, 2004 and we repaid the remaining $3.0 million of debt in June 2004 with part of the proceeds from our initial public offering. We will not receive any additional financing from E-Z-EM. 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 fiscal 2004 and 2003 of $596,000 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 $1.8 million in fiscal 2005, compared to $1.6 million in fiscal 2004, and $4.1 million for fiscal 2003. Of the fiscal 2003 expenditures, $3.0 million was for the expansion of our headquarters and manufacturing facility. This expansion was substantially completed during the fourth fiscal quarter of 2004 at an approximate cost of $3.7 million, of which $3.5 million was 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 were advanced as construction occurred. The bonds reprice every seven days and are resold by a Remarketing Agent. 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 IDA agreements contain financial covenants relating to fixed charge coverage and interest coverage. At February 25, 2006, we were in compliance with these covenants. The outstanding debt is collateralized by a letter of credit ($3.0 million as of February 25, 2006) and a first mortgage on the land, building and equipment comprising our facility in Queensbury, 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 1.0% and is in effect until August 2006. 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 distribution by E-Z-EM of our stock to its stockholders, which was completed on October 30, 2004. We are limited in the amount of equity securities or convertible debt we can issue generally in the 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 and its stockholders and corresponding liabilities to us. Specifically, we are limited to issuing no more than approximately 5.5 million shares of our common stock, including the shares included in this offering, in capital raising transactions over this period. These factors could limit our sources of capital in the future.

On November 23, 2005, we replaced our $3.0 million bank line of credit with a $7.5 million line of credit facility with KeyBank National Association, with a maturity date of November 30, 2006. The new line of credit carries the same annual facility fee as our previous agreement. Based on our financial strength, we were able to increase the amount of funds available to us at no additional expense. The initial advance under the line of credit will bear interest at the rate of LIBOR plus 175 basis points (the LIBOR rate). Thereafter, the interest rate will be adjusted monthly at our election, to either the then-current LIBOR rate or the KeyBank prime rate. Accrued interest is payable monthly, and all outstanding principal amounts are payable at maturity, subject to a requirement to pay the outstanding principal balance and maintain a zero outstanding balance for at least one 30-day period during the term of the line of credit. All outstanding amounts under the line of credit are immediately due and payable upon any payment default or other default under the security agreement with the bank. No amounts were outstanding under the line of credit as of February 25, 2006.

Our contractual obligations as of May 28, 2005 are set forth in the table below. We have no variable interest entities or other off-balance sheet obligations.

	Cash Payments Due By Period as of May 28, 2005				
	Total	**Less than One Year**	**1-3 Years**	**3-5 Years**	**After 5 Years**
			(in thousands)		
Contractual Obligations:					
Notes Payable to Bank	$ 3,100	$ 165	$ 380	$ 350	$ 2,205
Operating Leases(1)	244	75	137	32	
Consulting Contracts(1)	67	42	25		
	$ 3,411	$ 282	$ 542	$ 382	$ 2,205

(1) The non-cancelable leases and consulting contracts are not reflected on our consolidated balance sheet under generally accepted accounting principles in the United States of America.

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As of February 25, 2006, there were no material changes with respect to our contractual obligations and their effect on liquidity and cash flows.

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

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154). SFAS 154 replaces the Accounting Practice Board Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements, to require retrospective application to prior periods financial statements of changes in accounting principles. The provisions of SFAS 154 are effective for accounting changes made in fiscal years beginning after December 15, 2005. The adoption of this new accounting pronouncement is not expected to have a material impact on our financial statements.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets (SFAS 153). SFAS 153 amends Accounting Practice Board Opinion No. 29, Accounting for Nonmonetary Transactions, to eliminate the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The provisions of SFAS 153 are effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this new accounting pronouncement is not expected to have a material impact on our financial statements.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs (SFAS 151). SFAS 151 amends the guidance in Chapter 4 of Accounting Research Bulletin No. 43, Inventory Pricing, to clarify the accounting for amounts of idle facility expense, freight, handling costs and wasted material. SFAS 151 requires that these types of items be recognized as current period charges as they occur. The provisions of SFAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this new accounting pronouncement is not expected to have a material impact on our financial statements.

In December 2004, the FASB issued SFAS No. 123(R), Accounting for Stock-Based Compensation (SFAS 123(R)). SFAS 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123(R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS 123(R), only certain pro-forma disclosures of fair value were required. The adoption of this new accounting pronouncement is expected to have a material impact on our financial statements commencing with the first quarter of our fiscal year ending June 2, 2007.

In December 2004, the FASB issued Staff Position No. FAS 109-1, Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 (FAS 109). The Staff Position clarifies that the tax deduction for the qualified domestic production activities provided by the American Jobs Creation Act of 2004 (the Act) should be accounted for as a special deduction under FAS 109 as opposed to a tax-rate deduction. The phase-in of the tax deduction begins with qualifying production activities for the year ending December 31, 2005. The Act replaces the extraterritorial income (ETI) tax incentive with a domestic manufacturing deduction. The Company has not determined the impact of this pronouncement at this time.

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BUSINESS

Company Overview

We are a provider of innovative medical devices used in minimally invasive, image-guided procedures to treat peripheral vascular disease, or PVD. We design, develop, manufacture and market a broad line of therapeutic and diagnostic devices that enable interventional physicians (interventional radiologists, vascular surgeons and others) to treat PVD and other non-coronary diseases. Unlike several of our competitors that focus on the treatment of 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.

AngioDynamics was founded in 1988 as a division of E-Z-EM, 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 Nasdaq National Market under the symbol EZEM . In 1992, AngioDynamics was 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 A.D. division to this subsidiary and we changed our name to AngioDynamics, Inc. In June 2004, we completed the initial public offering of our shares of common stock. The offering consisted of 2,242,500 shares (including 292,500 shares issued pursuant to the underwriters over-allotment option) at an initial public offering price of $11.00 per share. As a result of the offering, E-Z-EM, Inc. held 80.4% of our shares. On October 30, 2004, E-Z-EM distributed all of its shares of AngioDynamics common stock to its stockholders.

General

Our current product lines consist primarily of angiographic products and accessories, dialysis products, vascular access products, venous products, PTA products, thrombolytic products and drainage products.

Our principal competitive advantages are our dedicated market focus, established brands and innovative products. We believe our dedicated focus enhances patient care and engenders loyalty among our customers. As a provider of interventional devices for over a decade, we believe we have established AngioDynamics as a recognized brand in our target markets. We collaborate frequently with leading interventional physicians in developing our products and rely on these relationships to further support our brands. Our chief executive officer is the only business executive from the medical device industry to serve on the Strategic Planning Committee of the Society of Interventional Radiology. This appointment provides us with awareness of emerging clinical trends, high visibility among interventional physicians and opportunities to understand and influence the evolution of interventional therapies.

