

People's United Financial, Inc.
Form 424B2
December 04, 2012
Table of Contents

CALCULATION OF REGISTRATION FEE

	Title of Each Class of Securities to be Registered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
	3.65% Senior Notes due 2022	\$500,000,000	\$68,200.00

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

Table of Contents

**Filed Pursuant to Rule 424(b)(2)
File No. 333-184753**

Prospectus supplement

(To prospectus dated November 5, 2012)

\$500,000,000

3.65% Senior Notes due 2022

Interest payable June 6 and December 6

Issue price: 99.668%

We will pay interest on the notes at an annual rate equal to 3.65% and will pay interest on June 6 and December 6 of each year, beginning on June 6, 2013. The notes will mature on December 6, 2022. We may redeem some or all of the notes at any time before maturity at the redemption prices set forth under the section entitled "Description of the notes - Optional redemption."

The notes will be unsecured and unsubordinated obligations of People's United Financial, Inc. and will rank equally among themselves and with all of our other unsecured unsubordinated indebtedness. The notes will not be guaranteed by any of our subsidiaries.

The notes will be issued only in registered book-entry form, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

The notes will not be listed on any securities exchange. Currently there is no public market for the notes.

See the information under "Risk factors" beginning on page S-6 and the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2011, incorporated by reference herein, for a discussion of certain risks that you should consider in connection with an investment in the notes.

The notes are not deposits or other obligations of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price(1)	99.668%	\$ 498,340,000
Underwriting discount and commissions	0.500%	\$ 2,500,000
Proceeds to People's United Financial, Inc. (before expenses)(1)	99.168%	\$ 495,840,000

Edgar Filing: People's United Financial, Inc. - Form 424B2

(1) Plus accrued and unpaid interest, if any, from December 6, 2012

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company and its participants, including the Euroclear System or Clearstream Banking, S.A., against payment in New York, New York on or about December 6, 2012.

Sole Bookrunner

J.P. Morgan

Co-Managers

Jefferies

December 3, 2012

Goldman, Sachs & Co.

Table of Contents**Table of contents****Prospectus supplement**

	Page
<u>About this prospectus supplement</u>	S-ii
<u>Where you can find more information</u>	S-ii
<u>Special note regarding forward-looking statements</u>	S-iii
<u>Summary</u>	S-1
<u>Risk factors</u>	S-6
<u>Use of proceeds</u>	S-9
<u>Capitalization</u>	S-10
<u>Description of the notes</u>	S-11
<u>Certain United States federal income and estate tax consequences to non-U.S. holders</u>	S-22
<u>Certain ERISA considerations</u>	S-26
<u>Underwriting</u>	S-28
<u>Validity of notes</u>	S-31
<u>Experts</u>	S-31

Prospectus

<u>About This Prospectus</u>	i
<u>Where You Can Find More Information</u>	i
<u>The Company</u>	1
<u>Consolidated Earnings Ratios</u>	2
<u>Use of Proceeds</u>	3
<u>Validity of the Securities</u>	3
<u>Experts</u>	3

You should rely only on the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Table of Contents

About this prospectus supplement

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of the offering. The second part is the prospectus, which describes more general information, some of which may not apply to the offering. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the headings "Where You Can Find More Information" in the accompanying prospectus and "Where you can find more information" below.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement to "People's United Financial," "we," "our," and "us" refer to People's United Financial, Inc. and its consolidated subsidiaries, including People's United Bank, our principal banking subsidiary.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Currency amounts in this prospectus supplement are stated in U.S. dollars.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Our SEC filings are available to the public at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available at the offices of the NASDAQ Global Select Market, located at 1735 K Street, N.W., Washington, D.C. 20006.

The SEC allows us to incorporate by reference into this prospectus supplement the information in documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and should be read with the same care. When we update the information contained in this prospectus supplement or in documents that have been incorporated by reference, by making future filings with the SEC, the information in this prospectus supplement or incorporated by reference in this prospectus supplement is considered to be automatically updated and superseded. In other words, in all cases, if you are considering whether to rely on information contained in this prospectus supplement or information incorporated by reference into this prospectus supplement, you should rely on the information contained in the document that was filed later.

We incorporate by reference the documents listed below and any additional documents we file with the SEC in the future under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") until our offering is completed (other than information and exhibits in such documents that are deemed, in accordance with the Exchange Act and SEC rules, not to have been filed under the Exchange Act):

Annual Report on Form 10-K for the year ended December 31, 2011;

Table of Contents

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012 and September 30, 2012; and

Current Reports on Form 8-K filed on January 20, 2012, February 28, 2012, April 20, 2012, April 30, 2012, June 25, 2012, July 20, 2012, October 19, 2012 and November 26, 2012.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing) at no cost, by writing to or telephoning us at the following address:

People's United Financial, Inc.

Investor Relations

850 Main Street, 15th Floor,

Bridgeport, Connecticut 06604

(203) 338-6799

Special note regarding forward-looking statements

Certain statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus may be considered to be forward-looking statements as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, such as statements that include the words expect, anticipate, believe, should, and similar expressions, and include all statements about People's United Financial's operating results or financial position for future periods. Forward-looking statements represent management's beliefs, based upon information available at the time the statements are made, with regard to the matters addressed; they are not guarantees of future performance.

All forward-looking statements are subject to risks and uncertainties that could cause People's United Financial's actual results or financial condition to differ materially from those expressed in or implied by such statements. Factors of particular importance to People's United Financial include, but are not limited to:

- changes in general, international, national or regional economic conditions;
- changes in interest rates;
- changes in loan default and charge-off rates;
- changes in deposit levels;
- changes in levels of income and expense in non-interest income and expense related activities;
- residential mortgage and secondary market activity;
- changes in accounting and regulatory guidance applicable to banks;
- price levels and conditions in the public securities markets generally;
- competition and its effect on pricing, spending, third-party relationships and revenues;
- the successful integration of acquired companies; and
- changes in regulation resulting from or relating to financial reform legislation.

All forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed.

Additional factors that may cause future results to differ materially from forward-looking statements can be found in portions of our periodic and current reports filed with the SEC and

Table of Contents

incorporated by reference in this prospectus supplement. These factors include, for example, those discussed in the Risk factors section beginning on page S-6 of this prospectus supplement and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011. There is no assurance that any list of risks and uncertainties or risk factors is complete.

Any forward-looking statements made by or on behalf of us in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference in this prospectus supplement or the accompanying prospectus speak only as of the date of this prospectus supplement, the accompanying prospectus or such document incorporated by reference in this prospectus supplement or the accompanying prospectus, as the case may be. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

S-iv

Table of Contents

Summary

The following summary should be read together with the information contained in other parts of this prospectus supplement and the accompanying prospectus. This summary highlights selected information from this prospectus supplement and the accompanying prospectus to help you understand the offering of the notes. You should read this prospectus supplement and the accompanying prospectus, including the documents we incorporate by reference in this prospectus supplement and the accompanying prospectus, carefully to understand fully the terms of the notes as well as the other considerations that are important to you in making a decision about whether to invest in the notes. You should pay special attention to the Risk factors section beginning on page S-6 of this prospectus supplement and in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference in this prospectus supplement, before you determine whether an investment in the notes is appropriate for you.

People's United Financial, Inc.

People's United Financial, Inc. is a savings and loan holding company incorporated under the state laws of Delaware and the holding company for People's United Bank, a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut.

The principal business of People's United Financial is to provide, through People's United Bank and its subsidiaries, commercial banking, retail and business banking, and wealth management services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within New England and New York, and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits.

In addition to traditional banking activities, People's United Bank provides specialized financial services tailored to specific markets including: personal, institutional and employee benefit trusts; cash management; and municipal banking and finance. Through its non-banking subsidiaries, People's United Bank offers: brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc.; equipment financing through People's Capital and Leasing Corp. and People's United Equipment Finance Corp.; and other insurance services through People's United Insurance Agency, Inc.

In October 2011, People's United Bank filed an application with the Office of the Comptroller of the Currency (the OCC) to convert to a national bank charter. In connection with this conversion, People's United Financial intends to submit an application to the Federal Reserve Bank of New York (the FRB-NY) to convert to a bank holding company. In connection with doing so, People's United Financial expects to make an election for financial holding company status.

Our principal executive offices are located at 850 Main Street, Bridgeport, Connecticut 06604, and our telephone number at that address is 203-338-7171.

Table of Contents

Summary of offering

The following summary contains basic information about the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the section of this prospectus supplement entitled Description of the notes.

Issuer	People's United Financial, Inc., a Delaware corporation
Securities offered	\$500,000,000 aggregate principal amount of 3.65% Senior Notes due 2022 (the "notes")
Issue date	December 6, 2012
Maturity	December 6, 2022
Interest	We will pay interest on the notes at the rate of 3.65% per year payable in cash on June 6 and December 6 of each year, beginning on June 6, 2013.
Optional redemption	<p>At any time prior to September 6, 2022 (the date falling three months prior to the maturity date), at our option, we may redeem the notes, in whole or in part, at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed or (b) a "make-whole" amount described herein, plus in either case accrued and unpaid interest to the redemption date. See Description of the notes Optional redemption.</p> <p>In addition, at our option, we may redeem the notes, in whole or in part, at any time on or following September 6, 2022 (the date falling three months prior to the maturity date), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to the redemption date.</p>
Ranking	<p>The notes will be People's United Financial, Inc.'s unsecured unsubordinated obligations and will rank equally with all of its other unsecured unsubordinated indebtedness, and will be effectively subordinated to any secured indebtedness to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to the existing and future indebtedness of its subsidiaries.</p> <p>As of September 30, 2012, People's United Financial, Inc.'s consolidated subsidiaries had, in the aggregate, outstanding debt and other liabilities, including deposits, of approximately \$23.5 billion, all of which would structurally rank senior to the notes in case of liquidation or otherwise (excluding intercompany liabilities). As of September 30, 2012, People's United Financial, Inc. (not including its consolidated subsidiaries) had no outstanding unsecured unsubordinated debt or secured debt and approximately \$139.9 million of outstanding unsecured subordinated debt.</p>

Table of Contents

	<p>The indenture does not limit the amount of additional indebtedness we or our subsidiaries may incur.</p>
Restrictive covenants	<p>We will issue the notes under a senior debt indenture between us and The Bank of New York Mellon, as trustee. The senior debt indenture includes provisions that, among other things, restrict our ability to:</p> <p>dispose of, grant security interests in or issue shares of voting stock of People's United Bank and</p> <p>transfer all or substantially all of our assets or merge or consolidate with or into other entities,</p> <p>without satisfying the conditions described in the section entitled "Description of the notes - Certain covenants" in this prospectus supplement.</p>
No guarantees	<p>The notes are not guaranteed by any of our subsidiaries. As a result, the notes will be structurally subordinated to the liabilities of our subsidiaries as discussed above under "Ranking."</p>
Additional notes	<p>We may, without the consent of holders, issue additional notes in the future on the same terms and conditions (except for any differences in the issue price and interest accrued prior to the issue date of the additional notes, and with the same CUSIP number as the notes offered hereby), provided that such additional notes are fungible with the notes for U.S. federal income tax purposes. The notes offered by this prospectus supplement and any such additional notes would rank equally and ratably and would be treated as a single series for all purposes under the indenture.</p>
Use of proceeds	<p>We expect to receive net proceeds from this offering of approximately \$494.5 million after deducting underwriting discounts and commissions and estimated expenses payable by us. We intend to use the proceeds for general corporate purposes, including (subject to obtaining required regulatory approval) stock repurchases and contributions of capital or extensions of credit to People's United Bank.</p> <p>See the section entitled "Use of proceeds."</p>
Listing	<p>The notes will not be listed on any securities exchange.</p>

Table of Contents**Summary selected consolidated financial information**

The following table presents selected summary consolidated financial and other data as of and for the periods presented. The selected historical financial data as of December 31, 2011 and 2010 and for each of the years in the three-year period ended December 31, 2011 are derived from our audited consolidated financial statements and related notes, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. The selected historical financial data for prior years is derived from our audited consolidated financial statements which are not incorporated by reference into this prospectus supplement and accompanying prospectus. The selected historical data as of September 30, 2012 and 2011 and for the nine-month periods ended September 30, 2012 and 2011 are derived from our unaudited consolidated financial statements and related notes, which are incorporated by reference into this prospectus supplement and the accompanying prospectus. Such unaudited financial statements have been prepared on the same basis as our annual consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the data in all material respects. The results for any interim period are not necessarily indicative of the results of operations to be expected for a full fiscal year.

