Ascent Solar Technologies, Inc.
Form SB-2/A
June 19, 2006

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As filed with the Securities and Exchange Commission on June 19, 2006

Securities Act File No. 333-131216

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO

FORM SB-2

REGISTRATION STATEMENT
Under
The Securities Act of 1933

Ascent Solar Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**3674**	**20-3672603**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

8120 Shaffer Parkway
Littleton, Colorado 80127
(303) 420-1141

(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

Matthew Foster
8120 Shaffer Parkway
Littleton, Colorado 80127
(303) 420-1141

(Name, Address and Telephone Number of Agent for Service)

Copy to:

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Approximate Date of Commencement of Proposed Sale to Public: As soon as practicable after this registration statement becomes effective.

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

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

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

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

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

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

The information in this prospectus is not complete and may be changed. We have filed a registration statement with the Securities and Exchange Commission relating to this offering. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 19, 2006

PROSPECTUS

3,000,000 Units
Each unit consisting of one share of common stock, one redeemable Class A warrant and two non-redeemable Class B warrants

This is a firm commitment initial public offering of 3,000,000 units by Ascent Solar Technologies, Inc. Each unit consists of one share of common stock, one redeemable Class A warrant and two non-redeemable Class B warrants, each warrant to purchase one share of common stock. The warrants will trade only as part of a unit for 30 days following the date of this prospectus after which the common stock and public warrants each will trade separately.

Prior to this offering, there has been no public market for our securities. We have applied to have the units, the common stock, the Class A warrants and the Class B warrants quoted on the Nasdaq Capital Market under the symbols ASTIU, ASTI, ASTIW and ASTIZ, respectively. We also have applied for listing of these securities on the Boston Stock Exchange.

We anticipate that the initial public offering price of our units will be between $5.00 and $6.00 per unit. The aggregate price of the units offered hereby, excluding units that may be sold on exercise of the underwriters' over-allotment option, would be $16,500,000, assuming an initial public offering price of $5.50 per unit.

These are speculative securities. Investing in these units involves significant risks. You should purchase these securities only if you can afford a complete loss of your investment. See "Risk Factors" beginning on page 5.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Unit	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us, before expenses	$	$

The expenses for this offering will include (in addition to the underwriting discount) a non-accountable expense allowance of 3% of the gross proceeds of this offering payable to Paulson Investment Company, Inc. Additionally, we have granted the underwriters a 45-day option to purchase up to an additional 450,000 units to cover over-allotments and have agreed to issue the representative of the underwriters a warrant to purchase up to 300,000 units.

Paulson Investment Company, Inc.

The date of this prospectus is , 2006

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Until , 2006 (the 25th day after the date of this prospectus), all dealers effecting transactions in our units, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Notice to Arizona investors: Each purchaser of units in Arizona must meet one of the following suitability standards: (1) annual gross income of at least $100,000 ($150,000 when combined with spouse) with a reasonable expectation of such income in the current year; or (2) minimum net worth of at least $250,000 ($300,000 when combined with spouse), exclusive of home, home furnishings and automobiles, with the investment not exceeding 10% of the net worth of the investor, together with spouse, if applicable.

Notice to California investors: Each purchaser of units in California must meet one of the following suitability standards: (1) annual gross income of at least $65,000 and liquid net worth of at least $250,000 (exclusive of home, home furnishings and automobiles); (2) liquid net worth of at least $500,000 (exclusive of home, home furnishings and automobiles); (3) net worth of at least $1,000,000 (inclusive of home, home furnishings and automobiles); or (4) annual gross income of at least $200,000. This offering was approved in California on the basis of a limited offering qualification where offers/sales can only be made to investors who meet the foregoing suitability standards. The company did not

have to demonstrate compliance with some or all of the merit regulations of the Department of Corporations as found in Title 10, California Code of Regulations, Rule 260.140 et seq. Furthermore, the exemptions for secondary trading available under California Corporations Code Section 25104(h) will be withheld, but there may be other exemptions available to cover private sales.

Notice to New Jersey investors: Each purchaser of units in New Jersey must meet one of the following suitability standards: (1) annual gross income of at least $65,000 and liquid net worth of at least $250,000 (exclusive of home, home furnishings and automobiles); (2) liquid net worth of at least $500,000 (exclusive of home, home furnishings and automobiles); (3) net worth of at least $1,000,000 (inclusive of home, home furnishings and automobiles); or (4) annual gross income of at least $200,000. Furthermore, there will be no secondary sales of the securities to persons in New Jersey who do not meet the foregoing suitability standards for 90 days after the date of this offering.

PROSPECTUS SUMMARY

This is only a summary and does not contain all the information that may be important to you. You should read the more detailed information contained in this prospectus, including the risk factors beginning on page 5. References to "we," "us," "our," "Ascent" or the "Company" mean Ascent Solar Technologies, Inc.

Our Company

Ascent, a development stage company, was formed in October 2005 to commercialize certain photovoltaic ("PV") technology developed by ITN Energy Systems, Inc. ("ITN") for space and near-space applications. By leveraging this technology inherited from ITN, we intend to be the first company to manufacture PV modules in commercial quantities that use a highly efficient thin-film Copper-Indium-Gallium-diSelenide ("CIGS") absorbing layer on a flexible high-temperature plastic substrate. We have produced and tested small-scale demonstration samples of our CIGS PV products at the laboratory level, but we have not yet produced any products in commercial quantities nor have we yet received any revenues from the proposed products that we intend to commercialize as our principal business activity. We intend to use the majority of the net proceeds of this offering to establish a production line that will enable us to transition into full-scale, commercial manufacturing of our CIGS PV products.

When used on space satellites and near-space aircraft, PV devices convert sunlight into the electricity needed to reliably power instruments, communications systems and the like. Currently, most PV devices used for space and near-space applications are rigid, bulky and relatively heavy, posing significant challenges to scientists and designers wishing to minimize volume and weight in order to maximize payload and reduce deployment costs. In addition to these shortcomings, PV devices traditionally used for such applications are expensive to manufacture and require the time-consuming and labor-intensive task of connecting individual solar cells together to create a complete PV module.

We hope to overcome many of these limitations by offering a flexible, lightweight PV product suitable for space and near-space applications. By employing a proprietary monolithic integration fabrication process, we intend to manufacture our PV devices on the module level, rather than the cell level, thereby avoiding the time-consuming and weight-additive cell-to-cell interconnect procedures utilized by other PV device manufacturers. We believe that our choice of substrate materials and proprietary monolithic integration fabrication processes should permit us to achieve cost, volume and weight performance advantages over competitors in our target markets. As a result, we believe that we will be well-positioned to capture opportunities in markets that require or desire highly efficient, lightweight and flexible PV power sources, including the markets for military and commercial spacecraft and satellites and the emerging high-altitude airship ("HAA") initiatives under the supervision of the U.S. Department of Defense.

Although we anticipate making slight variations to address specific market or customer requirements, such as optimized space coatings and protection diode methods, the basic design and architecture of our CIGS PV cells and modules are complete. We are continuing to develop and optimize our monolithic integration fabrication process and plan to complete such developments by October 2006, after which we intend to demonstrate larger area, fully integrated prototype modules for pre-manufacturing testing.

We intend to use the majority of the net proceeds from this offering to establish a 500 kilowatt ("kW") per shift annual capacity production line. Using this production line, we hope to begin fabrication of rolls and sheets of thin-film PV modules by 2008. We intend to distribute the rolls or sheets of PV modules to system integrators and manufacturers of spacecraft, satellites and HAAs, who may then integrate the materials into their unique systems and applications. By running more than one

shift daily, we anticipate having annual capacity to manufacture PV modules capable of generating over 1 megawatt ("MW"), or 1,000 kW, of power.

ITN, a private company incorporated in 1994, is an incubator dedicated to the development of cutting-edge thin-film, PV, battery and fuel cell technologies. Through its work on contracts for private and government entities, ITN developed proprietary processing and manufacturing know-how applicable to PV products generally and to CIGS PV products in particular. ITN formed Ascent to commercialize this investment in CIGS PV technologies for the space and near-space markets. In January 2006, ITN assigned to us its key CIGS PV technologies and trade secrets and granted to us an exclusive, worldwide license to use certain of ITN's proprietary process, control and design technologies in the production of CIGS PV solar modules for our target markets. ITN also agreed to seek permission to assign certain third-party research and development contracts to us, and we expect that a number of ITN employees with experience in CIGS PV technology will join Ascent in the future. ITN also has agreed to design and build our initial production line, which will utilize ITN's proprietary roll-to-roll processing tools, real-time intelligent processing controls and thin-film processing technologies, and to provide us at cost with administrative services such as facilities management, equipment maintenance, human resources, procurement, information technology services and accounting. See "Related Party Transactions" for details about our agreements with ITN.

Our principal business office is located at 8120 Shaffer Parkway, Littleton, Colorado, and our telephone number is (303) 420-1141. Our website address is www.ascentsolartech.com. Information contained in our website or any other website does not constitute part of this prospectus.