We sell our broad line of quality devices for minimally invasive therapies in the United States through a direct sales force of 49 sales representatives, five regional sales managers, an eastern and a western zone director, and a vice president of sales. We also sell our products in 34 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, a clinical specialist and a laser specialist. Our dedicated sales force and growing portfolio of products have contributed to our strong sales growth.

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 stretched. 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.

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 shorter 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, and 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.

Products

Our current product offerings consist of the following product categories:

	Thirty-nine weeks ended February 25,			
	2005		2006	
Products	**Net Sales $**	**% of Net Sales**	**Net Sales $**	**% of Net Sales**
	(dollars in thousands)			
Angiographic Products and Accessories	$ 18,106	30.0%	$ 15,076	27.5%
Dialysis Products	15,938	26.4	14,289	26.0
Vascular Access Products	6,886	11.4	8,655	15.8
Venous Products .	7,716	12.8	7,867	14.3
PTA Products	3,729	6.2	2,901	5.3

Thrombolytic Products	3,612	6.0	3,079	5.6
Drainage Products	1,444	2.4	1,368	2.5
Other	2,858	4.8	1,624	3.0
Total	$ 60,289	100.0%	$ 54,859	100.0%

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All products discussed below have been cleared for sale in the United States by the U.S. Food and Drug Administration, or the FDA.

We have registered a number of marks with the U.S. Patent and Trademark Office, including AngioDynamics, Pulse*Spray, Morpheus CT, EvenMore, Abscession, Total Abscession, SpeedLyser, AngioFlow, Hydro-Tip, Memory Tip, Sos Omni and Soft-Vu. This prospectus also contains trademarks of companies other than AngioDynamics.

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, but also include entry needles and guidewires specifically designed for peripheral interventions, and fluid management products.

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

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.

Mariner. The Mariner is a hydrophilic-coated angiographic catheter. It uses our patented Soft-Vu catheter technology to deliver contrast media to anatomy that is difficult to reach. The advanced hydrophilic coating technology significantly reduces catheter surface friction, providing smoother navigation through challenging vasculature with optimal handling and control.

AQUALiner®. The AQUALiner is 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.

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 Corporation, Cook Incorporated and Cordis Corporation, a subsidiary of Johnson & Johnson Inc.

Dialysis Products

We market a complete line of dialysis products that provide short- and long-term vascular access for dialysis patients. Dialysis, or cleaning of the blood, is necessary in conditions such as acute renal failure,

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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. Dialysis machines are used to treat this condition. Dialysis catheters, which connect the patient to the dialysis machine, are used at various stages in the treatment of every dialysis patient.

We currently offer five high-flow dialysis catheters.

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

EvenMore. The EvenMore is our first internally manufactured catheter. It is a low profile end-hole design catheter that provides very efficient dialysis. It was designed for long-term use with our proprietary Durathane shaft, which offers high resistance to chemicals used to clean the insertion site.

Dura-Flow. The Dura-Flow chronic dialysis catheter is designed to be durable, maximize flow rates and provide for easier care and site maintenance. The Dura-Flow chronic dialysis catheter is for long-term use.

Schon XL®. The Schon XL acute dialysis catheter is designed to be kink resistant, deliver high flow rates, offer versatile positioning and provide patient comfort. Schon XL is for short-term use.

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

We purchase from Medcomp and resell under our name our Schon, Schon XL and Dura-Flow dialysis catheters under an exclusive worldwide license. We also purchase Dynamic Flow catheters under a non-exclusive license from Medcomp. Our agreement with Medcomp expires on June 24, 2009 and extends automatically for an additional five-year term if, throughout the initial term, we satisfy the minimum purchase requirements specified in the agreement. For products for which we have an exclusive license (*i.e.*, Schon, Schon XL, but not Dura-Flow, which has no minimum purchase requirements), Medcomp may terminate our exclusive rights if we fail to purchase at least 90% of the minimum purchase requirements specified in the agreement. If our agreement with Medcomp is automatically extended for an additional five-year term, those minimum purchase requirements will be 10% higher than the previous year s requirements. These exclusive rights will automatically terminate if we fail to purchase more than 60% of the minimum purchase requirements. Also, Medcomp may terminate all of our rights to a product if we fail to purchase more than 40% of the minimum purchase requirements specified for that product. To date, we have met the minimum purchase requirements under contract for Schon and Schon XL, and we anticipate that we will be able to continue to purchase the minimum quantities required in order to maintain our exclusive rights.

Boston Scientific, C.R. Bard, Inc., Kendall Healthcare Products, a subsidiary of Tyco International Ltd., and Medcomp, are our major competitors in the development, production and marketing of dialysis catheters.

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

Our vascular access products include:

Morpheus® CT PICC. These PICC lines provide short- or long-term peripheral access to the central venous system for intravenous therapy and blood sampling. They are constructed of a biocompatible and durable material called Durathane, and have increased stiffness from the proximal end to the distal end, which provides ease of use and enhanced patient safety and comfort. These products are intended for use with CT injectors, allowing physicians to use the existing PICC for both medications and CT imaging, avoiding the need for an additional access site.

Micro Access Sets. Our micro access sets provide interventional physicians with a smaller introducer system for minimally invasive procedures.

Transjugular Access Set. Our transjugular liver access set is used to provide access in a transjugular intrahepatic portosystemic shunt (TIPS) procedure. A TIPS procedure involves placing a shunt in the liver between the hepatic and portal veins. This relives the pressure on the portal system in an effort to resolve the bleeding complications often encountered in end-stage liver failure.

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.

Venous Products

Our venous products consist of our VenaCure products and Sotradecol.

Our VenaCure products are used in endovascular laser procedures to treat venous insufficiency of the great saphenous vein. Venous insufficiency is a malfunction of one or more valves in the leg veins. These procedures are a less invasive alternative to vein stripping for the treatment of this condition. Vein stripping is a lengthy, painful and traumatic surgical procedure that involves significant patient recovery time. In contrast, 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.

With our VenaCure products, laser energy is used to stop the source of the pressure by ablating, or collapsing and destroying, the affected vein. The body subsequently routes the blood to other, healthy veins. Our products are sold as a system that includes a diode laser, disposable components and training and marketing materials. The diode laser is a self-contained reusable instrument. The disposable components in the system include a Sheath-Lok laser fiber system, our Tre-Sheath access sheath, access wires and needles. The training and marketing materials include a two-day physician training course, a comprehensive business development package and patient marketing kit.

