ENDOLOGIX INC /DE/
Form 424B5
December 05, 2013
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CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per security	Proposed maximum aggregate offering price	Amount of registration fee(1)(2)
2.25% Convertible Senior Notes due 2018	$86,250,000(3)	100%	$86,250,000	$11,109
Common Stock, $0.001 par value per share	(4)	(4)	(4)	(4)

(1) The filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act).

(2) A registration fee of $11,109 is due for this offering. The Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in Registration Statement No. 333-181762 on Form S-3ASR.

(3) Includes 2.25% Convertible Senior Notes due 2018 that may be purchased by the underwriters pursuant to their option to purchase additional 2.25% Convertible Senior Notes due 2018 to cover over-allotments, if any.

(4) There is also being registered hereby an indeterminate number of shares of common stock as may be issued from time to time upon conversion of the 2.25% Convertible Senior Notes due 2018. Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is payable where convertible securities and the securities into which conversion is offered are registered at the same time and no additional consideration is to be received in connection with the exercise of the conversion privilege. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.

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Filed Pursuant to Rule 424(b)(5)
File Number 333-181762

PROSPECTUS SUPPLEMENT

(To prospectus dated May 30, 2012)

$75,000,000

2.25% Convertible Senior Notes due 2018

We are offering $75 million aggregate principal amount of 2.25% Convertible Senior Notes due 2018. We will pay interest on the notes on June 15 and December 15 of each year, beginning June 15, 2014. The notes will mature on December 15, 2018, unless earlier repurchased by us or converted.

We may not redeem the notes prior to December 15, 2016. On or after December 15, 2016, we may redeem for cash all or any portion of the notes, at our option, but only if the closing sale price of our common stock for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the second trading day immediately preceding the date on which we provide notice of redemption, exceeds 130% of the conversion price on each applicable trading day. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes.

Holders may convert their notes at any time prior to the close of business on the business day immediately preceding September 15, 2018 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2014, if the closing sale price of our common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the notes in effect on each applicable trading day; (2) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day was less than 98% of the closing sale price of our common stock on such date multiplied by the then-current conversion rate; (3) if we call all or any portion of the notes for redemption, at any time prior to the close of business on the second scheduled trading day prior to the redemption date, or (4) upon the occurrence of specified corporate events. On or after September 15, 2018 until the close of business on the second scheduled trading day immediately preceding the stated maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus supplement.

The initial conversion rate will be 41.6051 shares of our common stock for each $1,000 principal amount of notes, which represents an initial conversion price of approximately $24.04 per share. Following certain corporate transactions that occur on or prior to the stated maturity date or our delivery of a notice of redemption, we will increase the conversion rate for a holder that elects to convert its notes in connection with such a corporate transaction.

If a fundamental change, as defined herein, occurs prior to the stated maturity date, holders may require us to purchase for cash all or any portion of their notes at a fundamental change purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date.

We do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. Our common stock is listed on The NASDAQ Global Select Market under the symbol ELGX. On December 4, 2013, the closing sale price of our common stock was $18.14 per share.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-11 of this prospectus supplement.

	Per Note	Total
Public offering price (1)	100.00%	$ 75,000,000
Underwriting discount	3.25%	$ 2,437,500
Proceeds, before expenses, to us (1)	96.75%	$ 72,562,500

(1) Plus accrued interest from December 10, 2013, if settlement occurs after that date

The underwriters may exercise their right to purchase up to an additional $11,250,000 principal amount of the notes for 30 days after the date of this prospectus supplement, solely to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission 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.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants on or about December 10, 2013.

BofA Merrill Lynch

Piper Jaffray

The date of this prospectus supplement is December 4, 2013.