This Offering

Securities offered	3,000,000 units. Each unit consists of one share of common stock, one redeemable Class A warrant and two non-redeemable Class B warrants, each warrant to purchase one share of common stock. The common stock and warrants will trade only as a unit for 30 days following the effective date of this offering, after which the common stock and public warrants each will trade separately.
Class A warrants	The Class A warrants included in the units will be exercisable commencing 30 days after the effective date of this offering. The exercise price of each Class A warrant will be 120% of the public offering price of the units. The Class A warrants expire on the fifth anniversary of the effective date of this offering, but if the warrants are not exercisable at that time because a current registration statement for the underlying shares is not available, then the expiration date will be extended for 30 days following notice from us that the warrants are again exercisable. Nevertheless, there is a possibility that the warrants will never be exercisable when in-the-money or otherwise, and that warrant holders will never receive shares or payment of cash in settlement of the warrants. See page 12 of "Risk Factors" for more detail.
	We will have the right to redeem the Class A warrants issued in this offering at a redemption price of $0.25 per warrant at any time after (i) 180 days from the effective date of this offering and (ii) the date on which the closing price of our common stock, as reported on the Nasdaq Capital Market, has equaled or exceeded 170% of the public offering price of the units for five consecutive trading days. We are required to provide 30 days' prior written notice to the Class A warrant holders of our intention to redeem the warrants.
Class B warrants	The Class B warrants included in the units will be exercisable commencing 30 days after the effective date of this offering. The exercise price of a Class B warrant will be 200% of the public offering price of the units. The Class B warrants expire on the fifth anniversary of the effective date of this offering, but if the warrants are not exercisable at that time because a current registration statement for the underlying shares is not available, then the expiration date will be extended for 30 days following notice from us that the warrants are again exercisable. Nevertheless, there is a possibility that the warrants will never be exercisable when in-the-money or otherwise, and that warrant holders will never receive shares or payment of cash in settlement of the warrants. See page 12 of "Risk Factors" for more detail.
	The Class B warrants are not redeemable.

Common stock outstanding after this offering	5,290,909 shares, including shares underlying units issued to certain bridge lenders	
Use of proceeds	Build production line, repayment of bridge loans, sales and marketing, research and development and working capital.	
Proposed Nasdaq Capital Market and Boston Stock Exchange symbols	Units:	ASTIU
	Common stock:	ASTI
	Class A warrants:	ASTIW
	Class B warrants:	ASTIZ
Risk factors	Investing in the units involves a high degree of risk. You should be able to bear a complete loss of your investment. You should carefully consider the information set forth in the "Risk Factors" section.	

We have 2,000,000 shares of common stock issued and outstanding as of June 15, 2006. Unless the context indicates otherwise, all share and per-share common stock information in this prospectus:

- assumes a public offering price of $5.50 per unit;
- assumes the issuance of up to 290,909 units to certain bridge lenders;
- assumes no exercise of the warrants underlying the units issued to certain bridge lenders;
- assumes no exercise of the Class A and Class B warrants;
- assumes no exercise of the underwriters' over-allotment option to purchase up to 450,000 units;
- assumes no exercise of the representative's warrants; and
- excludes 750,000 shares reserved under our 2005 Stock Option Plan.

RISK FACTORS

An investment in our securities involves a high degree of risk and many uncertainties. You should carefully consider the specific factors listed below, together with the cautionary statement that follows this section and the other information included in this prospectus, before purchasing our units. If one or more of the possibilities described as risks below actually occurs, our operating results and financial condition would likely suffer and the trading price of our securities could fall, causing you to lose some or all of your investment in the securities we are offering. The following is a description of what we consider to be our key challenges and all material risks to our business and securities.

Risks Relating to Our Business

We have no history of operations and are therefore subject to various startup company risks.

We were formed in October 2005 and our business to date has consisted of initial setting up of operations to pursue our business plan. In order to pursue our plan, we will have to continue to establish internal infrastructure, hire additional personnel, adopt company plans and procedures, set up a sales organization, oversee the design and construction of our initial production line and otherwise establish the functional capabilities of an operating company. Accomplishing this task may take longer or cost more than expected, and it is likely that problems that we cannot now anticipate will require solution. We cannot assure you that we will be successful in establishing ourselves as an operating company.

We intend to address an unproven market that may not justify our commitment to it.

We intend to develop and offer flexible, lightweight, high efficiency PV products for use in space and near-space applications. Because existing PV technology has suffered from weight, volume and cost constraints that have limited its use in these applications, there is no established market for our flexible thin-film CIGS technology. Our business plan assumes that such a market will develop as a result of the technological improvements that we have made and expect to continue to make. We cannot assure you that such a market will develop or, if it does develop, that it will meet our expectations.

Many of the applications for which we intend to compete will require further technological development, which we cannot guarantee.

Discussions with some potential purchasers of our PV products have been based on the assumption that we will continue to improve the cost, performance/weight and performance/volume characteristics of our planned products. While we believe that the assumptions on which these discussions have been based are reasonable, we cannot assure you that we will be able to achieve these improvements. If we are not able to achieve these improvements, the use of our PV products may be unfeasible or economically unattractive to our potential customers, in which case the sales assumptions underlying our business plan would be incorrect.

If we are not selected to participate in Lockheed Martin's HAA prototype project, we would be forced to either generate revenue or seek funds from other sources to support our operations.

In October 2005, we submitted a written proposal to supply CIGS on high-temperature plastic substrate PV modules to Lockheed Martin Corporation ("Lockheed Martin") for use in a prototype HAA program sponsored by the Missile Defense Agency. The prototype project is divided into a development phase and a production phase. Participation in and throughout each phase generally is dependent upon continued satisfactory performance. However, our planned products may not meet Lockheed Martin's technical specifications in each phase of the project, and we may not be able to produce an adequate amount of satisfactory product within the time frames contemplated by Lockheed Martin. If Lockheed Martin does not select us as a supplier for the prototype project or if it eliminates

us as a supplier of the project, we would be forced to seek alternate customers or other sources of funding to support our operations after the net proceeds from this offering are consumed. Without revenues from such customers or funding, we might be forced to curtail or even cease operations.

Failure of the HAA market to develop as quickly as we envision would adversely affect our projected sales, growth and revenues.

The HAA market is in its infancy, and should the market opportunity not materialize, opportunities for growth may be limited. In particular, there is not yet long-term government funding for HAA projects. Because HAA projects will be subject to the size and priorities of government budgets, the funding for HAA projects always will be at risk. For example, there is a risk that Lockheed Martin's prototype project could be curtailed, delayed or cancelled as a result of budgetary constraints, political considerations, emergence of competing technologies or other events. As a small, start-up company, we have little opportunity to exert significant influence on the technical, economic and policy issues that will determine the nature, scope and timing of the Lockheed Martin project or the HAA market as a whole. If our expectations with respect to the project or the HAA market are not justified, our business would be adversely impacted, we would be forced to rely more heavily on sales in other markets, our growth would be slower than planned and we may be forced to curtail or even cease operations.

We have no contracts for PV products and have recorded no sales of such products; we expect that significant PV product sales will not occur for some time.

We have recorded no sales of PV products and have no contracts for such sales. Because of the nature of the projects in which such products may be used, we expect that the sales cycle will be quite long; therefore, we believe that it will be at least 18 months before we record any PV product sales, although we expect to record revenue from the performance of research and development contracts in the interim. As a result, we expect that it will be some time before we can determine whether our expectations relating to our planned products and their target markets are justified. Also, as a result, we will be required to invest substantial resources in pursuing these markets in advance of any significant revenue stream that may result from such investments. An unanticipated or longer than expected delay revenue ramp-up could put a strain on our capital resources and require us to seek additional capital.

We intend to sell our PV modules to contractors of government-funded projects, which will be subject to political, scheduling and funding risks.

We intend initially to sell our PV modules to system integrators and manufacturers of spacecraft, satellites and HAAs participating in government-funded projects. We would be a subcontractor or supplier on these projects. The government agencies overseeing the projects are subject to economic and political pressures that dictate the manner in which they spend money. As a result, even if a contractor or government agency wants to purchase our PV modules, it may be unable to do so due to budgetary or political constraints. Orders may be canceled or substantially delayed due to budgetary, political or other scheduling delays that frequently occur in connection with government-funded projects. Any such cancellations or delays would likely adversely affect our business.

Because the nature of our operations will be different than that of ITN, the financial statements of the transferred assets of ITN that are included in this prospectus are not representative of our business or prospects.

ITN has been and is a research and development company that performs development contracts for private and government entities. ITN derives no significant revenue from commercial manufacturing and sales. In contrast, Ascent was formed to commercialize CIGS PV technologies for the space and

near-space markets. Over time, we expect that our revenues will result primarily from commercial sales of our planned products. Consequently, the historical financial statements of Ascent and for the Transferred Assets that are part of this prospectus are not indicative of our prospects as a manufacturing company and do not represent our historical operations.

A failure by ITN to transfer PV research and development contracts to us could impair our revenues and hamper our research and development efforts.

Development contracts with third parties provide a source of revenue and enable us to develop new technologies more rapidly than we would be able to do otherwise. In a typical year, ITN historically has realized annual revenues between $1 million and $3 million from PV research and development programs. These contracts with third-parties include Small Business Innovation Research ("SBIR") contracts sponsored by government agencies, non-SBIR government contracts and agreements with non-governmental entities. Although we currently have no such programs, ITN has agreed to seek permission to assign certain third-party research and development contracts to us with a full-year value in 2006 of approximately $2.5 million and a value in 2007 of approximately $500,000. However, $1.7 million in 2006 and $500,000 in 2007 are attributable to SBIR contracts for which we may not be eligible due to foreign ownership and size requirements in the regulations governing SBIR contracts. Furthermore, there is a possibility that the parties to ITN's non-SBIR contracts will deny ITN permission to transfer some of the contracts to us. Either scenario would prevent us from collecting revenue under at least some of these contracts and might hamper our ability to develop technologies as quickly as planned or at all.