(dollars in millions, except per share data)	Nine months ended September 30,		Years ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Earnings Data:							
Net interest income (fully taxable equivalent)	\$ 711.8	\$ 679.1	\$ 921.2	\$ 697.3	\$ 580.2	\$ 640.3	\$ 486.6
Provision for loan losses	37.2	43.0	63.7	60.0	57.0	26.2	8.0
Non-interest income(1)	229.5	235.9	307.6	270.0	284.3	279.6	185.4
Non-interest expense(1)(2)	623.2	641.7	871.9	782.0	659.8	685.0	439.3
Net income	184.1	151.0	192.4	82.5	101.2	137.8	150.7
Operating earnings(3)	190.7	173.6	230.7	122.2	104.3	171.0	190.3
Selected Statistical Data:							
Net interest margin	3.94%	4.09%	4.10%	3.67%	3.20%	3.63%	4.13%
Operating net interest margin(3)	3.89	4.02	4.03	3.67	3.20	3.63	4.13
Return on average assets	0.88	0.79	0.74	0.37	0.49	0.68	1.18
Operating return on average assets(3)	0.91	0.90	0.89	0.55	0.50	0.84	1.49
Return on average tangible assets	0.96	0.85	0.80	0.41	0.53	0.73	1.19
Return on average stockholders' equity	4.7	3.8	3.6	1.5	2.0	2.6	4.2
Return on average tangible stockholders' equity	8.1	6.2	6.0	2.3	2.8	3.7	4.3
Operating return on average tangible stockholders' equity(3)	8.4	7.1	7.2	3.4	2.9	4.6	5.5
Efficiency ratio(3)	62.2	64.5	64.0	73.3	72.7	65.8	56.1

Table of Contents

(dollars in millions, except per share data)	Nine months ended September 30,		Years ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Financial Condition Data:							
Total assets	\$ 28,576	\$ 27,200	\$ 27,553	\$ 25,032	\$ 21,257	\$ 20,168	\$ 13,555
Loans	21,040	20,136	20,385	17,323	14,099	14,547	8,894
Securities	3,787	2,540	2,931	3,033	902	1,902	61
Short-term investments(4)	64	779	411	1,120	3,492	1,139	3,516
Allowance for loan losses	186	177	183	173	173	158	73
Goodwill and other acquisition-related intangibles	2,160	2,151	2,174	1,962	1,515	1,536	104
Deposits	21,363	20,487	20,816	17,933	15,446	of the debt warrants;	

the offering price for the debt warrants;

the aggregate number of the debt warrants;

Table of Contents

the designation and terms of the debt securities purchasable upon exercise of such debt warrants;

if applicable, the designation and terms of the securities with which such debt warrants are issued and the number of such debt warrants issued with each security;

if applicable, the date from and after which such debt warrants and any securities issued therewith will be separately transferable;

the principal amount of debt securities purchasable upon exercise of a debt warrant and the price at which such principal amount of debt securities may be purchased upon exercise;

the date on which the right to exercise such debt warrants shall commence and the date on which such right shall expire;

if applicable, the minimum or maximum amount of such debt warrants which may be exercised at any one time;

whether the debt warrants represented by the debt warrant certificates or debt securities that may be issued upon exercise of the debt warrants will be issued in registered form;

information with respect to book-entry procedures, if any;

the currency, currencies or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of certain United States federal income tax considerations;

the identity of the warrant agent for the warrants;

the antidilution provisions of such debt warrants, if any;

the redemption or call provisions, if any, applicable to such debt warrants; and

any additional terms of the debt warrants, including terms, procedures and limitations relating to the exchange and exercise of such debt warrants.

DESCRIPTION OF DEPOSITARY SHARES

The following briefly summarizes the provisions of the depositary shares and depositary receipts that we may issue from time to time and which would be important to holders of depositary shares and depositary receipts, other than pricing and related terms, which will be disclosed in the applicable prospectus supplement. The prospectus supplement will also state whether any of the general provisions summarized below do not apply to the depositary shares or depositary receipts being offered and provide any additional provisions applicable to the depositary shares or depositary receipts being offered. The following description and any description in a prospectus supplement may not be complete and are subject to, and qualified in their entirety by reference to the terms and provisions of the form of deposit agreement filed as an exhibit to the registration statement which contains this prospectus.

Depositary Shares

We may offer depositary shares evidenced by depositary receipts. Each depositary share represents a fraction or a multiple of a share of a particular series of preferred stock that we issue and deposit with a depositary. The fraction or the multiple of a share of preferred stock, which each depositary share represents, will be set forth in the applicable prospectus supplement.

We will deposit the shares of any series of preferred stock represented by depositary shares according to the provisions of a deposit agreement to be entered into between us and a bank or trust company, which we will select as its preferred stock depositary. We will name the depositary in the applicable prospectus supplement. Each holder of a depositary share will be entitled to all the rights and preferences of the underlying preferred stock in proportion to the applicable fraction or multiple of a share of preferred stock represented by the

Table of Contents

depository share. These rights include any applicable dividend, voting, redemption, conversion and liquidation rights. The depository will send the holders of depository shares all reports and communications that we deliver to the depository and which we are required to furnish to the holders of depository shares.

Depository Receipts

The depository shares will be evidenced by depository receipts issued pursuant to the deposit agreement. Depository receipts will be distributed to anyone who is buying the fractional shares of preferred stock in accordance with the terms of the applicable prospectus supplement.

Withdrawal of Preferred Stock

Unless the related depository shares have previously been called for redemption, a holder of depository shares may receive the number of whole shares of the related series of preferred stock and any money or other property represented by the holder's depository receipts after surrendering the depository receipts at the corporate trust office of the depository, paying any taxes, charges and fees provided for in the deposit agreement and complying with any other requirement of the deposit agreement. Partial shares of preferred stock will not be issued. If the surrendered depository shares exceed the number of depository shares that represent the number of whole shares of preferred stock the holder wishes to withdraw, then the depository will deliver to the holder at the same time a new depository receipt evidencing the excess number of depository shares. Once the holder has withdrawn the preferred stock, the holder will not be entitled to re-deposit that preferred stock under the deposit agreement or to receive depository shares in exchange for such preferred stock.

Dividends and Other Distributions

The depository will distribute to record holders of depository shares any cash dividends or other cash distributions it receives on preferred stock. Each holder will receive these distributions in proportion to the number of depository shares owned by the holder. The depository will distribute only whole U.S. dollars and cents. The depository will add any fractional cents not distributed to the next sum received for distribution to record holders of depository shares.

In the event of a non-cash distribution, the depository will distribute property to the record holders of depository shares, unless the depository determines that it is not feasible to make such a distribution. If this occurs, the depository may, with our approval, sell the property and distribute the net proceeds from the sale to the holders.

The amounts distributed to holders of depository shares will be reduced by any amounts required to be withheld by the preferred stock depository or by we on account of taxes or other governmental charges.

Redemption of Depository Shares

If the series of preferred stock represented by depository shares is subject to redemption, then we will give the necessary proceeds to the depository. The depository will then redeem the depository shares using the funds it received from us for the preferred stock. The redemption price per depository share will be equal to the redemption price payable per share for the applicable series of the preferred stock and any other amounts per share payable with respect to the preferred stock multiplied by the fraction of a share of preferred stock represented by one depository share. Whenever we redeem shares of preferred stock held by the depository, the depository will redeem the depository shares representing the shares of preferred stock on the same day, provided we have paid in full to the depository the redemption price of the preferred stock to be redeemed and any accrued and unpaid dividends. If fewer than all the depository shares of a series are to be redeemed, the depository shares will be selected by lot or ratably or by any other

equitable method as the depositary will decide.

After the date fixed for redemption, the depositary shares called for redemption will no longer be considered outstanding. Therefore, all rights of holders of the depositary shares will cease, except that the holders will still be entitled to receive any cash payable upon the redemption and any money or other property to which the holder

Table of Contents

was entitled at the time of redemption. To receive this amount or other property, the holders must surrender the depositary receipts evidencing their depositary shares to the preferred stock depositary. Any funds that we deposit with the preferred stock depositary for any depositary shares that the holders fail to redeem will be returned to us after a period of two years from the date we deposit the funds.

Voting the Preferred Stock

Upon receipt of notice of any meeting at which the holders of preferred stock are entitled to vote, the depositary will notify holders of depositary shares of the upcoming vote and arrange to deliver our voting materials to the holders. The record date for determining holders of depositary shares that are entitled to vote will be the same as the record date for the preferred stock. The materials the holders will receive will describe the matters to be voted on and explain how the holders, on a certain date, may instruct the depositary to vote the shares of preferred stock underlying the depositary shares. For instructions to be valid, the depositary must receive them on or before the date specified. To the extent possible, the depositary will vote the shares as instructed by the holder. We agree to take all reasonable actions that the depositary determines are necessary to enable it to vote as a holder has instructed. The depositary will abstain from voting shares of preferred stock deposited under a deposit agreement if it has not received specific instructions from the holder of the depositary shares representing those shares.

Amendment and Termination of the Deposit Agreement

We may agree with the depositary to amend the deposit agreement and the form of depositary receipt at any time. However, any amendment that materially and adversely alters the rights of the holders of depositary receipts will not be effective unless it has been approved by the holders of at least a majority of the affected depositary shares then outstanding. We will make no amendment that impairs the right of any holder of depositary shares, as described above under **Withdrawal of Preferred Stock**, to receive shares of preferred stock and any money or other property represented by those depositary shares, except in order to comply with mandatory provisions of applicable law. If an amendment becomes effective, holders are deemed to agree to the amendment and to be bound by the amended deposit agreement if they continue to hold their depositary receipts.

The deposit agreement automatically terminates if a final distribution in respect of the preferred stock has been made to the holders of depositary receipts in connection with our liquidation, dissolution or winding-up. We may also terminate the deposit agreement at any time we wish with at least 60 days prior written notice to the depositary. If we do so, the depositary will give notice of termination to the record holders not less than 30 days before the termination date. Once depositary receipts are surrendered to the depositary, it will send to each holder the number of whole or fractional shares of the series of preferred stock underlying that holder's depositary receipts.

Charges of Depositary and Expenses

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay all charges of the depositary in connection with the initial deposit of the related series of offered preferred stock, the initial issuance of the depositary shares, all withdrawals of shares of the related series of offered preferred stock by holders of the depositary shares and the registration of transfers of title to any depositary shares. However, holders of depositary receipts will pay other taxes and governmental charges and any other charges provided in the deposit agreement to be payable by them.

Limitations on Our Obligations and Liability to Holders of Depositary Receipts

The deposit agreement will expressly limit our obligations and the obligations of the depositary. It will also limit our liability and the liability of the depositary as follows:

we and the depositary are only liable to the holders of depositary receipts for negligence or willful misconduct; and

we and the depositary have no obligation to become involved in any legal or other proceeding related to the depositary receipts or the deposit agreement on your behalf or on behalf of any other party, unless you provide us with satisfactory indemnity.

Table of Contents

Resignation and Removal of Depositary

The depositary may resign at any time by notifying us of its election to do so. In addition, we may remove the depositary at any time. Within 60 days after the delivery of the notice of resignation or removal of the depositary, we will appoint a successor depositary.

Reports to Holders

We will deliver all required reports and communications to holders of the offered preferred stock to the depositary, and it will forward those reports and communications to the holders of depositary shares.

ISSUANCE OF COMMON STOCK PURSUANT TO OUR ACQUISITION OF ESTECH

Effective December 31, 2013, we acquired Endoscopic Technologies, Inc., a Delaware corporation d/b/a Estech (Estech) pursuant to the terms of the Merger Agreement (the Merger Agreement), by and among AtriCure, Niners Merger Sub, LLC, a Delaware limited liability company and a subsidiary of AtriCure (Merger Sub), Estech and Fortis Advisors LLC, solely in its capacity as representative of the stockholders (Representative). As consideration for the merger, we paid upfront consideration of 1,957,816 shares of common stock and deposited an additional 168,527 shares of common stock into an escrow established pursuant to the Merger Agreement for post-closing claims.

Subject to meeting certain additional financial performance milestones throughout the two year period beginning January 1, 2014, as more particularly described in the Merger Agreement, the Estech stockholders will be eligible to receive an aggregate of up to an additional \$26,000,000 (the Earn-Out). The Earn-Out may be paid in a combination of cash and our common stock. This prospectus relates to the resale of the 2,126,343 shares of our common stock previously issued, and up to 500,000 additional shares that may be issued as Earn-Out, by us to the former stockholders of Estech (the Estech selling securityholders) in connection with the Merger Agreement.

SELLING SECURITYHOLDERS

Certain of the shares of common stock to be sold pursuant to this prospectus identified in the table below were issued in a private placement to Estech selling securityholders in connection with the consummation of transactions contemplated by the Merger Agreement described above in Issuance of Common Stock Pursuant to our Acquisition of Estech. The selling securityholder identified below as Camden Partners acquired its shares in private placements unrelated to the Merger Agreement. When we refer to the selling securityholders in this prospectus, we mean the entities listed in the table below, including both the Estech selling securityholders and Camden Partners, as well as their permitted transferees, assignees, donees, pledgees and successors in interest.

The Registration Statement of which this prospectus forms a part has been filed pursuant to registration rights granted to the Estech selling securityholders in the Merger Agreement in order to permit the Estech selling securityholders to resell to the public shares of our common stock, as well as any common stock that we may issue or may be issuable by reason of the Earn-Out. We will pay certain expenses of the registration of the selling securityholders' shares of our common stock, including SEC filing fees, but the selling securityholders will pay all underwriting discounts and commissions, if any.

The table below sets forth certain information known to us with respect to the beneficial ownership of the shares of our common stock held by the selling securityholders as of January 31, 2014. Given that the selling securityholders may sell, transfer or otherwise dispose of all, some or none of the shares of our common stock covered by this prospectus, we cannot determine the number of such shares that will be sold, transferred or otherwise disposed of by

the selling securityholders, or the amount or percentage of shares of our common stock that will be held by the selling securityholders upon termination of this offering. See Plan of Distribution. For the purposes of the table below, we assume that the selling securityholders will sell all of their shares of our common stock covered by this prospectus.

Table of Contents

In the table below, the percentage of shares beneficially owned is based on 23,363,948 shares of our common stock outstanding as of January 31, 2014. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. The entities named in the table below have sole voting and sole investment power with respect to all shares beneficially owned.

Except as described herein, none of the selling securityholders has had any material relationship with us except with respect to ownership of the shares of common stock.