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Prospectus Supplement

Prospectus

We have not, and the underwriters have not, authorized anyone to provide any information other than that contained in this prospectus supplement or the accompanying prospectus or incorporated by reference in this prospectus supplement or the accompanying prospectus, or in any free writing prospectus prepared by or on behalf of us to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus or the documents incorporated by reference in this prospectus supplement or the accompanying prospectus or any free writing prospectus we provide you is accurate as of any date other than the date of such document. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, utilizing a shelf registration process. This prospectus supplement provides you with the specific details regarding this offering of notes and updates the information contained or incorporated by reference in the accompanying prospectus. The accompanying prospectus provides you with more general information regarding our securities, some of which does not apply to the offering. You should read and consider both this prospectus supplement and the accompanying prospectus together with the additional information described under the headings Where You Can Find More Information and Information Incorporated by Reference in this prospectus and the accompanying prospectus. To the extent the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus or the information contained in any document incorporated by reference therein, the information contained in the most recently dated document shall control.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this prospectus supplement and the accompanying base prospectus and the documents incorporated by reference herein and therein contain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact contained in this prospectus supplement and the accompany base prospectus, including statements regarding future events, our future financial performance, our future business strategy and the plans and objectives of management for future operations, are forward-looking statements.

We have attempted to identify forward-looking statements by terminology including anticipates, believes, can, continue, could, estimates, expects, intends, may, plans, potential, predicts, should or will or the negative of these terms or other comparable terminology. Alth not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Actual results could differ materially from those projected in forward-looking statements as a result of the following factors, among others:

- continued market acceptance of our products;
- continued growth in the number of patients qualifying for treatment of abdominal aortic aneurysms through our products;
- our ability to effectively compete with the products offered by our competitors;
- the level and availability of third party payor reimbursement for our products;
- our ability to successfully commercialize products which incorporate the technology obtained in our acquisition of Nellix, Inc. (Nellix);
- our ability to effectively develop new or complementary technologies;
- our ability to manufacture our endovascular systems to meet demand;
- changes to our international operations;
- our ability to effectively manage our business and keep pace with our anticipated growth;
- our ability to develop and retain a direct sales force in the United States and select European countries;
- the nature of and any changes to legislative, regulatory and other legal requirements that apply to us, our products, our suppliers and our competitors;

the timing of and our ability to obtain and maintain any required regulatory clearances and approvals;

our ability to protect our intellectual property rights and proprietary technologies;

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our ability to operate our business without infringing the intellectual property rights and proprietary technology of third parties;

product liability claims and litigation expenses;

reputational damage to our products caused by mis-use or off-label use or government or voluntary product recalls;

our utilization of a single source supplier for specialized components of our product lines;

our ability to attract, retain, and motivate qualified personnel;

our ability to make future acquisitions and successfully integrate any such future-acquired businesses;

our ability to maintain adequate liquidity to fund our operational needs and research and developments expenses; and

general macroeconomic and world-wide business conditions.

Readers are urged to carefully review and consider the various disclosures made by us, which attempt to advise interested parties of the risks, uncertainties, and other factors that may affect our business, operating results and financial condition, and the value of our common stock and the notes, including without limitation the disclosures made under the caption Risk Factors in this prospectus supplement and in the documents incorporated by reference into this prospectus supplement, for a discussion of other important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, the forward-looking statements in this prospectus supplement may not prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

Our forward-looking statements speak only as of the date each such statement is made. We expressly disclaim any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in our opinions or expectations, except as required by applicable law or the rules of The Nasdaq Stock Market, LLC.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement. This summary does not contain all the information that you should consider before investing in the notes. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors, the financial statements and related footnotes thereto and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. This prospectus supplement contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors described under the Risk Factors section and elsewhere in this prospectus supplement.

Unless the context otherwise requires, any reference to Endologix, the Company, we, our and us in this prospectus supplement refers to Endologix, Inc. and its subsidiaries.

Endologix®, AFX®, IntuiTrak®, Xpand®, and Nellix® are registered trademarks of Endologix, Inc., IntuiTrak Express and Ventana and the respective product logos are trademarks of Endologix, Inc.

Endologix, Inc.

Overview

We are a Delaware corporation with corporate headquarters and production facilities located in Irvine, California. We develop, manufacture, market, and sell innovative medical devices for the treatment of aortic disorders. Our principal product is a stent graft and accompanying delivery system (our ELG System), for the treatment of abdominal aortic aneurysms (AAA) through minimally-invasive endovascular repair (EVAR).