Because we may be ineligible to apply for or service SBIR contracts, we may be forced to seek alternate sources to fund our research and development efforts.

Many PV companies, including some of our competitors, rely on SBIR contracts to develop new technologies. In fact, the majority of funding associated with ITN's third-party research and development projects results from SBIR contracts. After we become a publicly traded company, we may be ineligible to apply for or service SBIR contracts, in which case we would need to find alternate sources to help fund our research and development efforts.

Contracts involving government agencies are subject to the government's authority to unilaterally cancel or modify the contracts.

Contracts involving government agencies may be terminated or modified at the convenience of the agency. Other risks include potential disclosure of our confidential information to third parties and the exercise of "march-in" rights by the government. March-in rights refer to the right of a United States government agency to require us to grant a license to the technology to a responsible applicant or, if we refuse, the government may grant the license itself. The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the technology or because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give the United States industry preference. ITN's and our government-sponsored research contracts are subject to audit and require that ITN or we provide regular written technical updates as well as a final report on the results of our technical research. Because these reports are generally available to the public, third parties may obtain some aspects of our sensitive confidential information. Moreover, the failure to provide these reports or to provide inaccurate or incomplete reports may provide the government with rights to any intellectual property arising from the related research. Funding from government contracts also may limit when and how we can deploy technology developed under those contracts.

We initially will be substantially dependent on the administrative and engineering resources of our parent company ITN Energy Systems, Inc.

ITN will be responsible for designing and building our production line, which we anticipate will require a majority of the net proceeds from this offering. We also will be dependent on ITN, at least initially, to provide administrative services such as facilities management, equipment maintenance, human resources and accounting. Furthermore, ITN has agreed to seek permission from third parties to transfer certain research and development contracts to us. There is a possibility that a party to one or more of these contracts will reject ITN's request, in which case ITN intends to continue to service the contracts for which permission to transfer is denied and, to the extent possible, assign to us the ownership of any inventions developed under those contracts. Although we are entitled to assume ownership of any inventions developed under these government contracts, the inventions themselves largely are predicated on ITN's ability to carry out those contracts successfully. If our relationship with ITN falters or if ITN fails to carry out its services or contracts in a satisfactory manner, our business may suffer.

Conflicts of interest may arise from our close relationship with ITN.

For the foreseeable future, we will be substantially dependent on the administrative and engineering resources of our parent company ITN. Two members of our Board of Directors, Dr. Mohan Misra and Mr. Ashutosh Misra, also serve as directors or officers of ITN. Although we do not expect a conflict of interest due to the dual roles of these individuals, it nevertheless is conceivable that conflicts may arise with respect to, for example, the pricing of services provided by ITN to us, the sharing of resources and the allocation of each individual's time. Furthermore, because Dr. Misra and Mr. Misra may be asked to secure government contracts not only for us, but also for other companies in which they serve as directors or officers, actual or perceived conflicts of interest may arise.

Failure to build or operate our production line successfully would aversely impact our business and financial condition.

We plan to produce our thin-film PV modules using a custom-built 500 kW per shift annual capacity production line beginning in 2008. Design, building and testing of this production line, which has not yet been built, will require a substantial investment of capital, currently estimated by us to be approximately $8.2 million, which we intend to fund with the net proceeds from this offering. We believe that, if our PV modules are manufactured in large quantities, we will be able to demonstrate manufacturing yields, equipment capability, product performance and product quality that will enable us to produce PV modules for the space and near-space markets at costs lower than those of competitors. However, the successful completion and operation of the production line will require substantial engineering resources and will be subject to significant risks, including risks of cost overruns and delays and the possibility that the production line may never be completed or operational. We may never be able to operate our production processes in high volume, make planned process and equipment improvements, attain projected manufacturing yields or desired annual capacity, obtain timely delivery of equipment to build the production line or hire and train the additional employees and management needed to operate the production line. We also may face insurmountable challenges or incur unforeseen expense as when we try to achieve performance results from our planned products produced on a large-scale roll-to-roll production line compared to the results we have achieved in small-scale laboratory samples. Failure to meet our manufacturing objectives could materially and adversely affect our business, results of operations and financial condition.

If we fail to clear certain technical hurdles, we may not be able to begin commercial production of our CIGS PV modules in 2008 as planned.

Several technical matters must be resolved in order for us to begin commercial production of CIGS PV modules in 2008 as planned. In particular, the Dow Corning Corporation ("DCC"), which we hope will supply us with high-temperature plastic substrate material, must develop capacity to produce the substrate material in commercial quantities. To date, the DCC substrate material is not commercially available, but DCC has informed us that it is making improvements in its ability to provide the material in larger quantities. We also must complete final testing and integration of our monolithic integration technology by early 2007 and implement the intelligent process controls developed by ITN. We inherited both technologies from ITN, but need to tailor them for use in our planned production line. Finally, additional development may be required as we scale up from small laboratory-level batches to large area continuous roll-to-roll production using much larger manufacturing equipment. Scaling up may present us with unforeseen or unexpected technical challenges that we cannot now identify. Our inability to quickly overcome these technical hurdles could delay the timeline for the commercial production of our planned products and adversely affect our anticipated revenues and plan of operations.

Our planned products may not gain market acceptance, in which case we would be unable to sell our products or achieve profitability.

The development of demand for our proposed products and our ability to sell them may be adversely affected by a number of factors, many of which are beyond our control, including:

- our failure to produce PV modules that compete favorably against competing products on the basis of cost, quality, weight, efficiency and performance;
- our failure to develop or maintain successful relationships with aerospace industry leaders, systems integrators and strategic partners; and
- the failure of our planned products to achieve qualification or certification by customers for use in space or near-space applications.

If our planned products fail to gain market acceptance, we would be unable to sell those products or achieve profitability.

Our future success depends on retaining our existing management and hiring and assimilating new key employees, and our inability to attract or retain key personnel would materially harm our business and results of operations.

Our success depends on the continuing efforts and abilities of Matthew Foster, our President and Chief Executive Officer, and Dr. Joseph Armstrong, our Chief Technology Officer. Our success also will depend, in part, on our ability to attract and retain highly skilled employees, including management, technical and sales personnel. The loss of services of any of our key personnel, the inability to attract, retain or assimilate key personnel in the future, or delays in hiring required personnel could materially harm our business.

Upon becoming a reporting company, we will be required to disclose detailed aspects of our business on a regular and ongoing basis that our competitors might use against us.

The United States Securities and Exchange Commission requires that all public companies disclose certain detailed financial information including the discussion of known trends, demands, events and uncertainties with specific disclosure about liquidity, capital resources, and critical accounting estimates. In the course of conducting our business, it may on occasion be necessary to publicly disclose certain financial, market, production, technology, product, or other material information that we would

otherwise consider proprietary and competitively sensitive. As a result, our competitors may use this information in ways that would adversely affect our earnings, growth and revenues and hamper our ability to adequately protect our intellectual property and carry out our strategic plans.

We may be unable to adequately protect or enforce our proprietary information, which may result in its unauthorized use or reduced sales or otherwise reduce our ability to compete.

Our business and competitive position depend upon our ability to protect our proprietary technology. Despite our efforts to protect this information, unauthorized persons may attempt to obtain and use information that we regard as proprietary. Any patents issued in connection with our efforts to develop new technology for solar power products may not be broad enough to protect all of the potential uses of the technology.

When others are responsible for the control, prosecution, maintenance and enforcement of certain important intellectual property, such as technology licensed to us, the protection of the intellectual property rights may be outside of our control. If the entity that controls the intellectual property rights does not adequately protect those rights, our rights may be impaired, which may impact our ability to develop, market and commercialize our planned products.

Our means of protecting our proprietary rights may not be adequate, and our competitors may:

independently develop substantially equivalent proprietary information, products and techniques;

otherwise gain access to our proprietary information; or

design around our patents or other intellectual property.

Our employees, consultants and advisors execute proprietary information and invention agreements when they begin working for us. However, these agreements may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure. Failure to maintain trade secret and patent protection may adversely affect our business.

Successful infringement claims by third parties could result in substantial damages, lost product sales and the loss of important proprietary rights.

There has been substantial litigation regarding patent and other intellectual property in various high technology industries. In the future, we may be notified of allegations that we may be infringing on intellectual property rights possessed by others. Should litigation be brought against us, such litigation could be extremely expensive and time consuming and could materially adversely affect our business, financial condition and results of operations, regardless of the outcome of the litigation. Such litigation could also result in loss of certain proprietary rights, significant monetary liability and barriers to product manufacturing. Any of these outcomes could materially harm our business and have a material negative impact on the value of your investment.

We are a party to confidentiality agreements that the breach of which may lead to termination of important contracts, injunctive relief or damages.

In the course of our business, we enter into nondisclosure and other types of agreements whereby we, and typically the other party to the agreements, agree not to disclose condidential information. These confidentiality obligations are particularly important in the defense industry where we intend to operate. We have instituted internal procedures to ensure that we do not violate nondisclosure covenants, but we cannot assure that these procedures will be effective in protecting sensitive information. Moreover, our disclosure obligations as a public company may create a conflict between our duty to disclose material information to the public and our obligation to keep certain proprietary information confidential. Our failure to abide by our confidentiality obligations may lead to termination

of our relationship with contracting parties, imposition of injunctive relief against us or damages. In May 2006, we received notification from Lockheed Martin that ITN had breached its data exchange agreement with Lockheed Martin and consequently the agreement would be terminated, effectively ending the relationship between us and Lockheed Martin. Lockheed Martin has since notified ITN and us that the data exchange agreement has been reinstated on an interim basis, based on Lockheed Martin's satisfaction with the procedures we have proposed to protect confidential information. Lockheed Martin has advised us that they will enter into a new data exchange agreement with ITN and us once we have approved and implemented appropriate policies and procedures to prevent the disclosure of confidential information. While we intend to take all reasonable measures to protect confidential information of parties with whom we contract, there can be no assurance that our procedures will be effective and that we will not breach our confidentiality agreements.