We purchase the laser and laser fibers used in our Precision 810 and Precision 980 VenaCure products from biolitec, Inc. Under our agreement with biolitec, we have a non-exclusive license to sell the biolitec laser and laser fiber components to interventional radiologists and vascular surgeons in the United States and Canada. Our agreement with biolitec expires in April 2007. We are discussing an amended and extended agreement with biolitec, and we have identified several other vendors for the lasers and laser fibers to replace those we purchase from biolitec. biolitec sells its ELVeS 810 and ELVeS 980, which are substantially identical to the lasers in our Precision 810 and Precision 980, to customers other than interventional radiologists and vascular surgeons in the United States and Canada and distributes those products without restriction in the rest of the world. In the future, biolitec may also market its ELVeS 810 and ELVeS 980 to the interventional radiology and vascular surgery marketplace in the United States and Canada.

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An important part of our focus on the peripheral vascular disease market is the treatment of varicose veins. With an estimated one-half of all Americans over the age of 60 suffering from varicose veins, the market for this treatment is large and growing. We believe that Sotradecol, a sclerosing drug that was recently approved by the FDA and that we introduced in November 2005, combined with our currently available precision drug-delivery catheter technology, such as Uni*Fuse, will become an important method of treating varicose veins. Sotradecol has been shown to be an effective treatment of small, uncomplicated varicose veins of the lower extremities, in addition to ablation of the great saphenous vein. Catheter-directed sclerotherapy has the advantages of requiring no investment in capital equipment and requires no local anesthesia because it is virtually pain free. We believe that laser-based treatment systems will continue to be an important part of the vein treatment market in the United States for some time, but that laser treatments may eventually be eclipsed by catheter-directed sclerotherapy, as has occurred in Europe. This approach to treating varicose veins has the potential for greater intellectual property protection and higher gross margins than our laser-based VenaCure products, and, most importantly, can be incorporated with some of our existing patented products. Under a supply and distribution rights agreement with Bioniche Pharma Group Limited, we have exclusive rights to market Sotradecol to interventional radiologists, vascular surgeons and general surgeons in the United States. Sotradecol is the only FDA-approved sodium tetradecyl sulfate injection currently available in the United States.

Competition for the treatment of venous insufficiency includes surgical vein stripping treatments, radiofrequency (RF) ablation, which we believe is more expensive and time consuming than laser treatment, and other laser treatments of the great saphenous vein. The leading provider for RF ablation is VNUS Medical Technologies Inc. Companies competing in the laser segment include biolitec, Diomed, Inc., Dornier MedTech GmbH, CoolTouch and Vascular Solutions, Inc.

PTA Products

PTA (percutaneous transluminal angioplasty) procedures are used to open blocked blood vessels and dialysis 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.

Our PTA dilation balloons include:

> *WorkHorse.* 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 dialysis access sites.
>
> *WorkHorse II.* The WorkHorse II is a high-pressure, non-compliant PTA balloon catheter. This product is an extension to our WorkHorse PTA catheter, with enhanced WorkHorse features to improve product performance during declotting procedures for dialysis access sites.

In April 2004, we introduced AngioFlow®, a catheter-based flow meter that we believe is the only currently available device to measure blood flow in dialysis access sites during an access site clearing procedure. This capability allows interventional physicians to evaluate the efficacy of an access site clearing procedure while performing the procedure, thus likely improving the outcome and lessening the need for repeat procedures.

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

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Thrombolytic Products

Thrombolytic catheter products are used to deliver thrombolytic agents, drugs that dissolve blood clots in dialysis access grafts, arteries, veins and surgical bypass grafts. Our thrombolytic catheter products include:

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

SpeedLyser®. Our SpeedLyser thrombolytic catheter, which is used to deliver thrombolytic agents into obstructed dialysis grafts, features Pulse*Spray slit technology that simplifies catheter insertion and drug delivery.

Our primary competitors in this market include Cook and EV3, 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.

Our line of drainage products consists of our Total Abscession® general drainage catheters, which we introduced in December 2005, and Abscession® general and biliary drainage catheters. These products feature our proprietary soft catheter material, which 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 Total Abscession general drainage catheter features a tamper-resistant locking mechanism known as the Vault. This tamper-resistant locking mechanism eliminates the need to replace drainage catheters that become unlocked during routine use, thus reducing physician time and increasing patient comfort. The Total Abscession catheter permits aspiration while locked or unlocked, thus allowing more accurate placements and greater versatility for draining complex situations.

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

Other

For fiscal 2005, revenues from our Other product category totaled $2.9 million, or 4.8% of total revenues. Of these revenues, $1.9 million were from freight charges, $317,000 were from biliary stents, $629,000 were from bulk non-sterile products and products manufactured for E-Z-EM and $78,000 were from tumor management products.

Research & Development

Our future success will depend in part on our ability to continue to develop new products and enhance existing products. We recognize the importance of, and intend to continue to make investments in, research and development. Approximately 51% of our net sales for fiscal 2005 were from products we introduced in the last five fiscal years. For fiscal 2003, 2004 and 2005, and the thirty-nine weeks ended February 25, 2006, our research and development expenditures were $2.5 million, $3.6 million, $4.6 million, and $4.5 million, respectively, and constituted 6.5%, 7.2%, 7.6% and 8.2%, respectively, of net sales. We expect that our research and development expenditures will total approximately 8.0% of net sales for fiscal 2006 and remain at that level thereafter. However, downturns in our business could cause us to reduce our research and development spending.

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Our research and product development teams work closely with our sales force to incorporate customer feedback into our development and design process. We believe that we have a reputation among interventional physicians as 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.

Competition

We encounter significant competition across our product lines and in each market in which our products are sold. These markets are characterized by rapid change resulting from technological advances and scientific discoveries. We face competitors ranging from large manufacturers with multiple business lines to small manufacturers that offer a limited selection of products. In addition, we compete with providers of other medical therapies, such as pharmaceutical companies, that may offer non-surgical therapies for conditions that are currently or in the future may 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 most of our dialysis catheters, but also competes with us by selling Dynamic Flow catheters, which we buy from them on a non-exclusive basis, and other dialysis 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. Competitors may also have greater experience in developing products, obtaining regulatory approvals, and manufacturing and marketing such products. Competitors may also 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. Generally, our products are sold at higher prices than those of our competitors. In the current environment of managed care, which is characterized by 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 seek to educate these physicians on the clinical efficacy, performance, ease of use, value and other advantages of our products.

As part of our education program we offer a comprehensive two-day training course offered free of charge to physicians who have purchased our VenaCure products. We use the VenaCure 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 attended by interventional radiologists, vascular surgeons, interventional cardiologists and interventional nephrologists. Our attendance at these meetings is one of our most important methods of communicating with our customers. At these

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meetings, we receive direct feedback from customers and present new ideas and products. Our attendance at these meetings also reflects our support and commitment to the medical societies, as these societies rely on industry participation and support in order to effectively hold these meetings. The support we provide includes sponsorship of medical society research foundations, general financial support for holding these meetings, and special awards to physicians and others.