Our ELG System consists of (i) a self-expanding cobalt chromium alloy stent covered by expanded polytetrafluoroethylene (commonly referred to as ePTFE) graft material (our ELG Device), (ii) an accompanying catheter delivery system in which the ELG Device is loaded and (iii) in the case of the Nellix System, a biostable polymer and bag used to seal the aneurysm. Once our ELG Device is fixed in its proper position within the abdominal aorta, it provides a conduit for blood flow, thereby relieving pressure within the weakened or aneurysmal section of the vessel wall, which greatly reduces the potential for the AAA to rupture.

Sales of our ELG System (including extensions and accessories) to hospitals in the United States and Europe, and to third-party international distributors, provide the sole source of our reported revenue. We sell our products through our direct U.S. and European sales forces and third-party distributors in Europe, Asia, Latin America, and in other parts of the world.

Market Overview and Opportunity

AAA Background

Atherosclerosis is a disease which results in the thickening and hardening of arteries, which generally is attributable to smoking, high blood pressure, and/or high cholesterol damage. This disease generally progresses with age.

Atherosclerosis reduces the integrity and strength of blood vessel walls, causing the vessel to expand or balloon out, which is known as an aneurysm. Aneurysms are commonly diagnosed in the aorta, which is the body s largest artery, extending from the chest to the abdomen. The abdominal aorta is the segment between the renal (kidney) arteries and the area where the aorta divides into the two iliac arteries which travel down the legs. AAA occurs when a portion of the abdominal aorta bulges into an aneurysm because of a weakening of the vessel wall, which may result in life threatening internal bleeding upon rupture.

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The overall patient mortality rate for ruptured AAA is approximately 80%, making it among the leading causes of death in the U.S. Once diagnosed, patients with AAA require either non-invasive monitoring, or depending on the size and rate of growth of the AAA, will require EVAR or open surgical repair.

EVAR Versus Open Surgical Repair

Our ELG System is used exclusively for minimally-invasive EVAR procedures, as opposed to open surgical repair of AAA. Open surgical repair is a highly invasive procedure requiring (i) a large incision in the patient s abdomen, (ii) withdrawal of the patient s intestines to provide access to the aneurysm, (iii) the cross clamping of the aorta to stop blood flow, and (iv) implantation of a graft which is sutured to the aorta, connecting one end above the aneurysm, to the other end below the aneurysm.

Open surgical repair typically lasts two to four hours, while the typical EVAR procedure lasts one to two hours. After receiving open surgical repair, the patient usually requires a few days in the hospital s surgical intensive care unit, and the total hospital stay may be four to ten days. Post-procedure convalescence may take another four to six weeks due to the invasiveness of the operation. By comparison, patients are often discharged a day or two after their EVAR procedure, and once discharged, most patients return to normal activity within two weeks.

Today, approximately 70% of all treated AAAs in the U.S. are repaired through EVAR, and 30% through open surgical repair. Although EVAR has many key advantages over open surgical repair, many patients are not candidates for EVAR due to the limitations of the current EVAR devices to treat a wide range of AAA anatomies. We are developing new ELG systems that we believe, within the next five years, will allow us to address at least 90% of all diagnosed AAAs.

An article published in the New England Journal of Medicine on January 31, 2008 compared the results of open surgical repair versus EVAR for the treatment of AAA on more than 45,000 patients over a three year period. Among the findings discussed in the article were:

- The 30-day mortality rate of all patients in the study undergoing EVAR was approximately 1.2%, as compared to 4.8% for open surgical repair.
- Patients treated by EVAR were three times as likely to be discharged to their homes rather than another rehabilitation facility as compared to patients treated with open repair.
- The average hospital stay for patients in the study undergoing EVAR was 3.4 days versus 9.3 days for patients undergoing open surgical repair.

Market Size

In the United States alone, it is estimated that between 1.2 million and 2.0 million people have an AAA. Over 200,000 people were diagnosed with AAA in the United States in 2011. Of those diagnosed with an AAA, approximately 68,000 people underwent an AAA repair procedure in the U.S., of which approximately 44,000 were addressed through EVAR (utilizing an ELG system).