Risks Related to Investment in Our Securities

As a public company, we will be subject to complex legal and accounting requirements that will require us to incur substantial expense and will expose us to risk of non-compliance.

As a public company, we will be subject to numerous legal and accounting requirements that do not apply to private companies. The cost of compliance with many of these requirements is substantial, not only in absolute terms but, more importantly, in relation to the overall scope of the operations of a small company. Our inexperience with these requirements may increase the cost of compliance and may also increase the risk that we will fail to comply. Failure to comply with these requirements can have numerous adverse consequences including, but not limited to, our inability to file required periodic reports on a timely basis, loss of market confidence, delisting of our securities and/or governmental or private actions against us. We cannot assure you that we will be able to comply with all of these requirements or that the cost of such compliance will not prove to be a substantial competitive disadvantage vis-à-vis our privately held and larger public competitors.

There currently is no public trading market for our securities, and an active market may not develop or, if developed, be sustained. If a public trading market does not develop, you may not be able to sell any of your securities.

There currently is no public trading market for our common stock, and we cannot assure you that an active market will develop or be sustained. If an active public trading market for our stock does not develop or is not sustained, it may be difficult or impossible for you to resell your securities at any price. Even if a public market does develop, the market price could decline below the amount you paid for your securities.

While the Class A and Class B warrants are outstanding, it may be more difficult to raise additional equity capital.

While the Class A and Class B warrants are outstanding, the holders of those warrants are given the opportunity to profit from a rise in the market price of our common stock, and we may not redeem the Class A warrants except under certain conditions or the Class B warrants at all. We may find it more difficult to raise additional equity capital while these warrants are outstanding. At any time during which these warrants are likely to be exercised, we may be able to obtain additional equity capital on more favorable terms from other sources. Accordingly, any exercise of the warrants likely would be dilutive to existing stockholders.

If we seek additional capital in the future, your investment could be diluted.

If we are forced to seek additional capital in pursuit of our business objectives, such additional capital, if available, could substantially dilute our then-existing investors.

If we issue shares of preferred stock, your investment could be diluted or subordinated to the rights of the holders of preferred stock.

Our Board of Directors is authorized by our Certificate of Incorporation to establish classes or series of preferred stock and fix the designation, powers, preferences and rights of the shares of each such class or series without any further vote or action by our stockholders. Any shares of preferred stock so issued could have priority over our common stock with respect to dividend or liquidation rights. Although we have no plans to issue any shares of preferred stock or to adopt any new series, preferences or other classification of preferred stock, any such action by our Board of Directors or issuance of preferred stock by us could dilute your investment in our common stock and warrants or subordinate your holdings to the shares of preferred stock.

Future sales or the potential for future sales of our securities may cause the trading price of our common stock and Class A and Class B warrants to decline and could impair our ability to raise capital through subsequent equity offerings.

Sales of a substantial number of shares of our common stock or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common stock or other securities to decline and could materially impair our ability to raise capital through the sale of additional securities. Immediately after this offering, 5,290,909 shares of our common stock will be issued and outstanding, 5,740,909 shares if the underwriters' over-allotment option is exercised in full. The 3,000,000 units (and constituent shares and warrants) sold in this offering (or 3,450,000 units if the underwriters' over-allotment option is exercised in full) will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our affiliates. All of the shares outstanding immediately prior to this offering will be subject to one or more contractual lock-up agreements. However, we cannot assure you that these agreements will be adequately enforced.

If we do not maintain an effective registration statement or comply with applicable state securities laws, you may not be able to exercise the Class A or Class B warrants.

For you to be able to exercise the Class A or Class B warrants, the shares of our common stock to be issued to you upon exercise of the Class A or Class B warrants must be covered by an effective and current registration statement and qualify or be exempt under the securities laws of the state or other jurisdiction in which you live. We cannot assure you that we will continue to maintain a current registration statement relating to the shares of our common stock underlying the Class A or Class B warrants. If at their expiration date the warrants are not currently exercisable, the expiration date will be extended for 30 days following notice to the holders of the warrants that the warrants are again exercisable. If we cannot honor the exercise of warrants and the securities underlying the warrants are listed on a securities exchange or if there are three independent market makers for the underlying securities, we may, but are not required to, settle the warrants for a price equal to the difference between the closing price of the underlying securities and the exercise price of the warrants. In sum, the Company and you may encounter circumstances in which you will be unable to exercise the Class A or Class B warrants. In those circumstances, the Company may, but is not required to, redeem the warrants by payment in cash. Consequently, there is a possibility that you will never be able to exercise the Class A or Class B warrants, and that you will never receive shares or payment of cash in settlement of the warrants. This potential inability to exercise the Class A or Class B warrants, and the possibility that the Company will never opt to settle warrants in shares or cash, may have an adverse effect on demand for the warrants and the prices that can be obtained from reselling them.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. In some cases, you may identify forward-looking statements by words such as "may," "should," "plan," "intend," "potential," "continue," "believe," "expect," "predict," "anticipate" and "estimate," the negative of these words or other comparable words. These statements are only predictions. You should not place undue reliance on these forward-looking statements. The forward-looking statements are qualified by their terms and/or important factors, many of which are outside our control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, including those events and factors described in "Risk Factors," not all of which are known to us. Neither we nor any other person assumes responsibility for the accuracy or completeness of these statements. We will update this prospectus only to the extent required under applicable securities laws. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements.

USE OF PROCEEDS

We estimate that, at a per unit price of $5.50, the net proceeds from the sale of the 3,000,000 units that we are selling in this offering will be approximately $13,985,000, after deducting the estimated underwriting discount of $1,320,000 and estimated offering expenses of approximately $1,195,000.

We intend to use the net proceeds of this offering as follows:

	Amount	Percentage
Design, building and testing of production line and other non-recurring engineering costs	$ 8,200,000	58.6%
Repayment of bridge loans	1,664,000	11.9
Business development and product qualifications	1,000,000	7.2
Research and technology development	1,781,000	12.7
General corporate purposes	1,340,000	9.6
Total:	$ 13,985,000	100.0%

The bridge loans being repaid consist of principal and interest owed to a group of lenders who provided us with short-term working capital in January 2006. The loans, in a principal amount of $1,600,000, accrue interest at an annual rate of 10% and are due and payable on the earlier of January 2007 or the completion of a public offering of equity securities with gross proceeds of at least $5,000,000.

Design, building and testing of production line includes purchase and installation of capital equipment, facility modifications, laboratory equipment, test equipment, quality control equipment, and the labor associated with the engineering, installation, commissioning, and product certification and test.

Business development and product qualifications includes marketing activities, preparation of customer bids and proposals, product prototypes, product qualification and testing, and salaries and wages of associated staff.

Research and technology development includes, internal research and development projects, bid and proposal for research and development contracts, performance of those contracts, and salaries and wages of associated scientists, engineering, and technician staff.

General corporate purposes consist of general and administrative costs, including salaries, accounting and legal fees, rent and other facilities expenses, and other working capital expenses.

The foregoing information is an estimate based on our current business plan. Other than repayment of the bridge loans, we may find it necessary to shift funds reserved for one category of uses to another. For example, if our non-recurring engineering and other costs exceed current estimates (due to sharp increases in costs of materials or equipment), we may be forced to draw from funds budgeted for research and technology development or business development. In such cases, we may find it necessary or advisable to re-allocate portions of the net proceeds we receive from this offering, and we will have broad discretion in doing so. Pending these uses, we intend to invest the net proceeds of the offering in short-term, interest-bearing securities.

Some of the net proceeds will be used to pay ITN for equipment and services as detailed in our Service Center Agreement, Manufacturing Line Agreement, Sublease Agreement and Administrative Services Agreement with ITN. Notably, in connection with our contract with ITN to design and build our 500 kW/shift/year production line, we have budgeted approximately $6,700,000 in payments to ITN through 2007 for equipment, engineering, labor, plant commissioning, production readiness and qualification. We also sublease approximately 9,500 square feet of office and manufacturing space at

cost from ITN and currently pay $11,997 per month (or a total of approximately $300,000 through 2007) in rent, plus pass-through expenses such as taxes, insurance, water and utilities, which we estimate will total approximately $250,000 for the subleased space through the end of 2007. ITN also has agreed to perform administrative services for us at cost, including services such as facilities maintenance, payroll, human resources, accounting and information technology services. Although actual costs may vary from month to month, we estimate that the average monthly cost of such services will be approximately $20,000. Payments to ITN under our Sublease Agreement and Administrative Service Center Agreement will draw from proceeds allocated to "general corporate purposes." A portion of proceeds allocated to "business development and product qualification" and "research and technology development" also may be paid to ITN under our Service Center Agreement, which gives us the right to use, on an as needed and as available basis, certain of ITN's laboratories, equipment and research and development tools. If and when we use the laboratories, equipment and tools, we will pay ITN in accordance with the standard rates that ITN charges its other customers.