Backlog

At April 1, 2006, we had a backlog of unfilled customer orders of $62,000, compared to a backlog of $50,000 at April 1, 2005. We expect the entire backlog at April 1, 2006 will be filled during fiscal 2006. Because, historically, we ship 95% of products sold in the United States within 48 hours of receipt of the orders, we do not consider our backlog to be indicative of our future operating results.

Manufacturing

Our manufacturing facility is located in Queensbury, New York, and includes over 32,000 square feet of manufacturing and distribution space. We anticipate requiring additional manufacturing space within the next one to two 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 management information systems enable us to ship 95% of products sold in the United States within 48 hours of when an order is received.

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 most of our dialysis catheters. Medcomp products accounted for approximately 26% of our net sales for fiscal 2005. Another supplier, biolitec, Inc., supplies us with the laser and laser fibers for our VenaCure products, which accounted for approximately 13% of net sales for fiscal 2005. To date, we have been able to obtain adequate supplies of all product and components in a timely manner from existing sources.

In fiscal 2005, 57% of our net sales were derived from products we manufactured ourselves, with the balance being derived from products manufactured for us by third parties. Our Queensbury facility is registered with the FDA and has been certified to EN 46001 and ISO 9001 standards, as well as the CMD/CAS Canadian Medical Device Regulations. ISO 9001 and EN46001 are quality system standards. ISO 9001 and EN 46001 certifications satisfy European Union regulatory requirements and thus allow us to market and sell our products in European Union countries. If we were to lose these certifications, we would no longer be able to sell our products in these countries until we made the necessary corrections to our operations or satisfactorily completed an alternate European Union approval route that did not rely on compliance with quality system standards. Our manufacturing facilities are subject to periodic inspections by regulatory authorities to ensure compliance with domestic and non-U.S. regulatory requirements. See Government Regulation.

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Intellectual Property

We own 39 U.S. patents and have exclusive licenses to seven U.S. patents. Additionally, we have 28 pending U.S. patent applications. Internationally, we have 24 issued patents and 24 pending patent applications, all of which are foreign counterparts of the U.S. cases.

We believe that our success is dependent, to a large extent, on patent protection and the proprietary nature of our technology. We intend to continue to file and prosecute patent applications for our technology 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 other appropriate jurisdictions.

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 the 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 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 VenaCure products for the treatment of varicose veins infringe on a patent held by Diomed. Diomed s complaint seeks injunctive relief and compensatory and treble damages. In October 2005, VNUS filed a patent infringement action against several companies, one of which was AngioDynamics, seeking similar relief. In January 2006, we filed a declaratory judgement action in the U.S. District Court for the District of Delaware seeking a declaration by the court that the claims of two recently issued U.S. patents issued to Diomed are invalid. If either Diomed or VNUS is successful in its action, our results of operations could be negatively affected. See Legal Proceedings for additional details.

We rely on trade secret protection for certain unpatented aspects of our proprietary technology. There can be no assurance that others will not independently develop or otherwise acquire substantially equivalent

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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 under the Federal Food, Drug, and Cosmetic Act, or FDCA, and, in some instances, state authorities and foreign governments.

United States FDA Regulation

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

The 510(k) procedure is 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 in intended use and in safety and effectiveness to a predicate device, which is a legally marketed device with 510(k) clearance in class I or II or grandfather status based upon commercial distribution on or before May 8, 1976. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require a PMA approval. The 510(k) clearance procedure generally takes from four to 12 months from the time of submission, but may take longer. In some cases, supporting clinical data may be required. The FDA may determine that a new or modified device is not substantially equivalent to a predicate device or may require that additional information, including clinical data, be submitted before a determination is made, either of which could significantly delay the introduction of new or modified device products. If a product does not satisfy the criteria of substantial equivalence, it is placed in class III and premarket approval is required prior to the introduction of that product into the market.

The PMA application procedure is more comprehensive than the 510(k) procedure and typically takes several years to complete. The PMA application must be supported by scientific evidence providing pre-clinical and clinical data relating to the safety and efficacy of the device and must include other information about the device and its components, design, manufacturing and labeling. The FDA will approve a PMA application only if a reasonable assurance that the device is safe and effective for its intended use can be provided. As part of the PMA application review, the FDA will inspect the manufacturer s facilities for compliance with its Quality System Regulation, or QSR. As part of the PMA approval the FDA may place restrictions on the device, such as requiring additional patient follow-up for an indefinite period of time. If the FDA s evaluation of the PMA application or the manufacturing facility is not favorable, the FDA may deny approval of the PMA application or issue a not approvable letter. The

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FDA may also require additional clinical trials, which can delay the PMA approval process by several years. After the PMA is approved, if significant changes are made to a device, its manufacturing or labeling, a PMA supplement containing additional information must be filed for prior FDA approval.

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

The FDA clearance and approval processes for a medical device are expensive, uncertain and lengthy. There can be no assurance that we will be able to obtain necessary regulatory clearances or approvals for any product on a timely basis or at all. Delays in receipt of or failure to receive such clearances or approvals, the loss of previously received clearances or approvals, or the failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

After a product is placed on the market, the product and its manufacture are subject to pervasive and continuing regulation by the FDA. The FDA enforces these requirements by inspection and market surveillance. Our suppliers also may be subject to FDA inspection. We must therefore continue to spend time, money and effort to maintain compliance. Among other things, we must comply with the Medical Device Reporting regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur. We must also comply with the FDA s corrections and removal reporting regulation, which requires that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by a device or to remedy a violation of the FDCA that may present a risk to health. The labeling and promotion activities for devices are subject to scrutiny by the FDA, and in certain instances, by the Federal Trade Commission. The FDA actively enforces regulations prohibiting the marketing of devices for unapproved new uses.

The devices manufactured by us also are subject to the QSR, which imposes elaborate testing, control, documentation and other qualify assurance procedures. Every phase of production, including raw materials, components and subassemblies, manufacturing, testing, quality control, labeling, tracing of consignees after distribution, and follow-up and reporting of complaint information is governed by the FDA s QSR. Device manufacturers are required to register their facilities and list their products with the FDA and certain state agencies. The FDA periodically inspects manufacturing facilities and, if there are alleged violations, the operator of a facility must correct them or satisfactorily demonstrate the absence of the violations or face regulatory action.