Although AAA is one of the most serious cardiovascular diseases, many AAAs are never detected. Most AAA patients do not have symptoms at the time of their initial diagnosis. AAAs generally are discovered coincidentally during procedures to treat or diagnose unrelated medical conditions.

Since AAAs generally arise in people over the age of 65 and come with little warning, initiatives have been undertaken to increase its screening. The most prominent of these initiatives is the Screening Abdominal

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Aortic Aneurysms Very Efficiently Act (SAAAVE), which was signed into law in the U.S. on February 8, 2006, and began providing coverage on January 1, 2007. SAAAVE provides for a one-time free of charge AAA screening for men who have smoked some time in their life, and men or women who have a family history of the disease. This screening is provided as part of the Welcome to Medicare physical.

The age 65 and over population in the U.S. presently numbers approximately 40 million, or 13% of the total population, and is expected to grow to 47 million by 2015. Accordingly, we believe that AAA treatments will naturally increase over time, given this demographic trend.

Based on our internal analysis, we estimate that the current annual worldwide EVAR market size for our ELG System is approximately $1.4 billion (excluding the thoracic market of approximately $400 million), which includes an approximate $610 million market size in the U.S. We believe the worldwide aortic stent graft market (excluding the thoracic market) is expected to grow at a compound annual growth rate of 6% over the next five years, to $1.9 billion.

Our Mission

Our mission is to be the leading innovator of medical devices to treat aortic disorders. Key elements of our strategy to accomplish this mission are as follows:

- Focus exclusively on the aorta for the commercialization of innovative products.
- Design and manufacture ELG Systems that are easy to use and result in excellent clinical outcomes.
- Provide exceptional clinical and technical support to physicians through an experienced and knowledgeable sales and marketing organization.

Recent Highlights of Our Product Development Initiatives and Regulatory Approvals

Nellix

We have developed a next-generation endovascular aneurysm sealing system (EVAS) to treat infrarenal AAA, which we developed in part using technology we acquired from our acquisition of Nellix (the Nellix System). We received CE Mark approval for the Nellix System in January 2013. In February 2013, we commenced a limited market introduction of the Nellix System in Europe and have completed over 200 cases worldwide. We expect to continue our limited market introduction of the Nellix System in Europe and in select countries outside the United States in 2014. We anticipate receiving investigational device exemption (IDE) approval from the U.S. Food and Drug Administration (the FDA) for the Nellix System by the end of 2013, and hope to receive FDA premarket approval (PMA) in the United States in the second half of 2016. We recently initiated a global registry for the Nellix System, the EVAS FORWARD Global Registry. The EVAS FORWARD Global Registry will involve approximately 300 patients in 30 locations and will allow us to gather significant clinical data and a post-market registry that we expect to use to broaden indications and to provide a robust data set to further support the adoption of the Nellix System. We expect that the IDE trial for the Nellix System, the EVAS FORWARD IDE, will involve approximately 180 patients in 30 locations, including 25 locations in the United States and five international locations.

We believe that the Nellix System represents groundbreaking new technology for EVAR of AAA. Unlike all currently available ELG devices, which leaves the AAA sac fully intact, the Nellix System seals the AAA sac with a biostable polymer to reduce endoleaks and secondary interventions.

We believe the other advantages of the Nellix System include: (i) a low profile (17Fr outer diameter), which is beneficial for the delivery of the device; (ii) ease of use and predictable total procedure time; (iii) low expected reintervention rate; and (iv) the potential for reduced post-procedure follow up.

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PEVAR

In April 2013, we received FDA PMA for a broadened indication for our AFX system to include totally percutaneous endovascular aneurysm repair (PEVAR) for AAA. We have completed the PEVAR training and certification of our U.S. sales force and clinical specialists. In May 2013, we commenced training classes for physicians in the United States on the PEVAR procedure, and we expect to train over 200 physicians in 2013.

Vascular access for EVAR requires femoral artery exposure (commonly referred to as surgical cut-down) of one or both femoral arteries, allowing for safe introduction of ELG systems. Complications from femoral artery exposure in the setting of EVAR is an inherent risk of current surgical practice. PEVAR procedures do not require an open surgical cut-down of either femoral artery, as access to the femoral artery is achieved via a needle-puncture through the skin.