Name and address of beneficial owner	Shares beneficially owned prior to this offering		Shares beneficially owned after offering		
	Common stock	Percentage of shares	Shares to be sold in offering	Common stock	Percentage of shares
Camden Partners (1) 500 East Pratt Street, Suite 1200 Baltimore, MD 21202	631,790	2.65%	631,790		
Saints Capital Everest L.P. (2)(3) 2020 Union Street San Francisco, CA 94123	1,470,367	6.16%	1,470,367		
NBGI Technology Fund II LP (2)(4) 128 Queen Victoria Street London, U.K EC4V 4BJ	287,486	1.20%	287,486		
Telegraph Hill Partners SBIC LP (2)(5) 360 Post Street, Suite 601 San Francisco, CA 94108	267,507	1.12%	267,507		
Tullis Opportunity Fund II, L.P. (2)(6) 55 Old Field Point Rd., 2 nd Floor Greenwich, CT 06830	129,383	*	129,383		
Waveland Ventures IV, LLC (2)(7) 19800 MacArthur Blvd., Suite 650 Irvine, CA 92612	103,265	*	103,265		
Waveland Ventures IV QP, LLC (2)(7) 19800 MacArthur Blvd., Suite 650 Irvine, CA 92612	96,732	*	96,732		
PED Estech, LLC (2)(8) Attn: E. Gray Lee 4525 Harding Pike, Suite 200 Nashville, TN 37205	82,655	*	82,655		
Waveland Ventures IV-A, LLC (2)(7) 19800 MacArthur Blvd., Suite 650 Irvine, CA 92612	34,502	*	34,502		
Waveland Ventures IV-B, LLC (2)(7) 19800 MacArthur Blvd., Suite 650 Irvine, CA 92612	25,016	*	25,016		
	53,122	*	53,122		

John Pavlidis(2) 573 Lassen Street Los Altos, CA 94022			
Terance Kinninger(2) P.O. Box 9112 Rancho Santa Fe, CA 92067	26,096	*	26,096
Tamer Ibrahim(2) 598 Bridgewater Circle Danville, CA 94526	26,096	*	26,096
Mark Koeniguer(2) 17417 Country Lake Estates Ridge Chesterfield, MO 63005	18,630	*	18,630
Randy Lindholm (2) 857 Indian River Drive Melbourne, FL 32935	5,486	*	5,486

Table of Contents

* denotes less than one percent

- (1) This selling securityholder's holdings consist of 585,405 shares held by Camden Partners Strategic Fund II-A, L.P., 34,727 shares held by Camden Partners Strategic Fund II-B, L.P. and 11,658 shares held by Camden Partners Holdings, LLC. Camden Partners Strategic II, LLC is the general partner of Camden Partners Strategic Fund II-A, L.P. and Camden Partners Strategic Fund II-B, L.P. David L. Warnock and Donald W. Hughes each may be deemed to share voting and investment power with respect to the securities held by these entities and disclaims beneficial ownership of the securities held by these entities, except as to his pecuniary interest therein. Richard M. Johnston, who has served as a director of AtriCure since June 2002 and as Chairman of the Board since February 2005, served as a Managing Member of both Camden Partners Holdings, LLC and Camden Partners Strategic II, LLC, and is now a Retired Member of each.
- (2) Includes shares of our common stock over which the selling securityholder has sole voting and dispositive power as well as shares of our common stock held in escrow over which Fortis Advisors LLC in its capacity as representative of the selling securityholder has sole voting power as follows: Saints Capital Everest L.P. 99,253 shares; NBGI Technology Fund II LP 19,401 shares; Telegraph Hill Partners SBIC LP 18,052 shares; Tullis Opportunity Fund II, L.P. 8,728 shares; Waveland Ventures IV, LLC 6,963 shares; Waveland Ventures IV QP, LLC 6,531 shares; PED Estech, LLC 5,578 shares; Waveland Ventures IV-A, LLC 2,331 shares; and Waveland Ventures IV-B, LLC 1,690 shares. Also includes up to an aggregate of 500,000 shares of our common stock that may be issued as Earn-Out as follows: Saints Capital Everest L.P. 280,000 shares; NBGI Technology Fund II LP 54,800 shares; Telegraph Hill Partners SBIC LP 51,000 shares; Tullis Opportunity Fund II, L.P. 24,700 shares; Waveland Ventures IV, LLC 19,750 shares; Waveland Ventures IV QP, LLC 18,400 shares; PED Estech, LLC 15,750 shares; Waveland Ventures IV-A, LLC 6,550 shares; Waveland Ventures IV-B, LLC 4,750 shares; John Pavlidis 10,100 shares; Terance Kinninger 4,800 shares; Tamer Ibrahim 4,800 shares; Mark Koeniguer 3,550 shares; and Randy Lindholm 1,050 shares.
- (3) The general partner of Saints Capital Everest L.P. is Saints Capital Everest LLC, the managers of which are Scott Halsted, Kenneth Sawyer, David Quinlivana and Ghia Griate, each of whom may be deemed to share voting and investment power with respect to the securities and disclaims beneficial ownership of the securities, except to the extent of his/her pecuniary interest therein.
- (4) The general partner of NBGI Technology Fund II LP is NBG GP Limited and the manager of NBGI Technology Fund II LP is NBGI Private Equity Limited. NBG International Limited is the sole parent of both NBG GP Limited and NBGI Private Equity Limited and National Bank of Greece is the sole parent of NBG International Limited. Through board representation on these entities, Aris Constantindes may be deemed to share voting and investment power with respect to the securities and disclaims beneficial ownership of the securities, except to the extent of his/her pecuniary interest therein.
- (5) The general partner of Telegraph Hill Partners SBIC LP is Telegraph Hill Partners SBIC, LLC, the managers of which are Robert G. Shepler, J. Matthew Mackowski, Thomas A. Raffin, and Deval A. Lashkari, each of whom may be deemed to share voting and investment power with respect to the securities and disclaims beneficial ownership of the securities, except to the extent of his/her pecuniary interest therein.
- (6) The general partner of Tullis Opportunity Fund II, L.P. is Tullis Opportunity Fund II, LLC, the manager of which is James L.L. Tullis, who may be deemed to share voting and investment power with respect to the securities and disclaims beneficial ownership of the securities, except to the extent of his/her pecuniary interest therein.
- (7) The manager of each of Waveland Ventures IV, LLC, Waveland Ventures IV QP, LLC, Waveland Ventures IA-A, LLC and Waveland Ventures IV-B, LLC is Waveland Venture Partners LLC, the managers of which are Michael J. Greer and Vickie J. Greer, each of whom may be deemed to share voting and investment power with respect to the securities and disclaims beneficial ownership of the securities, except to the extent of his/her pecuniary interest therein.
- (8) The general partner of PED Estech, LLC is PED Investors, LLC, the manager of which is Thomas P. Ivanyi, who may be deemed to share voting and investment power with respect to the securities and disclaims beneficial ownership of the securities, except to the extent of his pecuniary interest therein.

Table of Contents

PLAN OF DISTRIBUTION

We and the selling securityholders may offer the securities covered by this prospectus in any of the following ways (or in any combination) from time to time:

to or through underwriters or dealers;

directly to purchasers or to a single purchaser; or

through agents; or

in at the market offerings, within the meaning of Rule 415(a)(4) of the Securities Act, to or through a market maker or into an existing trading market, on an exchange or otherwise.

In addition, we and any selling securityholder may enter into derivative or other hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If any applicable prospectus supplement indicates, in connection with such a transaction, such third parties may, pursuant to this prospectus and any applicable prospectus supplement, sell securities covered by this prospectus and any applicable prospectus supplement. If so, the third party may use securities borrowed from others to settle such sales and may use securities received from us to close out any related short positions. We and the selling securityholders may also loan or pledge securities covered by this prospectus and any applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and any applicable prospectus supplement.

Any applicable prospectus supplement will set forth the terms of the offering of the securities covered by this prospectus, including:

the name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each of them, if any;

any material relationship with the underwriter and the nature of such relationship, if any;

the over-allotment options under which underwriters may purchase additional securities, if any;

the public offering price or purchase price of the securities and the proceeds to us and any discounts, commissions, or concessions or other items constituting compensation allowed, re-allowed or paid to underwriters, dealers or agents, if any;

any securities exchanges on which the securities may be listed, if any; and

the manner for refunding any excess amount paid (including whether interest will be paid).

Any public offering price or purchase price and any discounts, commissions, concessions or other items constituting compensation allowed or re-allowed or paid to underwriters, dealers or agents may be changed from time to time.

The securities may be offered and sold from time to time in one or more transactions, including negotiated transactions, at a fixed price or prices or at varying prices determined at the time of sale. If underwriters are used in the sale of any securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions described above. The securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, the underwriters' obligations to purchase the securities will be subject to certain conditions precedent. The underwriters will be obligated to purchase all of the securities if they purchase any of the securities.

We and the selling securityholders may sell the securities through agents from time to time. If required by applicable law, any applicable prospectus supplement will name any agent involved in the offer or sale of the securities and any commissions we pay to them. Generally, unless otherwise indicated in any applicable

Table of Contents

prospectus supplement, any agent will be acting on a best efforts basis for the period of its appointment. If a dealer is used in the sale of the securities in respect of which the prospectus is delivered, we or the selling stockholders will sell such securities to the dealer, as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale.

We and the selling securityholders may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase the securities from us at the public offering price set forth in any applicable prospectus supplement or other prices pursuant to delayed delivery or other contracts providing for payment and delivery on a specified date in the future. Any delayed delivery contracts will be subject only to those conditions set forth in any applicable prospectus supplement, and any applicable prospectus supplement will set forth any commissions we pay for solicitation of these delayed delivery contracts.

Each underwriter, dealer and agent participating in the distribution of any offered securities that are issuable in bearer form will agree that it will not offer, sell, resell or deliver, directly or indirectly, offered securities in bearer form in the United States or to United States persons except as otherwise permitted by Treasury Regulations Section 1.163-5(c)(2)(i)(D).

Offered securities may also be offered and sold, if so indicated in any applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us or the selling securityholders. Any remarketing firm will be identified and the terms of its agreements, if any, with us, and its compensation will be described in any applicable prospectus supplement.

We and the selling securityholders may sell equity securities in an offering at the market, as defined in Rule 415 under the Securities Act. A post-effective amendment to this Registration Statement will be filed to identify the underwriter(s) at the time of the take-down for at the market offerings.

Agents, underwriters and other third parties described above may be entitled under relevant underwriting or other agreements to indemnification by us or the selling securityholders against certain civil liabilities under the Securities Act, or to contribution with respect to payments which the agents, underwriters or other third parties may be required to make in respect thereof. Agents, underwriters and such other third parties may be customers of, engage in transactions with, or perform services for us or the selling Securityholders in the ordinary course of business.

LEGAL MATTERS

The validity of the securities offered by this prospectus will be passed upon for us by Keating Muething & Klekamp PLL, Cincinnati, Ohio.

EXPERTS

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K and the effectiveness of AtriCure's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated by reference herein. Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The financial statements of Endoscopic Technologies, Inc. as of and for the year ended December 31, 2012, included in this prospectus, have been audited by Moss Adams LLP, independent auditors, as stated in their report. Such financial statements have been included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Table of Contents

The financial statements of Endoscopic Technologies, Inc. as of and for the year ended December 31, 2011, included in this prospectus, have been audited by Mohler, Nixon & Williams, independent auditors, as stated in their report. Such financial statements have been included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Table of Contents

FINANCIAL STATEMENTS
INDEX TO FINANCIAL STATEMENTS
OF
ENDOSCOPIC TECHNOLOGIES, INC.

<u>Reports of Independent Auditors</u>	F-2
<u>Balance Sheets as of September 30, 2013 (unaudited), December 31, 2012 and December 31, 2013</u>	F-5
<u>Statements of Operations for the Nine Months Ended September 30, 2013 (unaudited) and September 30, 2012 (unaudited) and for the Years Ended December 31, 2012 and December 31, 2011</u>	F-6
<u>Statements of Stockholders' Equity for the Nine Months Ended September 30, 2013 (unaudited) and for the Years Ended December 31, 2012 and December 31, 2011</u>	F-7
<u>Statements of Cash Flows for the Nine Months Ended September 30, 2013 (unaudited) and September 30, 2012 (unaudited) and for the Years Ended December 31, 2012 and December 31, 2011</u>	F-10
<u>Notes to Financial Statements</u>	F-11

INDEX TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
OF
ATRICURE, INC. AND SUBSIDIARIES AND ENDOSCOPIC TECHNOLOGIES, INC.

<u>Unaudited Pro Forma Condensed Combined Financial Information</u>	F-25
<u>Condensed Combined Balance Sheet and Pro Form Adjustments as of September 30, 2013 (unaudited)</u>	F-26
<u>Condensed Combined Statement of Continuing Operations and Pro Forma Adjustments for the Nine Months Ended September 30, 2013 (unaudited)</u>	F-27
<u>Condensed Combined Statement of Continuing Operations and Pro Forma Adjustments for the Year Ended December 31, 2012</u>	F-28
<u>Notes to Unaudited Pro Forma Condensed Combined Financial Information</u>	F-29

F-1

Table of Contents

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors

and Stockholders of

Endoscopic Technologies, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Endoscopic Technologies, Inc. (the Company), which comprise the balance sheet as of December 31, 2012, and the related statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Table of Contents

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Company as of and for the year ended December 31, 2011 were audited by other auditors whose report, dated May 21, 2012, expressed an unmodified opinion on those statements.