DIVIDEND POLICY

We have not declared or paid any dividends and do not intend to pay any dividends in the foreseeable future. We intend to retain any future earnings for use in the operation and expansion of our business. Any future decision to pay dividends on common stock will be at the discretion of our Board of Directors and will depend upon our financial condition, results of operations, capital requirements and other factors our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our:

Actual capitalization as of March 31, 2006; and

Pro forma capitalization as of March 31, 2006 after giving effect to: (i) the sale of 3,000,000 units in this initial public offering at a price of $5.50 per unit, less the underwriting discount and offering expenses; (ii) the issuance of 290,909 units to certain bridge lenders; and (iii) the repayment of bridge loan financing and the recognition to accumulated deficit of remaining bridge loan discount and deferred financing costs.

	March 31, 2006	
	Actual	**Pro Forma as Adjusted**
DEBT		
Bridge loan, net of discount and amortization of $159,140	$ 959,140	$
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value: 25,000,000 shares actual authorized: no shares issued and outstanding	$	$
Common stock, $0.0001 par value: 75,000,000 shares actual authorized: 2,000,000 shares issued and outstanding March 31, 2006 actual; 5,290,909 shares issued and outstanding pro forma as adjusted	200	529
Additional paid-in capital	1,892,084	15,876,755
Accumulated deficit	(1,940,748)	(2,740,673)
Total capitalization	$ (48,464)	$ 13,136,611

You should read this table in conjunction with the sections of this prospectus captioned "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as the financial statements and related notes included elsewhere in this prospectus.

DILUTION

For purposes of the dilution computation and the following tables, we have attributed the full purchase price of a unit to the share of common stock included in the unit and nothing to the warrants included in the unit. If you invest in our units, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our capital stock after this offering. Our net tangible book deficiency as of March 31, 2006 was $48,464 without giving effect to any changes in the net tangible book value after March 31, 2006 other than (i) the sale of 3,000,000 units in this initial public offering at a price of $5.50 per unit, less the underwriting discount and offering expenses; and (ii) the issuance of 290,909 units to certain bridge lenders; and (iii) the repayment of bridge loan financing and the recognition to accumulated deficit of remaining bridge loan discount. Our pro forma net tangible book value as of March 31, 2006 was $13,136,611, or $2.48 per share of outstanding capital stock. Dilution in net tangible book value per share represents the difference between the amount per share paid by the purchasers of our units in this offering and the net tangible book value per share of our capital stock immediately afterwards. This represents an immediate increase of $2.50 per share of capital stock to existing stockholders and an immediate dilution of $3.02 (or 54.9%) per share of common stock to the new investors who purchase units in this offering. The following table illustrates this per share dilution:

Initial price to public			$ 5.50
Pro Forma net tangible book value (deficiency) as of March 31, 2006		$ (0.01)	
Increase in net tangible book value per share attributable to:			
Bridge investor conversion	(0.15)		
New investors	2.64		
Increase in net tangible book value per share to existing stockholders		2.49	
Proforma as adjusted net tangible book value per share after this offering			2.48
Dilution in net tangible book value per share to new investors			$ 3.02

If the underwriters' over-allotment option is exercised in full, dilution per share to new investors would be $2.82 (or 51.2%) per share of common stock instead of $3.02 (or 54.9%) per share of common stock.

The following table summarizes the differences between the existing stockholders and the new investors with respect to the number of shares of common stock purchased, the total consideration paid, and the average price per share paid:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Founders stock	972,000	18.4%	$ 38,880	0.2%	$ 0.04
ITN stock for transferred assets	1,028,000	19.4%	31,200	0.2%	0.03
Bridge investors	290,909	5.5%			
Subtotal	2,290,909	43.3%	70,080	0.4%	0.03
New investors	3,000,000	56.7%	16,500,000	99.6%	5.50
Total	5,290,909	100.0%	$ 16,570,080	100.0%	$ 3.13

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

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to the financial statements included elsewhere in this prospectus. This discussion contains forward-looking statements that relate to future events or our future financial performance. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include, among others, those listed under "Risk Factors" and those included elsewhere in this prospectus.

Introduction

Ascent was formed to commercialize CIGS PV technology developed by ITN for the space and near-space markets. For over a decade, ITN had been engaged in the research and development of PV technologies and devices. Funded largely by contracts sponsored by government agencies such as the U.S. Air Force Research Laboratory, the National Science Foundation, the National Renewable Energy Laboratory, the Defense Advanced Research Projects Agency, the Missile Defense Agency and NASA, ITN developed roll-to-roll fabrication of a CIGS absorbing layer on a stainless steel metal substrate in the late 1990s. ITN then developed the technology necessary to put a CIGS absorbing layer on high-temperature plastic and produced and tested small area demonstration cells of CIGS on high-temperature plastic. This new technology has been transferred to us and will comprise the technical foundation for our initial product line and business in the near-term.

Unlike ITN, we intend primarily to be a commercial manufacturing company engaged in the production of CIGS PV on high-temperature plastic modules. Our near-term objective is to assemble a 500 kW/shift/year production line by the end of 2007 and begin commercial production of CIGS PV on high-temperature plastic modules by 2008. We expect to remain substantially dependent upon the net proceeds from this offering until commencement of commercial production, after which we hope that revenues from sales will be sufficient to sustain all or a substantial portion of our ongoing operations.

Our most serious near-term challenges and uncertainties relate to product development and manufacturing, on the one hand, and to sales and marketing, on the other.

Product Development and Manufacturing

Meeting the 2008 production deadline with products that satisfy the technical specifications demanded by potential customers, including by Lockheed Martin in the early stages of its HAA prototype project, will require timely resolution of certain technical matters. These matters relate to the supply of our substrate material, further testing of our monolithic integration technology and our intelligent process controls.

We currently obtain the majority of our high-temperature plastic substrate material from Ube Industries, Ltd. (Japan) ("Ube"). We believe the supply of this material from Ube will be available to us in commercial quantities. However, we also have tested our CIGS absorbing layer on a relatively new high-temperature silicone resin (also a form of plastic) substrate material developed by the Dow Corning Corporation ("DCC"). The DCC substrate material can be processed at a higher temperature than the Ube substrate material, a feature that typically results in higher PV efficiencies. We therefore believe that the DCC substrate can be successfully used in our CIGS PV products in space and near-space applications, where efficiencies and weight are a critical measurement. To date, however, the DCC substrate is not commercially available, but DCC has informed us that it is improving on its ability to provide the material in larger quantities. However, if sufficient quantities are not available when we begin production, we will be forced to rely on Ube and other suppliers to provide substrate

materials that may result in lower efficiencies for our planned products. Although we do not expect serious technical difficulties in the use of materials from these alternate suppliers, the impact on efficiencies may affect evaluation and qualification of our planned product by prospective customers and force us to boost efficiencies through implementation of other technologies, some of which (such as tandem-junction devices) already are under development by us.

Meeting the projected deadlines also requires final testing and integration of our monolithic integration technology by early 2007. In general, solar cells generate electrical power in small voltage increments; in order to provide a usable voltage and current, individual cells must be interconnected in series to increase voltage (similar to batteries stacked in a flashlight) and in parallel to increase current. In 2000, ITN demonstrated an automated solar cell interconnect technology that takes a large area of plastic coated with solar cell material, then patterns cells and connects them at the same time without cutting through the substrate material. This process, called monolithic integration, eliminates the need for connecting individual cells and thus simplifies the manufacturing process. In 2005, ITN established a next-generation, laser patterning operation to further improve its monolithic integration technology. Now that we own the technology, we intend to tailor it for use in our planned production line. All laser patterning steps and printing steps (which entail the deposition or application of insulating ink layers) have been separately demonstrated, and the first monolithically integrated module (solar cells interconnected by laser patterning) has been produced. We are optimizing the monolithic integration process with Ube's substrate materials for space and near space applications, while ITN is modifying the process for use with DCC's silicone resin substrate material, with the technical aspects of ITN's development to be assigned to us. We expect to be able to demonstrate monolithic integration processes for both substrate materials by the third quarter of 2006, but if we are unable to do so before the latter half of 2007, we might opt to manufacture discrete cells instead of modules. We would then integrate the cells into modules employing approaches developed for use with CIGS on stainless steel substrates. The additional interconnect steps would add cost to our end products, leaving product weight and efficiencies as the primary advantages we believe that our planned products would have over those of competitors. The financial impact of these additional costs cannot be quantified at this time.

We also need to tailor the automated manufacturing control technology developed by ITN, which we refer to as intelligent process controls, for use in our planned production line. We believe that implementation of intelligent process controls, which continuously monitor the manufacturing process, will help to control and maximize product yields and device efficiencies. In addition, the manufacturing process parameters that have demonstrated promising results in small batches at laboratory level may require additional development as we scale up to large area continuous roll-to-roll production methods in much larger manufacturing equipment.

These challenges must be addressed in order for us to execute out our business plan, which contemplates completion of our 500 kW/shift/year production line by the end of 2007. Although we believe that the project can be completed within the contemplated time frame, events such as unforeseen shortages in supplies or equipment or variations in materials costs could force us to modify our development calendar or reallocate funds, which may affect our anticipated cash flow in 2008. Significant delays could require us to seek additional capital in 2008 to sustain operations. Furthermore, because one of our challenges will be to meet the product performance and manufacturing metrics including yield, rate and efficiencies of prospective customers such as Lockheed Martin within their own project calendars, a delay in our own development calendar or our inability to timely resolve one or more of the technical challenges above might jeopardize our ability to attract and retain customers and generate revenues.