We believe that the advantages to the patient and to the healthcare system of an entirely percutaneous procedure such as PEVAR include: (i) reduced surgical procedure times: (ii) less post-operative pain: (iii) fewer access-related wound complications: (iv) faster hemostasis and less blood loss; and (v) faster hospital discharge. To date, our ELG System is the only one approved by the FDA specifically for PEVAR.

Ventana

Our Ventana fenestrated EVAR (FEVAR) system is designed to provide physicians with better access to cannulate the renal arteries. The FEVAR system has been used to treat approximately 120 patients world-wide, including approximately 80 in our U.S. IDE study. In reviewing these initial global procedures with Ventana, we have seen good overall safety results, but a higher than expected number of renal re-interventions. We have suspended further enrollment in the Ventana U.S. IDE study and delayed commercial introduction in Europe until we have an opportunity to fully evaluate physician training, clinical indications, and product enhancements. After completing our evaluation, we will meet with regulatory agencies, including the FDA and EU notified bodies. We expect to resume clinical activities involving Ventana in 2015.

VELA

We have received FDA approval for a new aortic proximal extension for the AFX system (VELA) in the United States. This device further simplifies the EVAR procedure and provides physicians with improved deployment accuracy. We have commenced a limited market introduction of VELA and expect to conduct a full commercial launch in the first quarter of 2014. We intend to launch a patient registry relating to the VELA device in the middle of 2014. We expect that the registry will involve approximately 200 patients in 30 locations with a two-year follow-up and will provide us with an opportunity to gather and analyze clinical data relating to the device.

Recent Developments

We recently evaluated our opportunity to penetrate unmet or underserved parts of the growing endovascular AAA market. Our EVAR and EVAS technologies provide us with opportunities to separate the endovascular AAA market into more discrete segments. We have the opportunity to address various anatomies, including neck length, with a two-pronged approach, either EVAR (stent) or EVAS (polymer encapsulated stent). We also evaluated changing market dynamics over the next five years, which we believe will rely more heavily on clinical data due to the changing healthcare market, and developed a comprehensive product approval and registry strategy, including initiating our first registry, the EVAS FORWARD Global Registry described above.

To advance our growth strategy, we reorganized our management team, promoting Bob Mitchell to the office of President, effective January 1, 2014, and expect to continue expanding our global sales force by the end

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of 2013. The expanded development and clinical study initiatives will continue to be complemented by our continued expansion of our global clinical and sales force. We intend to use the proceeds from the offering of notes, following payment of the cost of the capped call transactions described below, to invest significantly in the working capital, continued investment in geographic expansion, research and development and clinical studies required to meet our strategic goals.

Company Information

We were incorporated in California in March 1992 under the name Cardiovascular Dynamics, Inc. and reincorporated in Delaware in June 1993. In January 1999, we merged with privately held Radiance Medical Systems, Inc. and changed our name to Radiance Medical Systems, Inc. and in May 2002, we merged with privately held Endologix, Inc., and changed our name to Endologix, Inc.

Our main offices are located at 11 Studebaker, Irvine, California 92618, and our telephone number is (949) 595-7200. We maintain a website at www.endologix.com where general information about us and our products is available. The contents of the website are not incorporated by reference into this prospectus supplement or the accompanying prospectus.

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THE OFFERING

The following is a summary of the terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement and the Description of Debt Securities We May Offer in the accompanying prospectus contain a more detailed description of the terms and conditions of the notes. In this section, references to Endologix, we, our or us refer to Endologix, Inc. and not to any of its subsidiaries.