Campbell, California

April 19, 2013

F-3

Table of Contents

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors

and Stockholders of

Endoscopic Technologies, Inc.

We have audited the accompanying balance sheet of Endoscopic Technologies, Inc. (the Company) as of December 31, 2011, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MOHLER, NIXON & WILLIAMS

Accountancy Corporation

Campbell, California

May 21, 2012

635 Campbell Technology Parkway Campbell, California 95008-5071 Tel 408-369-2400 Fax 408-879-9455

2600 El Camino Real, Suite 405 Palo Alto, California 94306-1719 Tel 650-494-3901 Fax 650-494-6756

150 Spear Street, Suite 925 San Francisco, California 94105-1535 Tel 415-817-5070 Fax 415-896-1721

www.mohlernixon.com

F-4

Table of Contents**ENDOSCOPIC TECHNOLOGIES, INC.****BALANCE SHEETS**

	September 30, 2013 (unaudited)	December 31, 2012	December 31, 2011
Assets			
Cash and cash equivalents	\$ 3,092,596	\$ 996,587	\$ 6,774,865
Restricted cash		1,000,000	1,000,000
Accounts receivable, net	2,825,481	3,245,594	3,249,610
Inventories	3,161,816	3,773,637	2,507,790
Prepaid expenses and other current assets	648,304	308,281	578,988
Total current assets	9,728,197	9,324,099	14,111,253
Property and equipment, net	1,452,075	1,497,571	1,153,098
Intangible assets, net	10,868,286	11,590,512	12,484,689
Other assets	50,569	164,199	182,624
Total assets	\$ 22,099,127	\$ 22,576,381	\$ 27,931,664
Liabilities and stockholders equity			
Accounts payable	\$ 1,609,475	\$ 1,503,563	\$ 2,157,655
Accrued liabilities	1,663,615	2,299,244	2,943,528
Borrowings under line of credit		1,500,000	2,166,194
Current portion of notes payable, net	1,818,182	1,676,211	
Total current liabilities	5,091,272	6,979,018	7,267,377
Long-term accrued liabilities		150,000	700,000
Warrant liability, at fair value (Note 6)	93,802		
Notes payable, less current portion	8,181,818	2,687,154	8,193,337
Total liabilities	13,366,892	9,816,172	16,160,714
Commitments and contingencies (Note 12)			
Stockholders equity			
Series D-1 convertible preferred stock, \$0.001 par value; 21,921,253 shares authorized: 21,921,253, 21,921,253, and 7,754,314 shares issued and outstanding at September 30, 2013 (unaudited) and December 31, 2012 and 2011, respectively (aggregate liquidation preference of \$16,660,152 and \$5,893,278 at December 31, 2012 and 2011, respectively)	12,011,803	12,011,803	5,402,721
Series C-1 convertible preferred stock, \$0.001 par value; 12,481,834 shares authorized, issued, and outstanding at	8,353,978	8,353,978	8,353,978

Edgar Filing: People's United Financial, Inc. - Form 424B2

September 30, 2013 (unaudited) and December 31, 2012 and 2011 (aggregate liquidation preference of \$8,762,247)			
Series B-1 convertible preferred stock, \$0.001 par value; 12,871,729 shares authorized: 12,841,729 shares issued and outstanding at September 30, 2013 (unaudited) and December 31, 2012 and 2011 (aggregate liquidation preference of \$11,237,155)	10,346,888	10,346,888	10,346,888
Series A-1 convertible preferred stock, \$0.001 par value; 17,874,137 shares authorized, issued, and outstanding at September 30, 2013 (unaudited), December 31, 2012 and 2011 (aggregate liquidation preference of \$23,851,070)	39,954,470	39,954,470	39,954,470
Common stock, \$0.001 par value; 100,000,000 shares authorized: 3,660,235, 7,593,059, and 7,562,309 shares issued and outstanding at September 30, 2013 (unaudited) and December 31, 2012 and 2011, respectively	3,967	7,900	7,870
Additional paid-in capital	17,338,586	17,833,855	14,642,649
Notes receivables from stockholders	(152,422)	(943,987)	(935,908)
Accumulated deficit	(79,125,035)	(74,804,698)	(66,001,718)
Total stockholders equity	8,732,235	12,760,209	11,770,950
Total liabilities and stockholders equity	\$ 22,099,127	\$ 22,576,381	\$ 27,931,664

See accompanying notes.

Table of Contents**ENDOSCOPIC TECHNOLOGIES, INC.****STATEMENTS OF OPERATIONS**

	Nine months ended September 30,		Years ended December 31,	
	2013	2012	2012	2011
	(unaudited)	(unaudited)		
Revenue	\$ 14,913,551	\$ 14,665,446	\$ 19,629,460	\$ 21,854,184
Cost of revenue	4,038,159	4,061,859	5,509,416	5,947,628
Gross profit	10,875,392	10,603,587	14,120,044	15,906,556
Operating expenses:				
Research and development	2,395,420	2,393,483	3,136,677	3,060,308
Sales and marketing	7,027,332	7,972,994	10,577,945	13,364,199
General and administrative	2,892,903	2,860,690	3,746,779	3,252,991
Depreciation and amortization	1,079,100	1,086,192	1,445,707	1,679,179
Stock-based compensation	291,113	184,526	246,034	292,921
Total operating expenses	13,685,868	14,497,885	19,153,142	21,649,598
Loss from operations	(2,810,476)	(3,894,298)	(5,033,098)	(5,743,042)
Gain on sale of product line				3,401,491
Interest income	94,368	141,488	224,578	202,148
Interest and other expense, net	(1,591,722)	(836,283)	(1,002,218)	(888,216)
Beneficial conversion feature and cost of warrants	(12,507)	(2,978,944)	(2,992,242)	(183,333)
Net loss	\$ (4,320,337)	\$ (7,568,037)	\$ (8,802,980)	\$ (3,210,952)

See accompanying notes.

Table of Contents

ENDOSCOPIC TECHNOLOGIES, INC.

STATEMENTS OF STOCKHOLDERS EQUITY

	Series C-1 convertible preferred stock		Series B-1 convertible preferred stock		Series A-1 convertible preferred stock		Common stock		Additional paid-in capital	Net receivable from stock
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
1	12,481,834	\$ 8,364,856	12,841,729	\$ 10,346,888	17,874,137	\$ 39,954,470	7,847,115	\$ 7,848	\$ 15,687,704	\$ (2,000,000)
2										
3		(10,878)								
									189,824	
									183,333	
							(308,299)		(1,519,073)	1,000,000
									(196,737)	
							23,493	22	4,677	
									284,581	

See accompanying notes.

F-7

Table of Contents

Account	Series C-1 convertible preferred stock		Series B-1 convertible preferred stock		Series A-1 convertible preferred stock		Common stock		Additional paid-in capital	Net receivable from stock
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
									8,340	
2,721	12,481,834	8,353,978	12,841,729	10,346,888	17,874,137	39,954,470	7,562,309	7,870	14,642,649	(9,340)
4,116										
4,966										
									2,939,052	
							30,750	30	6,120	
									244,701	
									1,333	

See accompanying notes.

F-8

Table of Contents

	Series C-1 convertible preferred stock		Series B-1 convertible preferred stock		Series A-1 convertible preferred stock		Common stock		Additional paid-in capital	retained earnings
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
3	12,481,834	8,353,978	12,841,729	10,346,888	17,874,137	39,954,470	7,593,059	7,900	17,833,855	(1,000,000)
							(3,957,824)	(3,958)	(787,607)	
							25,000	25	1,225	
									291,113	
3	12,481,834	\$ 8,353,978	12,841,729	\$ 10,346,888	17,874,137	\$ 39,954,470	3,660,235	\$ 3,967	\$ 17,338,586	\$ (1,000,000)

See accompanying notes.

Table of Contents**ENDOSCOPIC TECHNOLOGIES, INC.****STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Years ended December 31,	
	2013	2012	2012	2011
	(unaudited)			
Cash flows from operating activities:				
Net loss	\$ (4,320,337)	\$ (7,568,037)	\$ (8,802,980)	\$ (3,210,952)
Adjustments to reconcile net loss to net cash used by operating activities:				
Loss on disposal of property and equipment	23,390	46,129	57,001	162,858
Depreciation	601,221	605,487	828,111	716,056
Amortization of intangible assets	722,226	722,360	964,177	963,123
Stock-based compensation	291,113	184,526	246,034	292,921
Non-cash interest expense	149,141	3,230,749	3,235,967	514,771
Gain on sale of product line				(3,401,491)
Changes in assets and liabilities:				
Restricted cash	1,000,000			(1,000,000)
Accounts receivable	420,113	573,115	4,016	(36,184)
Inventory	611,821	(1,252,591)	(1,265,847)	(223,487)
Prepaid expenses and other current assets	(258,728)	12,918	270,707	(294,837)
Other assets	113,630	7,062	18,425	(112,245)
Accounts payable	105,912	6,498	(654,092)	149,477
Accrued liabilities	(785,629)	(1,323,843)	(1,194,284)	492,916
Net cash used by operating activities	(1,326,127)	(4,755,627)	(6,292,765)	(4,987,074)
Cash flows from investing activities:				
Net cash proceeds on sale of product line				3,868,712
Purchase of property and equipment, and transfers from inventory	(579,115)	(945,898)	(1,229,585)	(680,115)
Acquisition of intangible asset		(70,000)	(70,000)	
Net cash provided (used) by investing activities	(579,115)	(1,015,898)	(1,299,585)	3,188,597
Cash flows from financing activities:				
Proceeds from sale of common stock	1,250	6,150	6,150	4,699
Proceeds from sale of preferred stock, net		1,928,884	2,474,116	500,002
Proceeds from issuance of convertible promissory notes, net				500,000
Proceeds from borrowings	10,000,000		2,000,000	6,666,194
Repayments of borrowing	(5,999,999)	(1,166,194)	(2,666,194)	(2,853,581)
Net cash provided by financing activities	4,001,251	768,840	1,814,072	4,817,314

Net increase (decrease) in cash and cash equivalents	2,096,009	(5,002,685)	(5,778,278)	3,018,837
Cash and cash equivalents at beginning of year	996,587	6,774,865	6,774,865	3,756,028
Cash and cash equivalents at end of year	\$ 3,092,596	\$ 1,772,180	\$ 996,587	\$ 6,774,865
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$ 631,443	\$ 415,355	\$ 538,250	\$ 366,897
Non-cash investing and financing items:				
Issuance of common stock warrants	\$	\$	\$	\$ 2,668
Issuance of Series D-1 convertible preferred stock warrants	\$ 93,802	\$	\$	\$ 187,156
Beneficial conversion feature on promissory notes	\$	\$ 2,939,052	\$ 2,939,052	\$ 183,333
Conversion of convertible promissory notes payable and accrued interest into convertible preferred stock	\$	\$ 4,134,966	\$ 4,134,966	\$
Repurchase of common stock through cancellation of stockholder notes	\$ 791,565	\$	\$	\$

See accompanying notes.

Table of Contents**NOTE 1 THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES**

Endoscopic Technologies, Inc. (the Company), doing business as ESTECH, was incorporated in California in April 1996 and reincorporated in Delaware in October 2009. The Company develops, manufactures, and markets a variety of medical devices to assist surgeons in performing minimally invasive cardiac surgery.

Liquidity Through December 31, 2012, the Company has incurred operating losses resulting in an accumulated deficit of approximately \$75,000,000. Additional funds are necessary to maintain current operations and to continue development activities. The Company intends to raise additional funds through the sale of its equity securities and/or debt financings. However, there can be no assurance that sufficient funding will be available to allow the Company to successfully complete and achieve widespread market acceptance of its products. If the Company is unable to obtain necessary funds, significant reductions in spending and the delay or cancellation of planned activities may be necessary. These actions would have a material adverse effect on the Company's business, results of operations and prospects.

Unaudited interim financial information The accompanying interim balance sheet as of September 30, 2013, the statements of operations and cash flows for the nine months ended September 30, 2013 and 2012, and the statement of stockholders' equity for the nine months ended September 30, 2013 are unaudited. These unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of the Company's management, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only normal recurring adjustments necessary for the fair presentation of the Company's statement of financial position as of September 30, 2013, and its results of operations and its cash flows for the nine months ended September 30, 2013 and 2012. The financial data and other financial information disclosed in these notes to financial statements related to September 30, 2013 and for the nine months ended September 30, 2013 and 2012 are also unaudited. The results for the nine months ended September 30, 2013 are not necessarily indicative of the results expected for the full fiscal year.

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

Cash equivalents The Company considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. As of September 30, 2013 (unaudited) December 31, 2012 and 2011, cash and cash equivalents consist of cash deposited with banks and money market funds. The recorded carrying amount of cash equivalents, which is cost plus accrued interest, approximates fair value. The Company places its cash equivalents with high credit-quality financial institutions.

Restricted cash Restricted cash of zero as of September 30, 2013 (unaudited) and \$1,000,000 as of December 31, 2012 and 2011 relates to a cash balance required by the Company's growth capital line of credit (Note 4).

Concentrations of credit risk Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with federally insured commercial banks in the United States and at times cash balances may be in excess of federal insurance limits. Accounts receivable are stated at the amount the Company expects to collect. The Company generally does not require collateral or other security in support of accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts to ensure trade receivables are not overstated due to uncollectibility. The allowance for doubtful accounts is determined

based on a variety of factors, including the length of time receivables are past due, macroeconomic conditions, significant one-time events, and historical experiences. Allowances are recorded for individual accounts when the Company becomes aware of a customer's inability to meet its financial obligations, such as in

F-11

Table of Contents

the case of bankruptcy, deterioration in the customer's operating results, or change in financial position. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of September 30, 2013 (unaudited) and December 31, 2012 and 2011, the Company's allowance for doubtful accounts receivable, including sales return reserves, was approximately \$ 109,000, \$150,000, and \$379,000, respectively.