We are subject to inspection and marketing surveillance by the FDA to determine our compliance with all regulatory requirements. Recently, the FDA has placed an increased emphasis on enforcement of the QSR and other postmarket regulatory requirements. Non-compliance with applicable FDA requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the FDA to grant marketing approvals, withdrawal of marketing approvals, a recommendation by the FDA to disallow us to enter into government contracts, and criminal prosecutions. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed by us.

Other

We and our products are also subject to a variety of state and local laws in those jurisdictions where our products are or will be marketed, and Federal, state and local laws relating to matters such as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of

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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 also 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 regulatory approvals, complete product registrations, comply with clinical trial requirements and complete those steps that are customarily taken in the applicable jurisdictions.

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

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

Third-Party Reimbursement

United States

Our products are used in medical procedures generally covered by government or private health plans. Accordingly, our sales and the prices we charge for our products depend significantly on the extent to which those third-party payors, such as Medicare, Medicaid, and other government programs and private insurance plans, cover our products and the procedures performed with them.

In general, a third-party payor only covers a medical product or procedure when the plan administrator is satisfied that the product or procedure improves health outcomes, including quality of life or functional ability, in a safe and cost-effective manner. Even if a device has received clearance or approval for marketing by the FDA, there is no assurance that third-party payors will cover the cost of the device and related procedures.

In many instances, third-party payors use price schedules that do not vary to reflect the cost of the products and equipment used in performing those procedures. In other instances, payment or reimbursement is separately available for the products and equipment used, in addition to payment or reimbursement for the procedure itself. Even if coverage is available, third-party payors may place restrictions on the circumstances where they provide coverage or may offer reimbursement that is not sufficient to cover the

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cost of our products. Many competing products are less expensive than ours. 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.

Third-party payors who cover the cost of medical products or equipment, in addition to a general charge for the procedure, often maintain lists of exclusive suppliers or approved lists of products deemed to be cost-effective. Authorization from those third-party payors is required prior to using products that are not on these lists as a condition of reimbursement. If our products are not on the approved lists, healthcare providers must determine if the additional cost and effort required to obtain prior authorization, and the uncertainty of actually obtaining coverage, is justified by any perceived clinical benefits from using our products.

Finally, the advent of contracted fixed rates per procedure has made it difficult to receive reimbursement for disposable products, even if the use of these products improves clinical outcomes. In addition, many third-party payors are moving to managed care systems in which providers contract to provide comprehensive healthcare for a fixed cost per person. Managed care providers often attempt to control the cost of healthcare by authorizing fewer elective surgical procedures. Under current prospective payment systems, such as the diagnosis related group system and the hospital out-patient prospective payment system, both of which are used by Medicare and in many managed care systems used by private third-party payors, the cost of our products will be incorporated into the overall cost of a procedure and not be separately reimbursed. As a result, we cannot be certain that hospital administrators and physicians will purchase our products, despite the clinical benefits and opportunity for cost savings that we believe can be derived from their use.

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

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 our distributors to obtain reimbursement approval in the countries in which they will sell our products. There can be no assurance that reimbursement approvals will be received.

Insurance

Our product liability insurance coverage is limited to a maximum of $10,000,000 per product liability claim and an aggregate policy limit of $10,000,000, subject to deductibles of $250,000 per occurrence and $500,000 in the aggregate. The policy covers, subject to policy conditions and exclusions, claims of bodily injury and property damage from any product sold or manufactured by us.

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We cannot assure you that this level of coverage is adequate. We may not be able to sustain or maintain this level of coverage and cannot assure you that adequate insurance coverage will be available on commercially reasonable terms or at all. A successful product liability claim or other claim with respect to uninsured or underinsured liabilities could have a material adverse effect on our business.

Environmental

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

Employees

As of April 1, 2006, we had 284 full-time employees and one part-time employee, including 23 in management and administration; 28 in research, product development and regulatory approval/quality assurance; 72 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. We sell our products outside the United States through a distribution network that, as of April 1, 2006, consisted of 28 distributors for 34 markets.

Facilities

We own a 68,352 square foot manufacturing, administrative, engineering and warehouse facility situated on 13 acres in Queensbury, New York. In 2003, we financed an expansion of this facility with the proceeds of industrial revenue bonds, and the land and buildings are subject to a first mortgage in favor of a bank. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for a discussion of this financing. We anticipate requiring additional manufacturing, administrative and engineering space within the next one to two years.

Legal Proceedings

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 (now called the VenaCure Procedure Kit) and two diode laser systems (the Precision 980 Laser and the Precision 810 Laser), and by conducting a training program for physicians in the use of our VenaCure 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 that our product does not infringe the Diomed patent.

On April 12, 2005, the court issued a Memorandum and Order on Claims Construction, commonly known as a Markman ruling, in which the Court rejected Diomed s interpretation of certain claim limitations. The court agreed with us on certain claim limitations and, as a result, effectively added additional weight to our position that the proper use of our product does not infringe Diomed s patent.

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In December 2005, we filed a motion for summary judgment of non-infringement in this action. Diomed has also filed a motion for summary judgment.

On January 3, 2006, we filed a declaratory judgment action in the U.S. District Court for the District of Delaware entitled AngioDynamics, Inc. v. Diomed Holdings, Inc., civ. action no. 06 002 (GMS), seeking a declaration by the court that the claims of Diomed s recently issued U.S. patent no. 6,981,971, entitled Medical Laser Device, are invalid, unenforceable and not infringed by the manufacture or sale of any of our products, systems or processes, and that Diomed be stopped from asserting any of these claims against us. On January 17, 2006, we filed an amended complaint for declaratory judgment seeking a judgment declaring that the claims of a second Diomed patent, U.S. patent no. 6,986,766 entitled Method of Endovenous Laser Treatment, are invalid, unenforceable and not infringed by the manufacture or sale of any of our products, systems or processes, and that Diomed also be stopped from asserting any of these claims against us. On January 31, 2006, Diomed filed a motion to dismiss alleging that this declaratory judgment action should be dismissed as purportedly having no actual case or controversy between us and Diomed and stating that Diomed believed there was no imminent threat of litigation by Diomed against us. At this time, we cannot predict how the court will rule on this motion. If the motion is granted, this case will be dismissed, and Diomed will be able to file a patent infringement action against us at a later date. If the motion is denied, the case will proceed in the normal course.