Issuer	Endologix, Inc., a Delaware corporation.
Securities Offered	$75,000,000 aggregate principal amount of 2.25% Convertible Senior Notes due 2018 (*plus* up to an additional $11,250,000 principal amount at the underwriters option, solely to cover over-allotments).
Maturity	December 15, 2018, unless earlier purchased, redeemed or converted.
Interest	2.25% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2014. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under Description of the Notes Events of Default.
Ranking	The notes will be our senior unsecured obligations and will be: • senior in right of payment to our future indebtedness that is expressly subordinated in right of payment to the notes; • equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; • effectively junior to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and • structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries. We are party to a revolving credit facility with Wells Fargo Bank, whereby we may borrow up to $20.0 million, subject to the calculation and limitation of a borrowing base (the Wells Credit Facility). As of September 30, 2013, we did not have any outstanding indebtedness under the Wells Credit Facility. The Wells Credit Facility is secured by all of our assets other than our intellectual property. After giving effect to the issuance of the notes (assuming no exercise of the underwriters over-allotment option) and the use of proceeds therefrom, our total consolidated indebtedness would have been $75.0 million.

Optional Redemption	We may not redeem the notes prior to December 15, 2016. On or after December 15, 2016, we may redeem for cash all or any portion of the notes, at our option, but only if the closing sale price of our common stock for at least 20 trading days (whether or not consecutive) during

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any 30 consecutive trading day period ending on, and including, the second trading day immediately preceding the date on which we provide notice of redemption, exceeds 130% of the conversion price on each applicable trading day. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the notes.

We will give notice of any redemption not less than 30 scheduled trading days nor more than 60 calendar days before the redemption date. See Description of the Notes Optional Redemption.

Conversion

Holders may surrender their notes for conversion at any time prior to the close of business on the business day immediately preceding September 15, 2018 only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2014, if the closing sale price of our common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the notes in effect on each applicable trading day;

- during the five consecutive business-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day was less than 98% of the closing sale price of our common stock on such date *multiplied by* the then-current conversion rate;

- if we call all or any portion of the notes for redemption, at any time prior to the close of business on the second scheduled trading day prior to the redemption date; or

- upon the occurrence of specified corporate events described under Description of the Notes Conversion of Notes Conversion upon Specified Corporate Transactions.

On or after September 15, 2018 until the close of business on the second scheduled trading day immediately preceding the stated maturity date, holders may surrender their notes for conversion regardless of the foregoing circumstances.

The initial conversion rate for the notes will be 41.6051 shares of our common stock for each $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $24.04 per share of our common stock). Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation in solely cash or a combination of cash and

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	shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated for each trading day in a 25 trading-day conversion period (as described herein). See Description of the Notes Conversion of Notes Settlement upon Conversion.
	Holders will not receive any additional cash payment or additional shares of our common stock representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the consideration delivered to you upon conversion of a note.
	The conversion rate for the notes is subject to adjustment as described under Description of the Notes Conversion of Notes Conversion Rate Adjustments and Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event. An adjustment to the conversion rate will result in a corresponding (but inverse) adjustment to the conversion price.
Increase to Conversion Rate Following a Make-Whole Adjustment Event	If certain corporate events as described under Description of the Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event occur at any time prior to the stated maturity date, or if we deliver a notice of redemption as described under Description of the Notes Optional Redemption, each of which we refer to as a make-whole adjustment event, the conversion rate for any notes converted following such make-whole adjustment event will, in certain circumstances and for a limited period of time, be increased by a number of additional shares of our common stock. A description of how the number of additional shares will be determined and a table showing the number of additional shares of our common stock, if any, by which the conversion rate will be increased following a make-whole adjustment event is set forth under Description of the Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event.
Purchase of Notes at Your Option upon a Fundamental Change	Holders may require us to purchase for cash all or any portion of their notes upon the occurrence of a fundamental change at the fundamental change purchase price equal to 100% of the principal amount of the notes being purchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date. For the definition of fundamental change and related information, see Description of the Notes Purchase of Notes at Your Option upon a Fundamental Change.
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting estimated expenses payable by us and the underwriters discount, will be approximately $72.0 (or approximately $82.9 million if the underwriters exercise their over-allotment option in full).