The Company's revenues are derived from customers located in and outside the United States of America. One customer accounted for 10% (unaudited) of total accounts receivable as of September 30, 2013, and approximately 21% (unaudited) of total revenues for the nine months ended September 30, 2013. One customer accounted for approximately 19% (unaudited) of total revenues for the nine months ended September 30, 2012. One customer accounted for approximately 11% of total accounts receivables at December 31, 2012 and approximately 17% of total revenue in 2012. One customer accounted for approximately 10% of total accounts receivable at December 31, 2011 and no individual customer accounted for more than 10% of total revenue in 2011.

Net purchases include purchases from two vendors of approximately 41% in 2012. Accounts payable to these vendors totaled approximately 44% at December 31, 2012. Net purchases include purchases from two vendors of approximately 46% and 35% for the nine months ended September 30, 2013 and 2012, respectively (unaudited). Accounts payable to these vendors totaled approximately 31% at September 30, 2013 (unaudited).

Inventories Inventories are valued at standard cost, which approximates actual cost computed on a first-in, first-out basis, not in excess of market value. The Company periodically reviews its inventories for potential slow-moving or obsolete items and writes down specific items to net realizable value as appropriate. Inventory consists primarily of finished goods and purchased parts and unsterilized finished goods.

Property and equipment Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally 27 to 120 months. Leasehold improvements are amortized using the term of the related lease or the economic life of improvements, if shorter. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statements of operations.

Intangible assets Intangible assets comprise internally generated patents and licensing agreements, which are stated at cost less accumulated amortization. In addition, intangible assets include technology and distribution rights acquired from Boston Scientific Corporation (BSC) for the Company's COBRA product line (Note 11). Amortization is computed using the straight-line method over the estimated useful life of the respective patents or licensing agreements, generally 17 to 20 years. The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. No impairment losses have been recorded to date.

Long-lived assets The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such impairments have been identified to date.

Research and development Research and development costs are charged to operations as incurred.

Revenue recognition The Company accounts for revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605, *Revenue Recognition*. The Company determines the timing of revenue recognition based upon factors such as passage of title, payment terms and ability to return products. The

Company recognizes revenue when all of the following criteria are met: (i) there is persuasive evidence that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is fixed or determinable; and (iv) collectability is reasonably assured.

F-12

Table of Contents

Product revenues are generated primarily from sales of the Company's medical tools. Pursuant to the Company's standard terms of sale, the Company recognizes revenue at the point of shipment to its customers, under the contractual terms, provided that no significant vendor obligation exists and collections of accounts receivable are reasonable assured. The Company generally does not maintain any post-shipment obligations to the recipients of the products. No installation, calibration or testing of this equipment is performed by the Company subsequent to shipment to the customer in order to render it operational.

Stock-based compensation The Company uses the estimated grant date calculated value method of accounting for stock-based compensation. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years.

Income taxes Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities and net operating loss (NOL) and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies any liabilities for unrecognized tax benefits as current to the extent that the Company anticipates payment (or receipt) of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. The Company had no liabilities for unrecognized tax benefits at September 30, 2013 (unaudited) and December 31, 2012 and 2011.

Reclassifications Certain reclassifications were made to the 2011 financial statements to conform them to the 2012 financial statement presentation.

Subsequent events The Company has evaluated subsequent events through January 7, 2014, which is the date the financial statements were available to be issued. Subsequent events after April 19, 2013 are unaudited.

NOTE 2 FAIR VALUE MEASUREMENT

The fair value measurements standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted market prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Table of Contents

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at September 30, 2013 (unaudited) and December 31, 2012 and 2011.

The Company's money market funds of approximately \$2,255,000, \$305,000, and \$3,005,000 at September 30, 2013 (unaudited) and December 31, 2012 and 2011, respectively, are valued at the net asset value of shares held by the Company at year end and are considered level 1 within the fair value hierarchy. The money market funds are included in cash and cash equivalents as of September 30, 2013 (unaudited) and December 31, 2012 and 2011.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 SIGNIFICANT BALANCE SHEET COMPONENTS

Inventories Inventories consisted of approximately the following at:

	September 30, 2013 (unaudited)	December 31, 2012	2011
Purchased parts and unsterilized finished goods	\$ 1,135,000	\$ 1,775,000	\$ 1,015,000
Finished goods	2,027,000	1,999,000	1,493,000
	\$ 3,162,000	\$ 3,774,000	\$ 2,508,000

At September 30, 2013 (unaudited) and December 31, 2012 and 2011, the reserve for obsolescence was \$352,000, \$309,000, and \$497,000, respectively.

Property and equipment Property and equipment consisted of approximately the following at:

	September 30, 2013 (unaudited)	December 31, 2012	2011
Equipment	\$ 2,178,000	\$ 1,961,000	\$ 1,438,000
Demonstration equipment	2,179,000	1,991,000	1,608,000
Computer equipment and software	665,000	618,000	528,000
Furniture and fixtures	201,000	200,000	196,000
	5,223,000	4,770,000	3,770,000

Edgar Filing: People's United Financial, Inc. - Form 424B2

Less: accumulated depreciation	(3,771,000)	(3,272,000)	(2,617,000)
	\$ 1,452,000	\$ 1,498,000	\$ 1,153,000

Depreciation expense for the years ended December 31, 2012 and 2011 was approximately \$828,000 and \$716,000, respectively. Depreciation expense for the nine months ended September 30, 2013 and 2012 was approximately \$601,000 and \$605,000, respectively (unaudited).

F-14

Table of Contents

Intangible assets The components of intangible assets were approximately as follows as of:

	September 30, 2013 (unaudited)	December 31, 2012	December 31, 2011
COBRA product line	\$ 15,420,000	\$ 15,420,000	\$ 15,420,000
Medtronic license	1,800,000	1,800,000	1,800,000
Patents and other intangible assets	1,822,000	1,822,000	1,752,000
	19,042,000	19,042,000	18,972,000
Less: accumulated amortization	(8,174,000)	(7,451,000)	(6,487,000)
	\$ 10,868,000	\$ 11,591,000	\$ 12,485,000

Amortization expense for the years ended December 31, 2012 and 2011 was approximately \$964,000 and \$963,000, respectively. Amortization expense for the nine months ended September 30, 2013 and 2012, respectively was approximately \$722,000 (unaudited). (See Note 11 for COBRA product line and Medtronic license). Future amortization is expected to be approximately as follows:

Years ending December 31:	
2013	\$ 964,000
2014	944,000
2015	944,000
2016	944,000
2017	944,000
Thereafter	6,851,000
	\$ 11,591,000

As of September 30, 2013 (unaudited), the future amortization for the three months remaining in the year ending December 31, 2013 is approximately \$241,000. The amortization remains the same for the remaining years listed in the schedule above.

Accrued liabilities Accrued liabilities consisted of approximately the following at:

	September 30, 2013 (unaudited)	December 31, 2012	December 31, 2011
Employee-related liabilities	\$ 556,000	\$ 399,000	\$ 423,000
Professional and other fees	94,000	187,000	481,000
Commission and bonus	368,000	463,000	1,206,000
Deferred rent			6,000

Edgar Filing: People's United Financial, Inc. - Form 424B2

Other accrued liabilities		646,000	1,250,000	828,000
Total accrued liabilities	current	\$ 1,664,000	\$ 2,299,000	\$ 2,944,000
Other liabilities	noncurrent	\$	\$ 150,000	\$ 700,000

In 2009, the Company agreed to settle a dispute with a government agency regarding allegations that the Company marketed one of its products in a manner without appropriate government agency approval. The Company agreed to such settlement without admitting to such allegations. Under the settlement, the Company paid approximately \$337,000 in 2012, and will pay approximately \$550,000 in 2013 and \$150,000 in 2014. As of December 31, 2012, approximately \$550,000 and \$150,000 have been recorded as a current liability and noncurrent liability, respectively.

F-15

Table of Contents**NOTE 4 FINANCING ARRANGEMENTS**

In December 2011, the Company amended its growth capital line with a financial institution that provides for a \$3,000,000 revolving line of credit to finance accounts receivable and inventory, and a \$1,000,000 term loan to finance working capital requirements. The agreement requires that the Company comply with certain loan covenants as defined.

Line of credit The line of credit agreement provides for borrowings of: (a) 80% of eligible accounts receivable, plus (b) the lesser of (i) 70% of the Borrower's Eligible Foreign Accounts or (ii) One Million Two Hundred Fifty Thousand Dollars (\$1,250,000), plus (c) the lesser of (i) 25% of the value of Borrower's Eligible Inventory (valued at the lower of cost or wholesale fair market value) or (ii) Five Hundred Thousand Dollars (\$500,000), each as determined by Bank from Borrower's most recent Transaction Report.

The amended revolving line of credit was repaid in January 2012 and an additional \$2,000,000 was drawn against the amended revolving line of credit during 2012. The revolving line of credit expires in December 2014, and borrowings under the line of credit accrue interest at 2.75% above the prime rate. As of September 30, 2013 and December 31, 2012 and 2011, aggregate borrowings under the growth capital line were zero (unaudited), approximately \$1,500,000 and \$2,166,000, respectively.

On March 21, 2013, the Company entered into a secured promissory note for \$10,000,000. The note matures on December 21, 2016, and borrowings under the note accrue interest at 10% per annum. The note was used to repay in full the outstanding borrowings under the Company's growth capital line and term loans (Note 4) of approximately \$6,127,000. In connection with the new note, the Company issued a warrant to purchase 394,737 shares of Series D-1 convertible preferred stock (Series D-1) for \$0.76 per share. The borrowings are secured by substantially all the Company's assets.

Long-term debt Along with the revolving line of credit, the Company entered into an agreement with the same financial institution for a \$1,000,000 term loan and a separate agreement with another financial institution for a \$3,500,000 term loan. Principal payments under both term loans are repayable in 30 monthly installments beginning in January 2013; however, there are minimum interest payments beginning in January 2012. Borrowings under the \$1,000,000 term loan accrue interest at 4.5% per annum paid monthly, with a final payment upon expiration of the loan in June 2015 of 5.5%. Borrowings under the \$3,500,000 term loan accrue interest at 10.5% per annum paid monthly, with a final payment upon expiration of the loan in June 2015 of 4.5%. As of September 30, 2013 (unaudited) and December 31, 2012 and 2011, aggregate borrowings under the term loans and the secured promissory note were approximately \$10,000,000 (unaudited) \$4,500,000, and \$4,500,000, respectively.

In December 2011, in connection with its amended growth capital line and term loans, the Company issued warrants to purchase 50,000 shares of its common stock and 458,224 shares of its Series D-1 (Note 6) which are valued at \$3,000 and \$187,000, respectively, to be amortized over the term of the debts.

Future minimum payments under the growth capital line and term loans as of December 31, 2012 are approximately as follows:

Years ending December 31:	
2013	\$ 1,676,000
2014	1,839,000

Edgar Filing: People's United Financial, Inc. - Form 424B2

2015	985,000
	4,500,000
Less: debt discount	(137,000)
	4,363,000
Less: current portion	1,676,000
Long-term portion	\$ 2,687,000

F-16

Table of Contents

Future minimum payments under the secured promissory note as of September 30, 2013 (unaudited) are approximately as follows:

Years ending December 31:	
2013	\$
2014	2,728,000
2015	3,636,000
2016	3,636,000
	10,000,000
Less: current portion	1,818,000
Long-term portion	\$ 8,182,000

Convertible notes payable In November and December 2010 and January 2011, the Company issued convertible notes payable aggregating \$3,500,000 with an interest rate of 10% per annum. In September 2012, approximately \$4,135,000 of these notes and accrued interest thereon was converted to shares of Series D-1 at 50% of the fair value. The amounts outstanding on these notes as of December 31, 2012 and 2011, including interest, are zero and approximately \$3,883,000, respectively.

The convertible promissory notes issued in 2010 and 2011 had conversion rates that provided for a discount from the fair value of Series D-1. As a result, during the years ended December 31, 2012 and 2011, the Company recognized a beneficial conversion feature of approximately \$2,939,000 and \$183,000, respectively, on these convertible notes as an increase to additional paid-in capital and interest expense.

NOTE 5 CONVERTIBLE PREFERRED STOCK

At September 30, 2013 (unaudited) and December 31, 2012, the authorized capital stock of the Company consisted of 165,148,953 shares of capital stock, comprising 100,000,000 shares of common stock and 65,148,953 shares of convertible preferred stock. All classes of the Company's stock a par value of \$0.001 per share.

At September 30, 2013 (unaudited) and December 31, 2012, convertible preferred stock consisted of approximately the following:

	Number of shares authorized	Number of shares issued and outstanding	Proceeds, net of issuance costs	Liquidation preference
Series A-1	17,874,137	17,874,137	\$ 39,954,000	\$ 23,851,000
Series B-1	12,871,729	12,841,729	10,347,000	11,237,000
Series C-1	12,481,837	12,481,834	8,354,000	8,762,000
Series D-1	21,921,253	21,921,253	12,012,000	16,660,000
	65,148,956	65,118,953	\$ 70,667,000	\$ 60,510,000

The significant features of the Company's convertible preferred stock are as follows:

Dividends The holders of Series D-1 are entitled to receive noncumulative dividends, prior and in preference to the declaration or payment of any dividend or distribution to the holders of Series C-1, Series B-1, Series A-1, and common stock, at the per annum rate of 8% of the original issuance price as adjusted for stock splits, stock dividends, and stock combinations, when and if declared by the Board of Directors.