On October 4, 2005, VNUS Medical Technologies, Inc. (VNUS) filed an action against AngioDynamics and others (collectively, the Defendants) entitled VNUS Medical Technologies, Inc. v. Diomed Holdings, Inc., Diomed Inc., AngioDynamics, Inc., and Vascular Solutions, Inc., case no. C05-2972 MMC, filed in the U.S. District Court for the Northern District of California. The complaint alleges that the Defendants infringed on VNUS s U.S. patent nos. 6,258,084, 6,638,273, 6,752,803, and 6,769,433 by making, using, selling, offering to sell and/or instructing users how to use Diomed s EVLT products, AngioDynamics VenaCure products, and Vascular Solutions Vari-Lase products. The complaint alleges the Defendants actions have caused, and continue to cause, VNUS to suffer substantial damage. The complaint seeks to prohibit the Defendants from continuing to market and sell these products and asks for compensatory and treble money damages, reasonable attorneys fees, costs and pre-judgment and post-judgment interest. We believe that our product does not infringe the VNUS patents and have filed an answer to the complaint, including a counterclaim for relief and a demand for jury trial.

We purchase our lasers and laser fibers for our laser systems from biolitec under a supply and distribution agreement. In response to our request to biolitec that it assume the defense of the VNUS action, biolitec advised us that the claims asserted in the VNUS action were not covered by the indemnification provisions in the supply and distribution agreement. biolitec further advised us that, based on the refinement of the claims in the Diomed action, such claims were also not within biolitec s indemnification obligations under the agreement. We advised biolitec that we disagreed with its position and that we expected it to continue to honor its indemnification obligations to us under our agreement. We are engaged in discussions with biolitec to resolve this disagreement. Pending the outcome of these ongoing discussions, biolitec has agreed to continue to provide, at its cost and expense, our defense in the Diomed action but, has not agreed to do so for the VNUS action. Consequently, we are currently paying the costs of defending the VNUS action. Should it ultimately be determined that the claims asserted in these actions are not within biolitec s indemnification obligations under the supply and distribution agreement, we will be required to reimburse biolitec for the costs of defending the Diomed action and will be unable to recover the costs incurred in defending the VNUS action, and will be responsible for paying any settlements or judgments in these actions. There is a reasonable possibility of an outcome unfavorable to the Company with regard to the Diomed action, with a range of potential loss of between $674,000 and $5.6 million.

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We were initially named as a defendant in an action entitled Chapa, San Juanita, et. al. v. Spohn Hospital Shoreline, et al., file no. 03-60961-00-0-1, filed in the District Court of Nueces County, Texas, on July 22, 2003. The complaint alleged that we and our co-defendant 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 plaintiffs voluntarily dismissed the case without prejudice when they were unable to establish product identification. In November 2004, the plaintiffs filed an amended complaint reinstituting the action against us and Medcomp. The complaint seeks compensatory and other monetary damages in unspecified amounts.

We have tendered the defense of the Chapa action to Medcomp, and Medcomp has accepted defense of the action. Based upon our prior experience with Medcomp, we expect Medcomp to honor its indemnification obligation to us if it is unsuccessful in defending this action.

We are party to other legal actions that arise in the ordinary course of our business, none of which, individually or in the aggregate, is expected to have a material adverse effect on our business, financial condition, results of operations or cash flows.

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MANAGEMENT

The following table sets forth certain information with respect to the Company s executive officers and directors as of April 1, 2006.

Name	Age	Position
Eamonn P. Hobbs	47	President, Chief Executive Officer and Director
Joseph G. Gerardi	43	Vice President, Chief Financial Officer and Treasurer
Harold C. Mapes	45	Vice President, Operations
Robert M. Rossell	50	Vice President, Marketing
William M. Appling	43	Vice President, Research
Brian S. Kunst	46	Vice President, Regulatory Affairs/Quality Assurance
Paul J. Shea	52	Vice President, Sales
Daniel K. Recinella	47	Vice President, Product Development
Paul S. Echenberg	62	Chairman of the Board of Directors, Director
Jeffrey Gold(1)(3)	58	Director
David P. Meyers	42	Director
Howard W. Donnelly(1)(2)	44	Director
Dennis S. Meteny(1)(2)	52	Director
Robert E. Flaherty(2)(3)	60	Director
Gregory D. Casciaro(3)	49	Director
Peter J. Graham	39	Director

(1) Member of Governance/Nominating Committee

(2) Member of Audit Committee

(3) Member of Compensation Committee

Eamonn P. Hobbs is one of our co-founders. He has been our President and Chief Executive Officer since June 1996 and a director since our inception. From 1991 until September 2002, Mr. Hobbs was a Vice President, and from October 2002 to May 2004 was 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 was continuously employed by E-Z-EM from 1988 to May 2004. From 1986 to 1988, Mr. Hobbs was Director of Marketing for the North American Instrument Corporation (NAMIC), a medical device company later acquired by Boston Scientific. Mr. Hobbs started his career at Cook, a leading manufacturer of interventional radiology, interventional cardiology and gastroenterology medical devices. Mr. Hobbs has over 24 years experience in the interventional radiology, interventional cardiology and gastroenterology medical device industries. He is a bio-medical engineer, having completed a Bachelor of Sciences in Plastics Engineering with a Biomaterials emphasis at University of Lowell in 1980. Mr. Hobbs is the only business executive from the medical device industry to serve on the strategic planning committee of the Society of Interventional Radiology, or SIR, and in April 2005, he was awarded an honorary fellowship by the SIR.

Joseph G. Gerardi became our Vice President, Chief Financial Officer in March 2004. He was our Vice President, Controller from 1996 to March 2004 and, from 1992 to 1996, was our Plant Controller. From 1987 to 1992, Mr. Gerardi was the Controller for 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

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joining us, Mr. Mapes held product development and supervisory manufacturing and engineering positions from 1988 to 1992 with Mallinckrodt Medical, a medical device manufacturer. He holds a Bachelor of Science in Mechanical Engineering from Tri-State University and a Master of Business Administration from the State University of New York at Albany.

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 Corporation, from 1981 to 1985, and Johnson & Johnson, Inc., 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 NAMIC from 1986 to 1988 and a Product Development Engineer with the Edwards Division of American Hospital Supply Corporation from 1984 to 1986.

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

Paul J. Shea has served as our Vice President, Sales, since 1997, and from 1991 to 1997 held positions as our National Sales Manager, Director of U.S. Sales and Director of World Wide Sales. Before joining us, from 1985 to 1991, Mr. Shea held various sales and marketing positions including Product Manager, Regional Manager and National Sales Manager at Microvasive, Inc., a division of Boston Scientific Corporation. 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.

Daniel K. Recinella has served as our Vice President, Product Development, since June 2004 and, from 2001 to June 2004, was our Director of Product Development. From 1989, when he joined us, to 2004, Mr. Recinella was a Project Manager and Senior Project Engineer for our product development group and Director of Thrombolytic/Thrombectomy Products for our marketing group. In 1989, Mr. Recinella was a Senior Project Engineer for VASER, Inc., a medical devices company. From 1985 to 1989, he was a Project Engineer and Product Development Engineer with BSC/Mansfield Scientific, a medical devices company. From 1983 to 1985, Mr. Recinella was a Product Development Engineer with Sarns/3M, a medical capital and devices company. Mr. Recinella holds a Bachelor of Science in Mechanical Engineering from the University of Michigan and a Master of Business Administration from the State University of New York at Albany.