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	We intend to use approximately $6.45 million of the net proceeds from this offering to pay the cost of the capped call transactions described below that we expect to enter into with Bank of America, N.A. (BofA), an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated. We intend to use the remainder of the net proceeds from this offering for general corporate purposes, including working capital, continued investment in geographic expansion, research and development and clinical studies. If the underwriters exercise their over-allotment option, we may use a portion of the proceeds from the sale of the additional notes to enter into an additional capped call transaction with BofA.
Trading	We do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. Our common stock is listed on The NASDAQ Global Select Market under the symbol ELGX.
Risk Factors	See the information under the caption Risk Factors in this prospectus supplement and the other information contained or incorporated by reference in this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in the notes.
Material U.S. Federal Income Tax Considerations	You should consult your tax advisor with respect to the United States federal income tax consequences of owning the notes and any common stock into which the notes may be converted in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See Material U.S. Federal Income Tax Considerations.
Capped Call Transactions	In connection with the pricing of the notes, we expect to enter into a capped call transaction (the base capped call transaction) with BofA. If the underwriters exercise their over-allotment option, we may enter into an additional capped call transaction with BofA (together with the base capped call transaction, the capped call transactions). The capped call transactions are expected to generally reduce potential dilution to our common stock and/or offset any cash payments we will be required to make in excess of the principal amount upon any conversion of notes. For any conversions of notes prior to the close of business on the 55th scheduled trading day immediately preceding the stated maturity date, including without limitation upon an acquisition of us or similar business combination, a corresponding portion of the capped call transactions will be terminated. Upon such termination, the portion of the capped call transactions being terminated will be settled at fair value (subject to certain limitations), as determined by BofA, in its capacity as calculation agent under the capped call transactions,

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	which we expect to receive from BofA, and no payments will be due to BofA. In connection with establishing its initial hedge of the capped call transactions, BofA (or an affiliate thereof) expects to enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time. In addition, BofA (or an affiliate thereof) may modify its hedge position by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so during any conversion period related to a conversion of notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs during any conversion period related to a conversion of notes, it could affect the amount and value of the consideration that you will receive upon conversion of the notes. For a discussion of the potential impact of any market or other activity by BofA (or an affiliate thereof) in connection with these capped call transactions, see Risk Factors Risks Related to the Notes and our Common Stock The capped call transactions may affect the value of the notes and our common stock and Underwriting Capped Call Transactions.
Trustee, Paying Agent and Conversion Agent	Wells Fargo Bank, National Association
Global Securities; Book-Entry Form	The notes will be issued in book-entry form and will be represented by global securities deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

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RISK FACTORS

An investment in the notes involves a high degree of risk. We operate in a dynamic and rapidly changing industry that involves numerous risks and uncertainties. You should carefully consider the following risk factors, together with all of the other information contained in this prospectus supplement and the accompanying prospectus or incorporated by reference into this prospectus supplement and the accompanying prospectus. The risks and uncertainties described below are not the only ones we face. Other risks and uncertainties, including those that we do not currently consider material, may impair our business. See Cautionary Note Regarding Forward-Looking Statements. If any of the risks discussed below actually occur, our business, financial condition, operating results or cash flows could be materially adversely affected. This could cause the value of the notes to decline, and you may lose all or part of your investment.

Risks Related to Our Business

All of our revenue is generated from a limited number of products, and any decline in the sales of these products will negatively impact our business.

We have focused heavily on the development and commercialization of a limited number of products for the treatment of AAA. If we are unable to continue to achieve and maintain market acceptance of these products and do not achieve sustained positive cash flow from operations, we will be constrained in our ability to fund development and commercialization of improvements and other product lines. In addition, if we are unable to market our products as a result of a quality problem or failure to maintain regulatory approvals, we would lose our only source of revenue and our business would be negatively affected.

We are in a highly competitive market segment, which is subject to rapid technological change. If our competitors are better able to develop and market products that are safer, more effective, less costly, easier to use, or otherwise more attractive than any products that we may develop, our business will be adversely impacted.

Our industry is highly competitive and subject to rapid and profound technological change. Our success depends, in part, upon our ability to maintain a competitive position in the development of technologies and products for use in the treatment of AAA and other aortic disorders. We face competition from both established and development stage companies. Many of the companies developing or marketing competing products enjoy several advantages to us, including:

- greater financial and human resources for product development, sales and marketing and patent litigation;
- greater name recognition;