The holders of Series C-1 and Series B-1 are entitled to receive noncumulative dividends, prior and in preference to the declaration, or payment of any dividend or distribution to the holders of Series A-1 and common stock, at the per annum rate of 8% of the original issuance price as adjusted for stock splits, stock dividends, and stock combinations, when and if declared by the Board of Directors. The original issuance price per share for Series D-1, Series C-1, Series B-1, and Series A-1 is \$0.76, \$0.702, \$0.87505, and \$1.33439, respectively. As of December 31, 2012, no dividends have been declared.

F-17

Table of Contents

Liquidation In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of Series D-1 are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C-1, Series B-1, Series A-1, and common stock, an amount equal to the original issuance price for each outstanding shares of \$0.76 per share, plus all declared but unpaid dividends on such shares.

Thereafter, if and only if payment of the amount required to be paid to Series D-1 is made in full, the holders of Series C-1 and Series B-1 are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series A-1 and common stock, an amount per share in cash equal to \$0.702 and \$0.87505, respectively, plus all declared but unpaid dividends on such shares.

Thereafter, if and only if payment of the amount required to be paid to Series D-1, Series C-1, and Series B-1 is made in full, the holders of Series A-1 are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of common stock, an amount per share in cash equal to \$1.33439, plus all declared but unpaid dividends on such shares.

After payment has been made to the holders of convertible preferred stock for the full amounts to which they are entitled, then all of the remaining assets of the Company available for distribution are distributed ratably among the holders of common stock.

Conversion Each share of convertible preferred stock is convertible at the option of the holder into shares of common stock of the Company as determined by dividing the original issuance price by the then effective conversion price for such series. The initial conversion price per share of Series D-1, Series C-1, Series B-1, and Series A-1 is \$0.76, \$0.702, \$0.83273, and \$1.17973, respectively.

Each share of convertible preferred stock automatically converts into the number of shares of common stock into which such shares are convertible at the then effective conversion rate upon the closing of an initial public offering resulting in aggregate cash proceeds of not less than \$35,000,000 and a per share offering price of common stock of at least \$1.50.

Voting rights The holder of each share of convertible preferred stock has voting rights equal to the number of shares of common stock into which it is convertible and votes together as one class with the common stock. Each share of common stock is entitled to one vote.

NOTE 6 WARRANTS

The following table summarizes the warrants issued and outstanding as of September 30, 2013 (unaudited):

Description of warrants	Issuance date	Warrants issued	Warrants outstanding	Fair value of		Expiration date
				price	at issuance	
Common stock	December 2004	18,000	18,000	\$ 2.50	\$ 54,000	December 2014
Convertible preferred stock	September 2008	31,524	31,524	\$ 0.88	\$ 26,000	June 2018
Common stock	March 2009	5,577,081	5,577,081	\$ 0.20	\$ 436,000	March 2014

Edgar Filing: People's United Financial, Inc. - Form 424B2

Common stock	March - August 2010	365,000	365,000	\$ 0.20	\$ 36,000	March - August 2017
Common stock	December 2011	50,000	50,000	\$ 0.20	\$ 3,000	December 2021
Convertible preferred stock	December 2011	458,224	458,224	\$ 0.76	\$ 187,000	December 2021
Convertible preferred stock	March 2013	394,737	394,727	\$ 0.76	\$ 94,000	December 2023

F-18

Table of Contents

In December 2011, the Company issued a warrant to purchase 50,000 shares of common stock at \$0.20 per share. The warrant was issued in conjunction with a December 2011 term loan and amendment to the growth capital line entered in November 2009 (Note 4). This warrant is currently exercisable and expires in December 2021. The Company valued the warrant using the Black-Scholes option pricing model, which management has determined approximates fair value, with the following weighted-average assumptions: fair market value of \$0.12 per share, volatility of 45%, term of ten years, and a risk-free interest rate of 1.89%. The fair value of this warrant of approximately \$3,000 was recorded as additional paid-in capital and as prepaid interest expense and is being amortized to interest expense over the remaining life of the loan agreement.

In December 2011, the Company issued a warrant to purchase 458,224 shares of Series D-1 at \$0.76 per share. The warrant was issued in conjunction with a December 2011 amendment to the growth capital line that included the issuance of term loans. This warrant is currently exercisable and expires in December 2021. The Company valued the warrant using the Black-Scholes option pricing model, which management has determined approximates fair value, with the following weighted-average assumptions: fair market value of \$0.76 per share, volatility of 45%, term of ten years, and a risk-free interest rate of 1.89%. The fair value of this warrant of approximately \$187,000 was recorded as additional paid-in capital and prepaid interest expense and is being amortized to interest expense over the remaining life of the loan agreement.

In March 2013 the Company issued a warrant to purchase 394,737 shares of Series D-1 for \$0.76 per share. The warrant was issued in conjunction with a \$10,000,000 secured promissory note. This warrant is currently exercisable and expires in December 2023. The Company valued the warrant using the Black-Scholes option pricing model, which management has determined approximates fair value, with the following weighted-average assumptions: fair market value of \$0.76 per share, volatility of 38%, term of four years, and a risk-free interest rate of 1.89%. The fair value of this warrant of approximately \$94,000 was recorded as a liability and prepaid interest expense and is being amortized to interest expense over the remaining life of the loan agreement. The warrants have been remeasured at September 30, 2013 (unaudited), with approximately no change in fair value.

NOTE 7 NOTES RECEIVABLE FROM STOCKHOLDERS

During 2003, the Company received full recourse promissory notes totaling approximately \$1,465,000 from certain employees to exercise their stock options. The notes bear interest at a rate of 1.6% compounded semi-annually and are collateralized by the restricted common stock issued under the exercise of the options. The notes are due and payable in full on October 15, 2011 with interest payable in arrears. As of December 31, 2012, the due date was not extended and the stockholders are in default. During 2011, \$575,000 of these notes and accumulated interest thereon of \$77,000 was forgiven and 162,500 shares of common stock were cancelled in exchange for such forgiveness. As of December 31, 2012 and September 30, 2013 (unaudited), approximately \$113,000 of the notes remains outstanding and interest payable of approximately \$16,000 is in arrears.

During 2003, the Company received full recourse promissory notes totaling approximately \$969,000 from certain employees to exercise their warrants. The notes bear interest at a rate of 1.6% compounded semi-annually and are collateralized by the restricted common stock issued under the exercise of the options. The notes are due and payable in full on October 15, 2011 with interest payable in arrears. During 2011, \$1,064,000 of these notes and interest were forgiven. As of December 31, 2011, there is no outstanding balance payable.

During 2011, the Company cancelled notes receivable and accrued interest of \$1,716,000 upon the return of 308,299 shares of common stock.

During 2009, the Company received recourse promissory notes totaling approximately \$792,000 from certain employees to exercise their stock options. The notes bear interest at a rate of 0.8% and are collateralized by the restricted common stock issued under the exercise of the options. The notes are due and payable in full on May 14, 2015 with interest payable in arrears. As of December 31, 2012, \$792,000 of the notes remain outstanding and interest payable of approximately \$22,000 is in arrears. In 2013 these notes were paid in full.

F-19

Table of Contents**NOTE 8 STOCK OPTION PLAN**

Stock-based compensation expense for all share-based payment awards granted after January 1, 2006, and for previous awards modified, repurchased, or cancelled after January 1, 2006, is based on the grant-date calculated value. The Company recognizes these compensation costs, net of an estimated forfeiture rate, and recognizes the compensation costs for only those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years. The Company estimated the forfeiture rate for the nine months ended September 30, 2013 (unaudited) and the years ended December 31, 2012 and 2011 based on its historical experience for annual grant years where the majority of the vesting terms have been satisfied.

For the nine months ended September 30, 2013 and 2012 (unaudited) and the years ended December 31, 2012 and 2011, the Company recorded stock-based compensation expense of approximately \$291,000, \$185,000, \$246,000, and \$293,000, respectively.

In September 2008, the Company adopted the 2008 Equity Incentive Plan (the Plan). The Plan served as the successor to the Company's 1998 Stock Option Plan. Pursuant to the terms of the Plan, 13,901,908 shares of common stock have been reserved for future issuance.

Options granted under the Plan vest over a period not to exceed five years and are exercisable for periods not exceeding ten years. Incentive and non-qualified stock options granted to stockholders who own greater than 10% of the Company's outstanding stock at the date of grant must be issued at not less than 110% of the estimated fair value of the common stock on the date of grant. Incentive and non-qualified stock options granted to any other employee, director or consultant must be issued at a price no less than 100% or 85%, respectively, of the estimated fair value of the common stock on the date of grant. Generally, options granted under the Plan are immediately exercisable and vest ratably over four years. Unvested stock option exercises are subject to repurchase upon termination of the holder's status as an employee or consultant. At December 31, 2012, there were zero shares that had been early exercised that were subject to the Company's repurchase right at that date.

In February 2013, the Company offered eligible participants the decision to exchange certain outstanding options to purchase shares of the Company's common stock granted under the Plan for new options the Company granted under the Plan. The new options have an exercise price of \$0.05 per share. In March 2013, 8,697,352 shares were exchanged.

Stock option activity for the nine months ended September 30, 2013 is as follows (unaudited):

	Shares	Weighted average exercise price per share	Weighted average remaining contractual life (in years)
Outstanding at December 31, 2012	9,681,865	\$ 0.22	7.29
Options granted	9,806,230	\$ 0.05	
Options exercised	(25,000)	\$ 0.05	
Options cancelled/forfeited/expired	(9,523,365)	\$ 0.20	
Outstanding at September 30, 2013	9,939,730	\$ 0.07	6.97

Edgar Filing: People's United Financial, Inc. - Form 424B2

Vested and expected to vest at			
September 30, 2012 (1)	9,568,667	\$ 0.07	6.90
Exercisable at September 30, 2013	7,438,239	\$ 0.07	6.97

- (1) The expected to vest options are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

F-20

Table of Contents

Stock option activity for the year ended December 31, 2012 is as follows:

	Shares	Weighted average exercise price per share	Weighted average remaining contractual life (in years)
Outstanding at December 31, 2011	9,280,524	\$ 0.23	7.88
Options granted	1,616,780	\$ 0.20	
Options exercised	(30,750)	\$ 0.20	
Options cancelled/forfeited/expired	(1,184,689)	\$ 0.36	
Outstanding at December 31, 2012	9,681,865	\$ 0.22	7.29
Vested and expected to vest at December 31, 2012 (1)	9,341,250	\$ 0.22	7.28
Exercisable at December 31, 2012	6,857,748	\$ 0.22	6.83

(1) The expected to vest options are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The total pretax intrinsic value of options exercised during nine months ended September 30, 2013 and 2012 (unaudited) and the years ended December 31, 2012 and 2011 was zero. The intrinsic value is the difference between the estimated fair value of the Company's common stock at the date of exercise and the exercise price for in-the-money options. The weighted average grant date calculated fair value of options granted during the years ended December 31, 2012 and 2011 was \$0.028 and \$0.038, respectively. The weighted average grant date calculated fair value of options granted during the nine month period ended September 30, 2013 and 2012 (unaudited) was \$0.015 and \$0.028, respectively.

As of September 30, 2013 (unaudited) and December 31, 2012, there was approximately \$119,000 and \$95,000, respectively, of unamortized stock-based compensation cost related to unvested stock options which is expected to be recognized over a weighted average period of 1.7 years.

Cash received from option exercises and purchases of shares under the Plan for the nine months ended September 30, 2013 and 2012 (unaudited) and the year ended December 31, 2012 was approximately \$1,300, \$6,200 and \$6,200, respectively.

The calculated fair value of option grants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended September 30,	
	2013 (unaudited)	2012 (unaudited)
Expected dividend yield (1)	0%	0%

Edgar Filing: People's United Financial, Inc. - Form 424B2

Risk-free interest rate (2)	0.40% - 2.48%	0.63% - 1.42%
Expected volatility (3)	38%	45%
Expected life (in years) (4)	6.97	5.93

	Stock options	
	Years ended December 31,	
	2012	2011
Expected dividend yield (1)	0%	0%
Risk-free interest rate (2)	0.63% - 1.42%	1.16% - 2.64%
Expected volatility (3)	45%	45%
Expected life (in years) (4)	5.93	5.91

F-21

Table of Contents

- (1) The Company has no history or expectation of paying cash dividends on its common stock.
- (2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected life of the awards in effect at the time of grant.
- (3) The Company estimates the volatility of its common stock at the date of grant based on the implied volatility of publicly traded options on its common stock, with a term of one year or greater. For the nine months ended September 30, 2013 (unaudited) and the years ended December 31, 2012 and 2011, the Company used an equally weighted average of trailing volatility and market based implied volatility for the computation.
- (4) The expected life represents the period of time that options granted are expected to be outstanding.

NOTE 9 INCOME TAXES

Income taxes have been provided in accordance with ASC 740, *Accounting for Income Taxes*. ASC 740 requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is more likely than not. Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. Because of the Company's recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a valuation allowance.

As of December 31, 2012 and 2011, the Company had deferred tax assets of approximately \$23,629,000 and \$21,077,000, respectively. Deferred tax assets primarily relate to net operating loss and tax credit carryforwards. Realization of the deferred tax assets is dependent upon future taxable income, if any, the amount and timing of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by approximately \$2,552,000 during 2012 and approximately \$1,585,000 during 2011.