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, our former parent company, since 1987, Chairman of the board of directors of E-Z-EM since January 2005, and Chairman of the board of directors of E-Z-EM Canada, an E-Z-EM subsidiary, since 1994. He has been the President, Chief Executive Officer and a director of Schroders & Associates Canada Inc., an investment buy-out advisory services company, and a director of Schroders Ventures Ltd., an investment firm, since 1996. He is also a founder and has been a

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general partner and director of Eckvest Equity Inc., a personal investment and consulting services company since 1989. From 1970 to 1989, he was President and Chief Executive Officer of Twinpak Inc. and Executive Vice President of CB Pak Inc., both packaging companies. He also co-founded BDE & Partners, an investment banking and strategic advisory services firm, in 1991. He is a director of Lallemand Inc., Benvest Newlook Income Trust, ITI Medical, Flexia Corp., Fib-Pak Industries Inc., Med-Eng Systems Inc., MacroChem Corp., MatraPack Industries Inc. and A.P. Plasman Corp.

Jeffrey Gold has served as a director since 1997. Mr. Gold was a consultant to Boston Scientific Corporation from its acquisition of CryoVascular Systems Inc. in April 2005 until December 2005. Mr. Gold was President and CEO of CryoVascular Systems, a peripheral vascular disease device company, from 2001 until its acquisition by Boston Scientific. 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, Mr. Gold spent 18 years with Cordis Corporation in a variety of senior management roles including Vice President of Manufacturing and Vice President of Research and Development, and was a 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 its peripheral vascular business. He serves on the board of directors of several start-up medical device companies and is a Special Network Advisor to Sapient Capital Management.

David P. Meyers has served as a director, and as 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. Mr. Donnelly is also a principal of Concert Medical, a privately held contract manufacturer for the medical device industry. 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. In February 2006, Mr. Meteny became the President and CEO of Teemyn LLC, a private strategic advisory firm. From 2003 to 2006, Mr. Meteny was an Executive-in-Residence at the Pittsburgh Life Sciences Greenhouse, a strategic economic development initiative of the University of Pittsburgh Health System, Carnegie Mellon University, the University of Pittsburgh, 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, of Respironics, Inc. a cardio-pulmonary medical device company. Mr. Meteny began his career in 1975 with Ernst & Young LLP.

Gregory D. Casciaro joined our board of directors in April 2004. Since September 2004, Mr. Casciaro has been President, Chief Executive Officer and a director of XTENT, Inc, a developer of stent systems for delivering multiple drug eluting stents of customizable length with a single catheter. From 2000 to 2004, he was President, Chief Executive Officer and a director of Orquest, Inc., a developer and manufacturer of devices used for orthopedic procedures that was acquired by Johnson & Johnson. From 1995 to 2000,

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Mr. Casciaro was employed by General Surgical Innovations, Inc., a videoscopic surgical equipments manufacturer that was acquired by United States Surgical, a division of Tyco Healthcare Group LP, in 1999. Mr. Casciaro s last position with General Surgical Innovations was as a director and its President and Chief Executive Officer from 1998 to 2000. Mr. Casciaro was employed by the Devices for Vascular Innovations division of Guidant Corporation from 1991 to 1995, having last served as the Vice President of Sales from 1994 to 1995. Prior to joining Guidant, he was employed by NAMIC from 1983 to 1991, with his last position being Area Sales Manager. Mr. Casciaro began his career with Procter and Gamble Company in 1978. He is currently a director of Apneon, Inc. and Kerberos Proximal Solutions.

Robert E. Flaherty joined our board of directors in April 2004. Since 1992, Mr. Flaherty has served as Chairman, President and Chief Executive Officer of Athena Diagnostics, Inc., a commercial laboratory specializing in developing diagnostic testing services focused on neurological disorders. From 1992 to 1995, Mr. Flaherty served as President and Chief Executive Officer of Genica Pharmaceuticals, which was acquired by Athena Neurosciences, Inc., and renamed Athena Diagnostics in 1995. Athena Neurosciences subsequently was acquired by Elan Corporation plc in 1996. In 2002, Athena Diagnostics, Inc., became a privately held company following a leveraged buy-out. From 1976 to 1992, Mr. Flaherty was employed by Becton, Dickinson & Company, a medical technology company, with his last position from 1984 to 1992 being President of that company s largest operating unit, the Becton Dickinson Division. Before that, he was employed by C.R. Bard in various sales and marketing positions in its surgical and cardiovascular units in the United States and abroad. Mr. Flaherty began his career with Procter and Gamble Company in 1968 in manufacturing management.

Peter J. Graham joined our board of directors in January 2006, when he was elected to fill the vacancy created by the death of our co-founder and former Chairman, Howard S. Stern. Mr. Graham has been Senior Vice President Chief Legal Officer, Global Human Resources and director of E Z EM since May 2005, and was Vice President-General Counsel and Secretary of E Z-EM from 2001 to May 2005. Mr. Graham also served as our Corporate Counsel and Secretary from 1997 until our spin-off by E-Z EM in October 2004.

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DESCRIPTION OF CAPITAL STOCK

The total amount of authorized capital stock of our company is 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, based on shares outstanding as of April 1, 2006, 14,955,965 shares of our common stock and no shares of preferred stock will be issued and outstanding.

The following is a summary of the rights of our common stock and preferred stock. This summary is not complete and is qualified in its entirety by reference to our amended and restated certificate of incorporation, our amended and restated bylaws, our shareholder rights plan and Delaware law. See Where You Can Find More Information.

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

We are authorized to issue 5,000,000 shares of undesignated preferred stock. Our board of directors has the authority to (i) issue the undesignated preferred stock in one or more series, (ii) determine the powers, preferences and rights of, 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 outweigh 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 in their terms.

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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 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 do 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 provides that our board of directors is divided into three classes. The term of our current third class of directors will expire at our 2006 annual meeting of stockholders, the term of our current first class of directors will expire at our 2007 annual meeting of stockholders, and the term of our second class of directors will expire at our 2008 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 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 are 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 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 do not provide that special meetings of the stockholders may be called by stockholders. Advance written notice is required, which generally must be received by us 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 the affirmative vote of a majority of our outstanding shares of capital stock. Our amended and restated certificate of incorporation provides that stockholders are not be permitted to act by written consent.

Our amended and restated certificate of incorporation allows 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.

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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 and may also have the effect of preventing changes in our management.