Sales and Marketing

The market's acceptance of our planned products poses a significant challenge to our success. Although system developers in the space and near-space markets are in search of efficient, lightweight, flexible and less-expensive PV products, we will be attempting to introduce a new technology into a field dominated by large, established companies that may be reluctant to quickly adopt our newer technologies.

The Missile Defense Agency has awarded Lockheed Martin a contract to deliver the first prototype HAA. Lockheed Martin began development of the prototype in 2005 with plans to fly in 2009. This prototype project presents a timely opportunity for us to enter the near-space market. Lockheed Martin's timeline is consistent with our development calendar. In October 2005 and in response to a request for proposal, we, together with ITN and with the support of DCC, submitted a written proposal to supply our CIGS on high-temperature plastic substrate PV modules to Lockheed Martin for use on its program. The program is divided into a development phase and a production phase. Participation in and throughout each phase generally will be dependent upon continued satisfactory performance. We expect that Lockheed Martin will select suppliers in the summer of 2006. The program itself is scheduled to begin in November 2006.

We believe that we will be a successful bidder in the program because our planned products are designed to meet the specific power and power density requirements of the prototype project. If we are not initially selected to participate in the prototype program, we intend to work with Lockheed Martin to pursue opportunities in later stages of the program. To participate in these later stages without having participated in earlier stages, we would need to outperform the contractor or contractors that Lockheed Martin initially selected, requiring us to fund the initial development stages with our own resources, which would largely come from our internal research and technology development budget.

We expect the space satellite market to be more difficult to penetrate than the HAA near-space market. Although we believe that our planned products will offer cost and performance advantages over others available on the market, we will first be challenged to find customers willing to use our planned products on their platforms, each of which is likely to have different product requirements. Although we intend to manufacture and package our planned products in such a way that they can easily be integrated in a variety of diverse platforms, the space market we believe is more uncertain than the near-space market in terms of gaining customer confidence and acceptance. In addition to these challenges, we also need to adopt and undertake quality control processes, procedures and tests to qualify and validate our planned products for use in the harsh environmental conditions of space and near-space.

Information Presented

Historical financial information in this prospectus consists of:

An audited historical balance sheet of Ascent as of December 31, 2005 and audited statements of operations, stockholder's equity and cash flows for the period from inception (October 18, 2005) through December 31, 2005 and unaudited statements as of March 31, 2006 and for the three months ended March 31, 2006 and for the period from inception (October 18, 2005) through March 31, 2006.

Unaudited pro forma statements of operations of Ascent for the three months ended March 31, 2006 and for the year ended December 31, 2005, reflecting the transfer of the Transferred Assets (described below under "Overview") from ITN in consideration of 1,028,000 shares of common stock, as if such transactions had occurred on January 1, 2005.

Audited statements of selected assets and liabilities of ITN as of December 31, 2005 and December 31, 2004, and audited statements of revenues and expenses, changes in net assets and

cash flows relating to the Transferred Assets, for the years ended December 31, 2005 and December 31, 2004.

The assets, liabilities and operations reflected in these financial statements reflect a portion of the assets and liabilities of ITN and the conduct of a portion of ITN's business, specifically the portion relating to PV technology, research and development. ITN is a relatively mature company engaged in the business of developing technology, in part through obtaining and performing governmental research and development contracts. Ascent proposes to continue to perform under the government contracts that have been transferred to it, but its principal business is expected to consist of commercial s">

Long-term deferred tax assets, net

43,956

45,206

Other assets

4,422

3,654

Total assets

$

391,626

$

338,367

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable

$

8,836

$

10,389

Accrued expenses

21,921

21,894

Deferred revenue

6,913

7,036

Total current liabilities

37,670

39,319

Other long-term liabilities

236

183

Contingent consideration

7,392

6,510

Long-term deferred tax liabilities		
	799	
	795	
Total liabilities		
	46,097	
	46,807	
Commitments and contingencies (Note 10)		

Stockholders' equity:

Class B Preferred Stock, $.01 par value

—

—

Authorized - 1,000,000 shares; Issued and outstanding - none

Common stock, $.01 par value

424

413

Authorized - 100,000,000 shares; Issued - 43,777,675 shares at December 31, 2015

and 42,618,717 shares at March 31, 2015;

Outstanding - 42,437,354 shares at December 31, 2015 and 41,335,773

shares at March 31, 2015

Additional paid in capital

495,991

465,046

Accumulated deficit

(110,073

)

(137,222

)

Treasury stock at cost - 1,340,321 shares at December 31, 2015 and 1,282,944

shares at March 31, 2015

(23,255

)

(19,347

)

Accumulated other comprehensive loss

(17,558

)

(17,330

)

Total stockholders' equity

345,529

291,560

Total liabilities and stockholders' equity

$

391,626

$

338,367

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited)

ABIOMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Revenue:				
Product revenue	$ 85,789	$ 61,966	$ 235,569	$ 162,400
Funded research and development	6	39	17	354
	85,795	62,005	235,586	162,754
Costs and expenses:				
Cost of product revenue	12,744	9,838	35,756	29,139
Research and development	13,755	8,365	35,534	26,120
Selling, general and administrative	41,853	30,139	119,005	91,192
	68,352	48,342	190,295	146,451
Income from operations	17,443	13,663	45,291	16,303
Other income:				
Investment income, net	84	48	209	128
Other (loss) income, net	(29)	(10)	111	(38)
	55	38	320	90
Income before income taxes	17,498	13,701	45,611	16,393
Income tax provision	6,943	1,017	18,462	1,579
Net income	$ 10,555	$ 12,684	$ 27,149	$ 14,814
Basic net income per share	$ 0.25	$ 0.31	$ 0.64	$ 0.37
Basic weighted average shares outstanding	42,427	40,856	42,118	40,456
Diluted net income per share	$ 0.23	$ 0.30	$ 0.61	$ 0.35
Diluted weighted average shares outstanding	44,949	42,884	44,805	42,345

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited)

ABIOMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Net income	$10,555	$12,684	$27,149	$14,814
Other comprehensive (loss) income:				
Foreign currency translation losses	(2,520)	(2,944)	(212)	(8,184)
Net unrealized losses on marketable securities	(32)	(23)	(16)	(18)
Other comprehensive loss	(2,552)	(2,967)	(228)	(8,202)
Comprehensive income	$8,003	$9,717	$26,921	$6,612

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited)

ABIOMED, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	For the Nine Months Ended December 31,	
	2015	2014
Operating activities:		
Net income	$27,149	$14,814
Adjustments required to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,214	1,796
Bad debt expense	78	43
Stock-based compensation	21,731	12,696
Write-down of inventory	1,356	1,135
Excess tax benefit from stock-based awards	(488)	—
Deferred tax provision	17,382	675
Change in fair value of contingent consideration	882	365
Changes in assets and liabilities:		
Accounts receivable	(5,084)	(4,320)
Inventories	(10,092)	(3,582)
Prepaid expenses and other assets	343	(180)
Accounts payable	(1,740)	368
Accrued expenses and other liabilities	632	(639)
Deferred revenue	(125)	1,856
Net cash provided by operating activities	54,238	25,027
Investing activities:		
Purchases of marketable securities	(189,595)	(72,411)
Proceeds from the sale and maturity of marketable securities	170,195	57,890
Acquisition of ECP and AIS, net of cash assumed	—	(15,697)
Purchase of other investment	(750)	(1,250)
Purchases of property and equipment	(7,933)	(2,232)
Net cash used for investing activities	(28,083)	(33,700)
Financing activities:		
Proceeds from the exercise of stock options	8,237	8,624
Excess tax benefit from stock-based awards	488	—
Taxes paid related to net share settlement of vesting of stock awards	(3,908)	(1,013)
Proceeds from the issuance of stock under employee stock purchase plan	451	397
Net cash provided by financing activities	5,268	8,008
Effect of exchange rate changes on cash	(598)	(773)
Net increase (decrease) in cash and cash equivalents	30,825	(1,438)
Cash and cash equivalents at beginning of period	22,401	20,916
Cash and cash equivalents at end of period	$53,226	$19,478
Supplemental disclosure of cash flow information:		

Cash paid for income taxes	$724	$1,090
Supplemental disclosure of non-cash investing and financing activities:		
Contingent consideration related to acquisition of ECP	—	6,000
Property and equipment in accounts payable and accrued expenses	471	501

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited)

ABIOMED, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(In thousands, except share data)

Note 1. Nature of Business and Basis of Preparation

Abiomed, Inc. (the "Company") is a provider of mechanical circulatory support devices and offers a continuum of care to heart failure patients. The Company develops, manufactures and markets proprietary products that are designed to enable the heart to rest, heal and recover by improving blood flow and/or performing the pumping function of the heart. The Company's products are used in the cardiac catheterization lab, or cath lab, by interventional cardiologists and in the heart surgery suite by heart surgeons for patients who are in need of hemodynamic support prophylactically or emergently before, during or after angioplasty or heart surgery procedures.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial reporting and in accordance with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by GAAP for complete financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2015 that has been filed with the Securities and Exchange Commission (the "SEC").

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature and are necessary for a fair presentation of results for the interim periods presented. The results of operations for any interim period may not be indicative of results for the full fiscal year or any other subsequent period.