As of December 31, 2012 and 2011, the Company had federal NOL carryforwards of approximately \$64,351,000 and \$56,843,000, respectively. The Company also had federal research and development tax credit carryforwards of approximately \$773,000 and \$688,000, respectively. The federal NOL and tax credit carryforwards will expire at various dates beginning in 2023 if not utilized.

As of December 31, 2012 and 2011, the Company had state NOL carryforwards of approximately \$39,509,000 and \$32,137,000, respectively. The Company also had state research and development tax credit carryforwards of approximately \$918,000 and \$798,000, respectively. The state net operating loss carryforwards will expire at various dates beginning in 2017 if not utilized. The state tax credit carryforwards do not expire.

Utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code No. 382, as amended and similar state provisions. In 2011, the Company completed a study and determined there had been changes in ownership that would restrict the Company's ability to utilize approximately \$18,627,000 of federal NOL carryforwards since inception. The deferred tax assets at December 31, 2012 and 2011 have been adjusted for the restriction.

A number of the Company's tax returns remain subject to examination by taxing authorities. These include U.S. federal returns for 1999 and later years, and tax returns for certain states for 2003 and later years.

NOTE 10 BENEFIT PLANS

401(k) plan The Company has a 401(k) plan in which each participant may elect to contribute portions of their salary, subject to statutory limitations, and provides for a matching contribution, as defined by the plan.

Table of Contents**NOTE 11 RELATED PARTY TRANSACTIONS**

On August 10, 2005, the Company completed a series of agreements with BSC, which included the following:

A securities purchase agreement, whereby BSC purchased 666,667 shares of the Company's Series D convertible preferred stock (Series D) for cash at \$15.00 per share, for aggregate cash proceeds of approximately \$10,000,000;

Amendment to the existing merger agreement and securities purchase agreement, whereby, among other items, BSC's exclusive option to acquire the Company was extended, the contingent payments payable by BSC under the merger agreement were increased, and certain financial and operating covenants were relaxed; and

Asset purchase, distribution, supply, and technology license agreements resulting in the transfer to the Company the right to design, develop, manufacture, and sell BSC's COBRA product.

In connection with these agreements, the Company recorded the issuance of Series D based on the sum of: i) cash proceeds of approximately \$10,000,000 received from BSC and ii) the fair value of BSC's COBRA product line transferred to the Company, based on an independent valuation of approximately \$15,420,000 for an aggregate value of approximately \$25,420,000 or \$38.13 per share. The value of the COBRA product line has been recorded as an intangible asset, and is being amortized over the term of the technology license of 20 years.

On September 17, 2007, the Company entered into several agreements with BSC. These agreements terminated BSC's option to acquire the Company, reduced the royalty payable on sale of COBRA technology products from 12% to 3%.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Operating leases The Company leases its facilities under noncancelable operating leases expiring in December 2014. Rent expense related to the Company's operating leases was approximately \$417,000 and \$409,000 for the years ended December 31, 2012 and 2011, respectively. Rent expense related to the Company's operating leases was approximately \$344,000 and \$312,000 for the nine month period ended September 30, 2013 and 2012 (unaudited), respectively.

Future minimum payments under noncancelable leases are approximately as follows:

Years ending December 31:	
2013	\$ 446,000
2014	464,000
	\$ 910,000

As of September 30, 2013 (unaudited), the future minimum payments under noncancelable leases are approximately \$111,000 for the three months remaining in the year ending December 31, 2013, and \$464,000 for the year ended December 31, 2013.

General litigation From time to time, the Company becomes involved in legal proceedings arising from the ordinary course of business. The Company records a provision for a liability when management believes that it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management is not aware of any matters that will have a material adverse affect on the financial position, results of operations, or cash flows of the Company at September 30, 2013.

NOTE 13 SALE OF PRODUCT LINE

On July 1, 2011, the Company sold its Cannula Product line to Sorin Group USA, Inc. (Sorin Group USA) for a gross purchase consideration of \$5,000,000, less legal, banking, and other fee expenses of \$1,131,000. The Company transferred approximately \$418,000 of inventory and \$49,000 of equipment to Sorin Group USA and recorded a gain of approximately \$3,401,000.

Table of Contents

NOTE 14 SUBSEQUENT EVENTS (UNAUDITED)

On October 10, 2013 the Company sold substantially all of its assets related to its CABG product line for \$17,075,000 in cash, plus \$1,000,000 of transition services to be provided to the acquirer after completion of the sale, of which \$500,000 has been collected to date. Assets sold to the acquirer included intellectual property, inventory and equipment. The Company used part of the proceeds from the sale of its CABG assets to pay off the \$10,000,000 secured promissory note entered on March 21, 2013.

On December 31, 2013 the Company was acquired in a merger for \$34,000,000 in common stock of the acquirer, plus the Company's cash at close after the payment of transaction costs, severance, payments to unaccredited shareholders, and bonus payments. In addition, \$3,400,000 of stock and cash was set aside in escrow to be released to the Company's shareholders after fifteen months if there are no claims of the acquirer related to representations and warranties made by the Company under the merger agreement. Further, if certain sales milestones are achieved in 2014 and 2015, up to another \$26,000,000 in cash or stock of the acquirer may be distributed to the Company's shareholders.

F-24

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information is presented to give effect to the acquisition of Endoscopic Technologies, Inc. (Estech) by AtriCure, Inc. and subsidiaries (AtriCure or the Company), the Acquisition , as announced on December 19, 2013 and subsequently closed on December 31, 2013.

The unaudited pro forma condensed consolidated financial information was prepared using (i) the audited consolidated financial statements of AtriCure for the year ended December 31, 2012 and the unaudited condensed consolidated financial statements of AtriCure for the nine months ended September 30, 2013 incorporated by reference in this prospectus, (ii) the audited consolidated financial statements of Estech for the fiscal year ended December 31, 2012 and the unaudited consolidated financial statements of Estech for the nine months ended September 30, 2013 included elsewhere in this prospectus (iii) the removal of amounts related to certain operations disposed of by Estech prior to the Acquisition, (iv) the preliminary purchase price allocation of the Estech acquisition, a summary of which is included in Note 2 to this unaudited pro forma condensed consolidated financial information, and (v) the assumptions and adjustments described in the notes accompanying this unaudited pro forma condensed consolidated financial information. The pro forma condensed combined statement of continuing operations reflects the Acquisition as if it had been completed on January 1, 2012, and the pro forma condensed combined balance sheet reflects the Acquisition as if it had been completed on September 30, 2013.

The Estech acquisition was accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the purchase price is required to be allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values. Any purchase price in excess of the fair market value of the acquired tangible and intangible assets is required to be allocated to goodwill in our condensed combined balance sheet as of the end of the period in which the acquisition closed. We performed appraisals necessary to derive preliminary fair values of the tangible and intangible assets acquired and liabilities assumed, the amounts of assets and liabilities arising from contingencies, and the amount of goodwill to be recognized as of the acquisition date, and the related preliminary allocation of the purchase price.

This unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated audited and unaudited financial statements of AtriCure and Estech and the related audited and unaudited notes thereto included in or incorporated by reference in this prospectus.

Table of Contents**AtriCure, Inc. and Subsidiaries and Endoscopic Technologies, Inc.****Condensed Combined Balance Sheet and Pro Forma Adjustments****As of September 30, 2013****(Unaudited)**

(amounts in thousands)

	Historical				
	AtriCure,	Endoscopic	Elimination	Pro	Pro
	Inc.	Technologies,	of CABG	Forma	Forma
	Inc.	Inc.	of CABG	Adjustments	Combined
Assets					
Current assets:					
Cash and cash equivalents	\$ 25,821	\$ 3,093	\$ 7,075 a)	\$ (10,168) b)	\$ 25,821
Short-term investments	3,864				3,864
Accounts receivable, less allowance for doubtful accounts	11,031	2,825	(914) c)		12,942
Inventories	7,062	3,162	(651) d)	(142) e)	9,431
Other current assets	779	648			1,427
Total current assets	48,557	9,728	5,510	(10,310)	53,485
Property and equipment, net	4,135	1,452	(105) f)	128 g)	5,610
Long-term investments	4,678				4,678
Goodwill				28,470 h)	28,470
Intangible assets	23	10,868	(1,146) i)	341 j)	10,086
Other assets	244	51	(51) k)		244
Total assets	\$ 57,637	\$ 22,099	\$ 4,208	\$ 18,629	\$ 102,573
Liabilities and Stockholders					
Equity					
Current liabilities					
Accounts payable	\$ 5,720	\$ 1,609	\$ (256) l)	\$ 7,919 m)	\$ 7,073
Accrued liabilities	8,518	1,664			18,101
Current maturities of debt and capital leases	2,037	1,818	(1,818) n)		2,037
Total current liabilities	16,275	5,091	(2,074)	7,919	27,211
Long-term debt and capital lease obligations	4,922	8,182	(8,182) n)		4,922
Other liabilities	195	94	(94) o)		195
Total liabilities	21,392	13,367	(10,350)	7,919	32,328

Edgar Filing: People's United Financial, Inc. - Form 424B2

Stockholders' Equity:

Convertible preferred stock		70,667		(70,667) p)	
Common stock	21	4		(4) p)	21
Additional paid-in capital	153,420	17,338		16,662 p)	187,420
Accumulated other comprehensive income (loss)	37				37
Accumulated deficit	(117,233)	(79,125)	14,558 q)	64,567 p)	(117,233)
Notes receivables from Stockholders		(152)		152 p)	
Total stockholders' equity	36,245	8,732	14,558	10,710	70,245
Total liabilities and stockholders' equity	\$ 57,637	\$ 22,099	\$ 4,208	\$ 18,629	\$ 102,573

F-26

Table of Contents**AtriCure, Inc. and Subsidiaries and Endoscopic Technologies, Inc.****Condensed Combined Statement of Continuing Operations and Pro Forma Adjustments****For the Nine Months ended September 30, 2013****(Unaudited)**

(amounts in thousands, except for share data)

	Historical			Pro	Pro Forma
	AtriCure, Inc.	Endoscopic Technologies, Inc.	Elimination of CABG	Forma Adjustments	Forma Combined
Revenue	\$ 60,005	\$ 14,913	\$ (6,348) r)		\$ 68,570
Cost of revenue	16,111	4,038	(1,164) s)	592 t)	19,577
Gross profit	43,894	10,875	(5,184)	(592)	48,993
Operating expenses:					
Research and development expenses	9,792	2,395		(159) u)	12,028
Selling, general and administrative expenses	40,155	11,290		(429) v)	51,016
Total operating expenses	49,947	13,685		(588)	63,044
Loss from operations	(6,053)	(2,810)	(5,184)	(4)	(14,051)
Other income (expense):					
Interest expense	(428)	(1,592)	939 w)	73 x)	(1,008)
Interest income	8	94			102
Other	5	(12)	12 y)		5
Loss before income tax expense	(6,468)	(4,320)	(4,233)	69	(14,952)
Income tax expense	14				14
Net income (loss)	\$ (6,482)	\$ (4,320)	\$ (4,233)	69	\$ (14,966)
Basic and diluted net loss per share	\$ (0.32)				\$ (0.67)
Weighted average shares outstanding-basic and diluted	20,311			2,126 z)	22,437

Table of Contents**AtriCure, Inc. and Subsidiaries and Endoscopic Technologies, Inc.****Condensed Combined Statement of Continuing Operations and Pro Forma Adjustments****For the Year ended December 31, 2012****(Unaudited)**

(amounts in thousands, except for share data)

	Historical	Endoscopic		Pro	Pro
	AtriCure,	Technologies,	Elimination	Forma	Forma
	Inc.	Inc.	of CABG	Adjustments	Combined
Revenue	\$ 70,247	\$ 19,629	\$ (7,922) aa)		\$ 81,954
Cost of Revenue	20,233	5,509	(1,445) bb)	677 cc)	24,974
Gross profit	50,014	14,120	(6,477)	(677)	56,980
Operating expenses:					
Research and development expenses	12,147	3,137		(246) dd)	15,038
Selling, general and administrative expenses	45,065	16,016		(405) ee)	60,676
Total operating expenses	57,212	19,153		(651)	75,714
Loss from operations	(7,198)	(5,033)	(6,477)	(26)	(18,734)
Other income (expense):					
Interest expense	(802)	(1,002)	816 ff)		(988)
Interest Income	11	225			236
Other	505	(2,992)	2,992 gg)		505
Loss before income tax expense	(7,484)	(8,802)	(2,669)	(26)	(18,981)
Income tax expense	50				50
Net loss	\$ (7,534)	\$ (8,802)	\$ (2,669)	\$ (26)	\$ (19,031)
Basic and diluted net loss per share	\$ (0.47)				\$ (1.04)
Weighted average shares outstanding-basic and diluted	16,190			2,126 hh)	18,316

Table of Contents**AtriCure, Inc. and Endoscopic Technologies, Inc..****Notes to Unaudited Pro Forma Condensed Combined Financial Information****Note 1. Basis of Presentation**

The historical financial information has been adjusted to give pro forma effect to events that are (i) directly attributable to the Acquisition and related transactions, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of continuing operations, expected to have a continuing impact on the combined results. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the Acquisition and certain other adjustments. The final determination of the purchase price allocation will be based on the fair values of assets acquired and liabilities assumed as of the date the Acquisition closes, and could result in significant changes to the unaudited pro forma condensed combined financial information, including goodwill.