Stockholder Rights Plan

Our board of directors has adopted a stockholder rights plan. Under the rights plan, each outstanding share of our common stock is coupled with a stockholder right. Initially, the stockholder rights are attached to the certificates representing outstanding shares of common stock, and no separate rights certificates are distributed. Each right entitles the holder to purchase one-ten thousandth of a share of our Series A junior participating preferred stock at a price of $78.00. 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 between us and Registrar and Transfer Company, as rights agent.

Stockholder rights are not exercisable until the distribution date, and will expire on May 26, 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 that 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.

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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 that, 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.

Any person that held 15% or more of our issued and outstanding shares of common stock following the distribution on October 30, 2004, of our common stock by E-Z-EM to its stockholders is deemed an exempt person under the rights plan. The ownership of our common stock by any such person will not trigger the distribution of rights under the rights plan unless any such person acquires additional shares representing 1% or more of our issued and outstanding common stock.

Transfer Agent and Registrar

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

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UNDERWRITING

RBC Capital Markets Corporation, Canaccord Adams, First Albany Capital Inc., and KeyBanc Capital Markets are acting as lead 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	
Canaccord Adams Inc.	
First Albany Capital Inc.	
KeyBanc Capital Markets	
Total	2,400,000

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 $650,000.

Over-Allotment Option

We have granted to the underwriters an option to purchase up to an aggregate of 360,000 shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option in whole or in part at any time until 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares proportionate to that underwriter s initial commitment as indicated in the preceding table.

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Lock-Up Agreements

We have agreed that, without the prior written consent of RBC Capital Markets Corporation, we will not, directly or indirectly, offer, sell or dispose of any common stock or any securities which may be converted into or exchanged for any common stock for a period of 90 days from the date of this prospectus. Our executive officers, directors and certain stockholders, who, as of April 19, 2006, beneficially owned approximately 2.7 million shares of our common stock (including shares subject to currently exercisable options), with specific exceptions, 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 90 days from the date of this prospectus; provided that executive officers and directors may sell shares of common stock in accordance with the terms and conditions of previously executed and announced Rule 10b5-1 selling plans and the stockholders may sell shares in a manner consistent with the private letter ruling issued by the IRS in connection with the spin-off by E-Z-EM of our stock to its stockholders, and in private resale transactions.

Indemnification

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

Stabilization, Short Positions and Penalty Bids

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

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

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

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.

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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.

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LEGAL MATTERS

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

EXPERTS

The financial statements as of May 28, 2005 and for the fiscal year ended May 28, 2005 included in and incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the fiscal year ended May 28, 2005 have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements as of May 29, 2004 and for each of the two fiscal years in the period ended May 29, 2004, included in this Registration Statement and Prospectus and incorporated in this Registration Statement and Prospectus by reference to the Annual Report on Form 10-K for the fiscal year ended May 28, 2005, have been audited by Grant Thornton LLP, an independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference rooms at 100 F Street, N.E., Washington, D.C. 20549 and at regional offices in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at the SEC s web site at http://www.sec.gov.

We make available free of charge through our website, which you can find at www.angiodynamics.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with the SEC, which means:

- incorporated documents are considered part of the prospectus;

we can disclose important information to you by referring you to those documents; and

information that we file later with the SEC automatically will update and supersede information contained in the prospectus.

We are incorporating by reference the following documents, which we have previously filed with the SEC:

(1) our Annual Report on Form 10-K for the fiscal year ended May 28, 2005;

(2) our Quarterly Report on Form 10-Q for the quarterly period ended August 27, 2005;

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(3) our Quarterly Report on Form 10-Q for the quarterly period ended November 26, 2005;

(4) our Quarterly Report on Form 10-Q for the quarterly period ended February 25, 2006;

(5) our Quarterly Report on Form 10-Q/A for the quarterly period ended February 25, 2006;

(6) our Current Reports on Form 8-K filed with the SEC on

(i) August 4, 2005

(ii) October 19, 2005

(iii) November 30, 2005

(iv) January 4, 2006

(v) January 20, 2006;

(7) the description of the Company s common stock, par value $0.01 per share, contained in the Registration Statement on Form 8-A filed with the SEC on May 13, 2004, including any amendments or reports filed for the purpose of updating such description;

(8) the description of the Company s preferred stock purchase rights contained in the Registration Statement on Form 8-A filed with the SEC on October 27, 2004, including any amendments or reports filed for the purpose of updating such description; and

(9) any future filings with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until our offering is completed; provided that the prospectus will not incorporate any information we may furnish to the SEC under Item 2.02 or Item 7.01 of Form 8-K.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You can obtain copies of the documents incorporated by reference in the prospectus without charge through our website (www.angiodynamics.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC, or by requesting them in writing or by telephone at the following address:

AngioDynamics, Inc.

603 Queensbury Avenue

Queensbury, New York 12804

Attention: Chief Financial Officer

(718) 798-1215

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders equity and comprehensive income and of cash flows present fairly, in all material respects, the financial position of AngioDynamics, Inc. and its subsidiary at May 28, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Albany, New York

July 21, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

AngioDynamics, Inc.

We have audited the accompanying consolidated balance sheet of AngioDynamics, Inc. and Subsidiary as of May 29, 2004, and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for the fifty-two weeks ended May 29, 2004 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 of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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 Subsidiary as of May 29, 2004, and the consolidated results of their operations and their consolidated cash flows for the fifty-two weeks ended May 29, 2004 and May 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Melville, New York

July 13, 2004, except for Note N as to which the date is August 17, 2004

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ANGIODYNAMICS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(in thousands)

	May 29, 2004	May 28, 2005	February 25, 2006
			(unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,747	$ 14,498	$ 13,356
Restricted cash	101		
Marketable securities, at fair value	737	12,601	15,551
Accounts receivable trade, net of allowance for doubtful accounts of $289, $203 and $287 at May 29, 2004, May 28, 2005, and February 25, 2006, respectively	7,945	9,929	12,182
Stock subscription receivable	19,949		
Inventories	8,545	10,264	13,137
Deferred income taxes	681	736	707
Due from former parent		85	
Prepaid expenses and other	670	1,594	1,164
Total current assets	40,375	49,707	56,097
PROPERTY, PLANT AND EQUIPMENT AT COST, less accumulated depreciation and amortization	7,343	8,528	10,355
DEFERRED INCOME TAXES	642	501	586
INTANGIBLE ASSETS, less accumulated amortization of $911, $1,036 and $1,173 at May 29, 2004, May 28, 2005, and February 25, 2006, respectively	964	839	3,095
OTHER ASSETS	402	97	94
TOTAL ASSETS	$ 49,726	$ 59,672	$ 70,227