There have been no changes in the Company's significant accounting policies for the three and nine months ended December 31, 2015 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2015 that has been filed with the SEC.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers to provide updated guidance on revenue recognition. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies may need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 will become effective for the Company beginning in fiscal 2019 under either full or modified retrospective adoption, with early adoption permitted as of the original effective date of ASU 2014-09. The Company is currently evaluating the impact of adopting ASU 2014-09 on its net income, financial position, cash flows and disclosures.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which applies to inventory that is measured using first-in, first-out or average cost methods. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which

is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out. This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting ASU 2015-11 on its condensed consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805)—Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this update require that an acquirer recognizes adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The Company is in the process of assessing the impact of the adoption of ASU 2015-16 on its financial position.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740)—Balance Sheet Classification of Deferred Taxes. This ASU requires an entity to classify deferred income tax assets and liabilities as noncurrent on the entity's classified statement of financial position. This amendment eliminates the current requirement to classify deferred tax assets and liabilities as either current or noncurrent on the entity's balance sheet. This amendment may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If applied prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and the reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If applied retrospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is in the process of assessing the impact of the adoption of ASU 2015-17 on its financial position.

The FASB is currently working on amendments to existing accounting standards governing a number of areas including, but not limited to, accounting for leases. In May 2013, the FASB issued an ASU (Revised), Leases (Topic 842) (the "Exposure Draft"), which would replace the existing guidance in ASC 840— Leases ("ASC 840"). Under the Exposure Draft, among other changes in practice, a lessee's rights and obligations under most leases, including existing and new arrangements, would be recognized as assets and liabilities, respectively, on the balance sheet. Other significant provisions of the Exposure Draft include (i) defining the "lease term" to include the noncancellable period together with periods for which there is a significant economic incentive for the lessee to extend or not terminate the lease; (ii) defining the initial lease liability to be recorded on the balance sheet to contemplate only those variable lease payments that depend on an index or that are in substance "fixed"; and (iii) a dual approach for determining whether lease expense is recognized on a straight-line or accelerated basis, depending on whether the lessee is expected to consume more than an insignificant portion of the leased asset's economic benefits. In November 2015, the FASB announced the final lease standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years but the final standard has not yet been issued. This Exposure Draft will likely have an impact on the Company's consolidated financial statements. The Company is currently evaluating the impact of adopting this proposed standard and has not yet determined the impact that this proposed change in accounting standards will have on its consolidated financial statements.

Note 2. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of dilutive common shares outstanding during the period. Diluted shares outstanding are calculated by adding to the weighted average shares outstanding any potential dilutive securities outstanding for the period. Potential dilutive securities include stock options, restricted stock units, performance-based stock awards and shares to be purchased under the Company's employee stock purchase plan. In periods when a net loss is reported, all common stock equivalents are excluded from the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods when a loss is reported, basic and dilutive loss per share are the same. The Company's basic and diluted net income per share for the three and nine months ended December 31, 2015 and 2014 were as follows (in thousands, except per share data):

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Basic Net Income Per Share				
Net income	$ 10,555	$ 12,684	$ 27,149	$ 14,814
Weighted average shares used in computing basic net income per share	42,427	40,856	42,118	40,456
Net income per share - basic	$ 0.25	$ 0.31	$ 0.64	$ 0.37

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	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Diluted Net Income Per Share				
Net income	$ 10,555	$ 12,684	$ 27,149	$ 14,814
Weighted average shares used in computing basic net income per share	42,427	40,856	42,118	40,456
Effect of dilutive securities	2,522	2,028	2,687	1,889
Weighted average shares used in computing diluted net income per share	44,949	42,884	44,805	42,345
Net income per share - diluted	$ 0.23	$ 0.30	$ 0.61	$ 0.35

For the three and nine months ended December 31, 2015, approximately 14,000 and 7,000 shares, respectively, underlying out-of-the-money stock options were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive. Also, approximately 226,000 restricted shares in each of the three and nine months ended December 31, 2015, related to performance-based awards for which milestones have not been met, were not included in the computation of diluted earnings per share.

For the three and nine months ended December 31, 2014, approximately 1,000 and 36,000 shares, respectively, underlying out-of-the-money stock options were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive. Also, approximately 460,000 restricted shares in each of the three and nine months ended December 31, 2014 related to performance-based awards for which milestones had not been met, were not included in the computation of diluted earnings per share.

Note 3. Acquisitions

Acquisition of ECP Entwicklungsgesellschaft mbH

On July 1, 2014, the Company entered into a share purchase agreement with its wholly owned German subsidiary, Abiomed Europe GmbH (“Abiomed Europe”) and Syscore GmbH (“Syscore”), a limited liability company located in Berlin, Germany, providing for the Company’s acquisition of all of the share capital of ECP Entwicklungsgesellschaft mbH (“ECP”), a limited liability company incorporated in Germany. ECP is engaged in research, development, prototyping and the production of a percutaneous expandable catheter pump which increases blood circulation from the heart with an external drive shaft. The Company’s acquisition of ECP closed on July 1, 2014.

The Company acquired ECP for $13.0 million in cash, with additional potential payouts totaling $15.0 million payable to Syscore based on the achievement of certain technical, regulatory and commercial milestones. These milestone payments may be made, at the Company’s option, by a combination of cash or the Company’s common stock.

With respect to such milestone payments, the share purchase agreement provides:

- that, upon the earlier of (i) the Company's receipt of European CE Marking approval relating to the sale of an expandable device based on certain patent rights acquired from ECP, or (ii) the Company's bringing of a successful claim against a third party competitor (or reaching an economically equivalent settlement) for the infringement of certain patent rights acquired from ECP, it will pay Syscore an additional $7.0 million (provided that if such claim or settlement does not prohibit the third party competitor's further marketing, production, sale, distribution, lease or use of any violating or infringing products, but only awards monetary damages to the Company or to Abiomed Europe, the amount payable to Syscore shall be limited to the lower of the amount of aggregate damages received and $7.0 million); and
- that, upon the first to occur of (i) the Company's successful commercialization of one or more rotatable and expandable devices based on certain patent rights acquired from ECP, where such devices achieve aggregate worldwide revenues of $125.0 million, including the revenues of third-party licensees, or (ii) the Company's sale of (A) ECP, (B) all or substantially all of ECP's assets, or (C) certain of ECP's patent rights, the Company will pay to Syscore the lesser of (x) one-half of the profits earned from such sale described in the foregoing item (ii), after accounting for the costs of acquiring and operating ECP, or (y) $15.0 million (less any previous milestone payment).

ECP's Acquisition of AIS GmbH Aachen Innovative Solutions

In connection with the Company's acquisition of ECP, ECP acquired all of the share capital of AIS GmbH Aachen Innovative Solutions ("AIS"), a limited liability company incorporated in Germany, pursuant to a share purchase agreement dated as of June 30, 2014, by and among ECP and AIS's four individual shareholders. AIS, based in Aachen, Germany, holds certain intellectual property useful to ECP's business, and, prior to being acquired by ECP, had licensed such intellectual property to ECP.

The purchase price for the acquisition of AIS's share capital was approximately $2.8 million in cash, which was provided by the Company, and the acquisition closed immediately prior to Abiomed Europe's acquisition of ECP. The share purchase agreement contains representations, warranties and closing conditions customary for transactions of its size and nature.

Purchase Price Allocation

The acquisition of ECP and AIS was accounted for as a business combination. The purchase price for the acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair values.

The acquisition-date fair value of the consideration transferred is as follows:

	Total Acquisition Date Fair Value (in thousands)
Cash consideration	$ 15,750
Contingent consideration	6,000
Total consideration transferred	$ 21,750

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on July 1, 2014, the date of acquisition (in thousands):

Acquired assets:	
Cash and cash equivalents	$53
Accounts receivable	25
Property and equipment	619
In-process research and development	18,500
Goodwill	1,964
Long-term deferred tax assets	1,874
Other assets acquired	141
Total assets acquired	23,176
Liabilities assumed:	

Accounts payable	295
Accrued liabilities	131
Long-term deferred tax liabilities	1,000
Total liabilities assumed	1,426
Net assets acquired	$21,750

In-process research and development ("IPR&D") is the estimated fair value of the ECP and AIS technology that had either not reached commercial technological feasibility nor had alternative future use at the time of the acquisition. Therefore, the Company considered IPR&D, with assigned values to be allocated among the various IPR&D assets acquired.

Goodwill is calculated as the difference between the acquisition-date fair value of the consideration transferred and the fair values of the assets acquired and liabilities assumed. The goodwill resulting from these acquisitions arises largely from synergies expected from combining the operations of ECP and AIS with the Company's existing operations. The goodwill is not deductible for income tax purposes.

The following unaudited pro forma information presents the combined results of operations for the three and nine months ended December 31, 2015 and 2014, as if the Company had completed the ECP and AIS acquisitions at the beginning of fiscal 2015. The pro forma financial information is provided for comparative purposes only and is not necessarily indicative of what actual results would have been had the acquisition occurred on the date indicated, nor does it give effect to synergies, cost savings, fair market value adjustments, immaterial amortization expense and other changes expected to result from the acquisition. Accordingly, the pro forma financial results do not purport to be indicative of consolidated results of operations as of the date hereof, for any period ended on the date hereof, or for any other future date or period. The pro forma consolidated financial information has been calculated after applying the Company's accounting policies and includes adjustments for transaction-related costs, to eliminate revenues earned by AIS from ECP and expenses paid by ECP to AIS associated with a license agreement between the two parties, interest expense incurred by ECP related to bank loans accounted for as if the repayment of ECP debt had occurred and was not outstanding during the periods, and income tax provision of AIS due to the elimination of revenue on the license agreement with ECP.