This unaudited pro forma condensed consolidated financial information should be read in conjunction with the historical consolidated audited and unaudited financial statements of AtriCure, Inc. and Estech and the related audited and unaudited notes thereto included elsewhere in this prospectus.

Note 2. Estech Acquisition

On December 31, 2013, AtriCure completed its acquisition of Estech, pursuant to the Merger Agreement, dated as of December 19, 2013, with Niners Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of AtriCure (Merger Sub), Estech and Fortis Advisors LLC, a Delaware limited liability company. Under the terms of the Merger Agreement, Estech merged with and into Merger Sub and Merger Sub survived as a wholly owned subsidiary of AtriCure (the Merger).

The aggregate consideration paid to Estech's former stockholders in the Merger was \$34 million paid through the issuance of 2,126,343 shares of AtriCure common stock valued at \$15.99 under the terms of the Merger Agreement and up to \$26 million to be paid in additional consideration based on the achievement of certain performance based milestones. The purchase price is subject to adjustments based on Estech's working capital and certain expenses incurred by Estech in connection with the consummation of the transactions contemplated by the Merger Agreement (the Closing Merger Consideration). All outstanding Estech equity awards were cancelled as of closing date of Merger, the preliminary estimated purchase price of the acquisition is as follows:

Fair Value of shares issued	\$ 34,000
Preliminary Fair Value of Contingent Consideration	7,508
Total Purchase Price	\$ 41,508

Preliminary Purchase Price Allocation

Pursuant to the Company's business combinations accounting policy, the total preliminary purchase price for Estech was allocated to the preliminary net tangible and intangible assets based upon their preliminary fair values as set forth below. The excess of the preliminary purchase price over the preliminary net tangible assets and preliminary intangible assets was recorded as goodwill.

Table of Contents

The Company's preliminary purchase price allocation for Estech is as follows:

Fair Value of Acquired Working Capital	\$ 1,500
Recognize long-term assets at fair value	
Property and Equipment	1,475
Identified Intangible Assets	
Fusion Technology (15 year life)	9,100
Clamp and Probe Technology (10 year life)	755
Trade Name (1 year life)	208
Goodwill	28,470
Total Purchase Price	\$ 41,508

The preliminary purchase price allocation is based on preliminary estimates and assumptions, and is subject to change during the purchase price measurement period as the Company finalizes its estimates of the fair value of assets acquired and liabilities assumed as of the Acquisition date.

Note 3. Notes to Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2013

The unaudited pro forma condensed combined balance sheet presented above reflects the following specific adjustments:

a) Cash *Elimination of CABG*

To reflect the cash proceeds from the sale of a product line sold by Estech before the acquisition of Estech by AtriCure

\$ 17,075

To reflect cash used to settle secured promissory note before the acquisition of Estech by AtriCure

(10,000)

Total adjustments to cash

\$ 7,075

b) Cash *Proforma Adjustments*

To reflect Estech cash not transferred as detailed in the merger agreement

\$ (10,168)

c) Accounts receivable, less allowance for doubtful accounts *Elimination of CABG*

To reflect net accounts receivable related to a product line sold by Estech before the acquisition of Estech by AtriCure

\$ (914)

d) Inventory *Elimination of CABG*

To reflect inventory of a product line sold by Estech before the acquisition of Estech by AtriCure

\$ (651)

e) Inventory *Pro Forma Adjustments*

\$ (142)

To reflect a policy difference to reduce Estech product inventory issued to sales representatives as AtriCure expenses this type of inventory when issued

(Note: No adjustment to fair value of inventory is reflected as inventory as stated approximates fair value due to its estimated cost to sell and normal profit margin.)

f) Property and equipment, net *Elimination of CABG*

To reflect net book value of equipment of a product line sold by Estech before the acquisition of Estech by AtriCure	\$ (105)
--	----------

g) Property and equipment, net *Pro Forma Adjustments*

To reverse net book value of existing property and equipment	\$ (1,347)
--	------------

To record fair value of acquired property and equipment	1,475
---	-------

Total adjustments to property and equipment, net	\$ 128
--	--------

F-30

Table of Contents

h) Goodwill	<i>Pro Forma Adjustments</i>	
To adjust for purchase consideration in excess of fair value of net assets acquired as of December 31, 2013 valuation date		\$ 28,470
i) Intangible assets	<i>Elimination of CABG</i>	
To reflect net book value of intangible assets such as patents and licenses related to a product line sold by Estech before the acquisition of Estech by AtriCure		\$ (1,146)
j) Intangible assets	<i>Pro Forma Adjustments</i>	
To reverse net book value of existing Estech intangible assets		\$ (9,722)
To record fair value of acquired intangible assets such as acquired technology and trade name		10,063
Total adjustments to intangible assets		\$ 341
k) Other assets	<i>Elimination of CABG</i>	
To reflect deferred financing fees written off related to secured promissory note paid off before the acquisition of Estech by AtriCure		\$ (51)
l) Accounts payable	<i>Elimination of CABG</i>	
To reflect accounts payable related to a product line sold by Estech before the acquisition of Estech by AtriCure		\$ (256)
m) Accrued liabilities	<i>Pro Forma Adjustments</i>	
To reflect fair value of contingent consideration related to the earn-out provisions in the merger agreement between Estech and AtriCure		\$ 7,508
To reflect assumed obligations to seller based on excess closing working capital over \$1,500 as detailed in the merger agreement		411
Total adjustments to accrued liabilities		\$ 7,919
n) Debt and capital leases	<i>Elimination of CABG</i>	
Current maturities of debt and capital leases		
To reflect settlement of secured promissory note by Estech before the acquisition of Estech by AtriCure-current portion		\$ (1,818)
Long-term debt and capital lease obligations		
To reflect settlement of secured promissory note by Estech before the acquisition of Estech by AtriCure long-term portion		\$ (8,182)
o) Other Liabilities	<i>Elimination of CABG</i>	\$ (94)

To reflect settlement of Estech warrant liability associated with settled secured promissory note prior to closing of acquisition of Estech by AtriCure

p) Stockholders Equity *Proforma Adjustments*

Convertible preferred stock

To reverse Series D-1 convertible preferred stock of Estech	\$ (12,012)
To reverse Series C-1 convertible preferred stock of Estech	(8,354)
To reverse Series B-1 convertible preferred stock of Estech	(10,347)
To reverse Series A-1 convertible preferred stock of Estech	(39,954)

Total adjustments to Convertible preferred stock	\$ (70,667)
--	-------------

Common stock

To reverse common stock of Estech	\$ (4)
To record \$.001 per share par value of 2.1 million common shares of AtriCure issued to Estech shareholders as merger consideration	0

Total adjustments to Common stock	\$ (4)
-----------------------------------	--------

Table of Contents

Additional paid-in capital	
To reverse additional paid-in capital of Estech	\$ (17,338)
To record additional paid-in capital related to issuance of common shares of AtriCure issued to Estech shareholders as merger consideration (2.1 million shares of AtriCure stock x \$15.99 price per share per the merger agreement)	34,000
Total adjustments to property and equipment, net	\$ 16,662
Accumulated deficit	
To reverse accumulated deficit of Estech	\$ (64,567)
Notes receivables from stockholders	
To reverse notes receivables from stockholders of Estech	\$ 152
q) Accumulated deficit <i>Elimination of CABG</i>	
To reflect gain on sale of product line sold by Estech before the acquisition of Estech by AtriCure	\$ 14,558

Note 4. Notes to Unaudited Pro Forma Condensed Combined Statement of Continuing Operations for the nine months ended September 30, 2013

The unaudited pro forma condensed statement of continuing operations presented above reflects the following specific adjustments:

r) Revenue <i>Elimination of CABG</i>	
To reflect elimination of revenue related to a product line sold by Estech before the acquisition of Estech by AtriCure	\$ (6,348)
s) Cost of revenue <i>Elimination of CABG</i>	
To reflect elimination of cost of revenue related to a product line sold by Estech before the acquisition of Estech by AtriCure	\$ (1,164)
t) Cost of revenue <i>Pro Forma Adjustments</i>	
Reclassification of certain excise taxes to cost of revenue from interest expense to conform with AtriCure presentation	\$ 73
Reclassification of personnel expenses to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation	293
Reclassification of personnel expenses to cost of revenue from research and development expense to conform with AtriCure presentation	165
Reclassification of laboratory and warehousing facilities cost allocation to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation	61

Total adjustments to Cost of revenue	\$ 592
u) Research and development expenses <i>Pro Forma Adjustments</i>	
Reclassification of legal expenses related to patents from research and development expenses to selling, general and administrative expenses to conform with AtriCure presentation	\$ (104)
Reclassification of personnel expenses to cost of revenue from research and development expenses to conform with AtriCure presentation	(165)
Reclassification of laboratory and warehousing facilities cost allocation to research and development from selling, general and administrative expenses to conform with AtriCure presentation	110
Total adjustments to Research and development expenses	\$ (159)

F-32

Table of Contents

v) Selling, general and administrative expenses	<i>Pro Forma Adjustments</i>	
To reflect a policy difference to reduce Estech product inventory issued to sales representatives as AtriCure expenses this type of inventory when issued		\$ 142
Reclassification of legal expenses related to patents from research and development expenses to selling, general and administrative expenses to conform with AtriCure presentation		104
Reclassification of personnel expenses to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation		(293)
Reclassification of laboratory and warehousing facilities cost allocation to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation		(61)
Reclassification of laboratory and warehousing facilities cost allocation to research and development from selling, general and administrative expenses to conform with AtriCure presentation		(110)
To reverse amortization expense for existing Estech intangible assets		(722)
To record amortization expense for newly identified Estech intangible assets		511
Total adjustments to Selling, general and administrative expenses		\$ (429)
w) Interest expense	<i>Elimination of CABG</i>	
To eliminate interest expense for secured promissory note settled by Estech before the acquisition of Estech by AtriCure		\$ 939
x) Interest expense	<i>Pro Forma Adjustments</i>	
Reclassification of certain excise taxes to cost of revenue from interest expense to conform with AtriCure presentation		\$ 73
y) Other	<i>Elimination of CABG</i>	
To eliminate beneficial conversion feature and cost of warrants related to secured promissory note settled by Estech before the acquisition of Estech by AtriCure		\$ 12
z) Weighted average shares outstanding-Basic and diluted	<i>Pro Forma Adjustments</i>	
AtriCure shares to be issued in replacement of Estech common shares		2,126

Note 5. Notes to Unaudited Pro Forma Condensed Combined Statement of Continuing Operations for the year ended December 31, 2012

The unaudited pro forma condensed statement of continuing operations above reflects the following specific adjustments:

aa) Revenue	<i>Elimination of CABG</i>	
To reflect elimination of revenue related to a product line sold by Estech before the acquisition of Estech by AtriCure		\$ (7,922)

bb) Cost of revenue *Elimination of CABG*

To reflect elimination of cost of revenue related to a product line sold by Estech before the acquisition of Estech by AtriCure \$ (1,445)

cc) Cost of revenue *Pro Forma Adjustments*

Reclassification of personnel expenses to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation \$ 399

Table of Contents

Reclassification of personnel expenses to cost of revenue from research and development expense to conform with AtriCure presentation	204
Reclassification of laboratory and warehousing facilities cost allocation to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation	74
Total adjustments to Cost of revenue	\$ 677
dd) Research and development expenses <i>Pro Forma Adjustments</i>	
Reclassification of legal expenses related to patents from research and development expenses to selling, general and administrative expenses to conform with AtriCure presentation	\$ (175)
Reclassification of personnel expenses to cost of revenue from research and development expenses to conform with AtriCure presentation	(204)
Reclassification of laboratory and warehousing facilities cost allocation to research and development from selling, general and administrative expenses to conform with AtriCure presentation	133
Total adjustments to Research and development expenses	\$ (246)
ee) Selling, general and administrative expenses <i>Pro Forma Adjustments</i>	
To reflect a policy difference to reduce Estech product inventory issued to sales representatives as AtriCure expenses this type of inventory when issued	\$ 101
Reclassification of legal expenses related to patents from research and development expenses to selling, general and administrative expenses to conform with AtriCure presentation	175
Reclassification of personnel expenses to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation	(399)
Reclassification of laboratory and warehousing facilities cost allocation to cost of revenue from selling, general and administrative expenses to conform with AtriCure presentation	(74)
Reclassification of laboratory and warehousing facilities cost allocation to research and development from selling, general and administrative expenses to conform with AtriCure presentation	(133)
To reverse amortization expense for existing Estech intangible assets	(964)
To record amortization expense for newly identified Estech intangible assets	889
Total adjustments to Selling, general and administrative expenses	\$ (405)
ff) Interest expense <i>Elimination of CABG</i>	
To eliminate interest expense related to secured promissory note settled by Estech before the acquisition of Estech by AtriCure	\$ 816
gg) Other	
To eliminate beneficial conversion feature and cost of warrants related to secured promissory note settled by Estech before the acquisition of Estech by AtriCure	\$ 2,992
hh) Weighted average shares outstanding-Basic and diluted <i>Pro Forma Adjustments</i>	
AtriCure shares to be issued in replacement of Estech common shares	2,126

Note 6. Pro Forma Net Loss per Common Share

The pro forma basic and diluted net loss per common share is based on the weighted average number of common shares of AtriCure's common stock outstanding during the period as adjusted to reflect the shares of common stock issued as consideration in the Estech acquisition. The diluted weighted average number of common shares does not include outstanding stock options as their inclusion would be anti-dilutive.

F-34