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
	(in $000's)		(in $000's)	
Revenue	$85,795	$62,005	$235,586	$162,766
Income before income tax provision	17,498	13,665	45,611	16,409
Net income	10,555	12,686	27,149	14,920

The Company has no material revenues and incurred $2.8 million in net losses from July 1, 2014 through December 31, 2015 associated with the operations of ECP and AIS acquisitions.

Note 4. Marketable Securities and Fair Value Measurements

Marketable Securities

The Company's marketable securities are classified as available-for-sale securities and, accordingly, are recorded at fair value. The difference between amortized cost and fair value is included in stockholders' equity.

The Company's marketable securities at December 31, 2015 and March 31, 2015 are invested in the following:

	Amortized	Gross	Gross	Fair Market

	Cost (in $000's)	Unrealized Gains	Unrealized Losses	Value
December 31, 2015:				
US Treasury mutual fund securities	$19,488	$ —	$ —	$19,488
Short-term government-backed securities	123,499	16	(35)	123,480
	$142,987	$ 16	$ (35)	$142,968

	Amortized Cost (in $000's)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
March 31, 2015:				
US Treasury mutual fund securities	$19,487	$ —	$ —	$19,487
Short-term government-backed securities	90,070	9	(9)	90,070
Long-term government-backed securities	13,999	2	(5)	13,996
	$123,556	$ 11	$ (14)	$123,553

Fair Value Hierarchy

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Level 1 primarily consists of financial instruments whose values are based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 includes financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 is comprised of unobservable inputs that are supported by little or no market activity. Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flows, or similar techniques, and at least one significant model assumption or input is unobservable.

The following table presents the Company’s financial instruments recorded at fair value in the condensed consolidated balance sheets, classified according to the three categories described above:

December 31, 2015:	Level 1	Level 2	Level 3	Total
	(in $000's)			
Assets				
U.S. Treasury mutual fund securities	$—	$19,488	$—	$19,488
Short-term government-backed securities	—	123,480	—	123,480
Liabilities				
Contingent consideration	—	—	7,392	7,392

March 31, 2015:	Level 1	Level 2	Level 3	Total
	(in $000's)			
Assets				
U.S. Treasury mutual fund securities	$—	$19,487	$—	$19,487
Short-term government-backed securities	—	90,070	—	90,070
Long-term government-backed securities	—	13,996	—	13,996
Liabilities				
Contingent consideration	—	—	6,510	6,510

The Company’s investments in U.S. Treasury mutual fund securities, short-term government-backed securities and long-term government-backed securities are reported as Level 2 financial assets as they are not exchange-traded instruments.

The Company’s financial liabilities consisted of contingent consideration potentially payable to former ECP shareholders related to the acquisition of ECP in July 2014. This liability is reported as Level 3 as the estimated fair value of the contingent consideration related to the acquisition of the ECP requires significant management judgment or estimation and is calculated using the income approach, using various revenue and cost assumptions and applying a probability to each outcome.

The following table summarizes the change in fair value, as determined by Level 3 inputs, of the contingent consideration for the nine months ended December 31, 2015:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
	(in $000's)		(in $000's)	
Level 3 liabilities, beginning balance	$6,817	$5,797	$6,510	$—
Additions	—	—	—	6,000
Payments	—	—	—	—
Change in fair value	575	568	882	365
Level 3 liabilities, ending balance	$7,392	$6,365	$7,392	$6,365

The change in fair value of the contingent consideration was due to an increase in fair value caused by the effect of the passage of time on the fair value measurement of milestones related to the ECP acquisition and continued progress on the development of the underlying technology. Adjustments associated with the change in fair value of contingent consideration are included in research and development expenses on the Company’s condensed consolidated statements of operations.

The following table presents quantitative information about the inputs and valuation methodologies used for the Company’s fair value measurements as of December 31, 2015 classified as Level 3:

	Fair Value at December 31, 2015 (in $000's)	Valuation Methodology	Significant Unobservable Input	Weighted Average (range, if applicable)
Contingent consideration	$ 7,392	Probability weighted income approach	Milestone dates	2018 to 2021
			Discount rate	8% to 12%
			Probability of occurrence	Probability adjusted level of 40% for the base case scenario and 5% to 30% for various upside and downside scenarios

Other Investments

The Company periodically makes investments in private medical device companies that focus on heart failure and heart pump technologies. In July 2015, the Company invested $0.8 million for its participation in a preferred stock offering of a private medical technology company. The aggregate carrying amount of the Company's other investments was $4.4 million and $3.6 million at each of December 31, 2015 and March 31, 2015, respectively, and is classified within other assets in the unaudited condensed consolidated balance sheets. These investments are accounted for using the cost method and are measured at fair value only if there are identified events or changes in circumstances that may have a significant adverse effect on the fair value of these investments.

Note 5. Inventories

The components of inventories are as follows:

	December 31, 2015	March 31, 2015
	(in $000's)	
Raw materials and supplies	$8,894	$7,417
Work-in-progress	10,427	6,466
Finished goods	6,214	2,891
	$25,535	$16,774

The Company's inventories relate to its circulatory care product lines, primarily its Impella® heart pump product platforms. Finished goods and work-in-process inventories consist of direct material, labor and overhead. During the three and nine months ended December 31, 2015, the Company recorded $0.4 million and $1.4 million, respectively, in write-downs of inventory. During the three and nine months ended December 31, 2014, the Company recorded $0.6 million and $1.1 million, respectively, in write-downs of inventory.

Note 6. Goodwill and In-Process Research and Development

Goodwill

The carrying amount of goodwill at December 31, 2015 and March 31, 2015 was $31.7 million and $31.5 million, respectively, and has been recorded in connection with the Company's acquisition of Impella Cardiosystems AG ("Impella Cardiosystems"), in May 2005 and ECP and AIS in July 2014. The goodwill activity is as follows:

	(in $000's)
Balance at March 31, 2015	$31,534
Foreign currency translation impact	163
Balance at December 31, 2015	$31,697

The Company evaluates goodwill and IPR&D assets at least annually at October 31, as well as whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. The Company has no accumulated impairment losses on goodwill or IPR&D assets.

As described in Note 3 "Acquisitions," the Company acquired ECP and AIS in July 2014 and recorded $18.5 million of IPR&D assets. The estimated fair value of IPR&D assets at the acquisition date was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows from the expandable catheter pump technology were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company used a discount rate of 22.5% and cash flows that have been probability adjusted to reflect the risks of product commercialization, which the Company believes are appropriate and representative of market participant assumptions.

The carrying value of the Company's IPR&D assets and the change in the balance for the nine months ended December 31, 2015 are as follows:

	(in $000's)
Balance at March 31, 2015	$14,711
Foreign currency translation impact	75
Balance at December 31, 2015	$14,786

Note 7. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2015	March 31, 2015
	(in $000's)	
Employee compensation	$14,484	$15,978
Research and development	2,495	1,744
Sales and income taxes	1,324	1,506
Professional, legal and accounting fees	1,155	710
Warranty	639	1,103
Other	1,824	853
	$21,921	$21,894

Employee compensation consists primarily of accrued bonuses, accrued commissions and accrued employee benefits at December 31, 2015 and March 31, 2015.

Note 8. Stock-Based Compensation

The following table summarizes stock-based compensation expense by financial statement line item in the Company's condensed consolidated statements of operations for the three and nine months ended December 31, 2015 and 2014:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
	(in $000's)		(in $000's)	
Cost of product revenue	$216	$160	$671	$517
Research and development	994	840	2,914	2,466
Selling, general and administrative	4,929	3,382	18,146	9,713
	$6,139	$4,382	$21,731	$12,696

The components of stock-based compensation for the three and nine months ended December 31, 2015 and 2014 were as follows:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
	(in $000's)		(in $000's)	
Restricted stock units	$5,133	$3,640	$17,482	$10,394
Stock options	909	666	3,955	2,089
Employee stock purchase plan	97	76	294	213
	$6,139	$4,382	$21,731	$12,696

The Company's former Chief Financial Officer retired effective July 31, 2015 and currently serves as a consultant to the Company through July 31, 2017. In connection with the former Chief Financial Officer's retirement agreement, his unvested options and restricted stock units were modified such that they will continue to vest and he will be permitted to exercise any vested options until July 31, 2017, including any options that vest after his retirement date, other than such options that expire on the tenth anniversary of the grant date. The Company recorded costs of $2.5 million in stock compensation expense, which is recorded in selling, general and administrative expenses for the nine months ended December 31, 2015.

In June 2015, the Company's Board of Directors adopted a non-employee director retirement policy that provides for the accelerated vesting of all stock options, restricted stock units and other equity awards held by a non-employee director if he or she permanently ceases his or her service on the Company's Board of Directors by reason of death, disability, or the non-employee director's retirement following at least five years of service and so long as his or her age plus service equals or exceeds 65. This retirement policy accelerated the recognition of stock-based compensation because the outstanding unvested restricted stock units held by retirement eligible non-employee directors are able to vest at their decision to retire. The Company recorded costs of $1.4 million in accelerated stock compensation expense, which is recorded in selling, general and administrative expenses for the nine months ended December 31, 2015.

In August 2015, the Company approved the annual equity award grant to non-employee directors in the form of restricted stock units covering 3,900 shares of the Company's common stock, which vest on the earlier of: (a) the one year anniversary of the grant date; or (b) the next annual meeting of stockholders. In conjunction with the Company's non-employee director retirement policy, the stock compensation expense for awards to retirement eligible non-employee directors was fully recognized upon grant. The Company recorded costs of $2.0 million in stock compensation expense, which is recorded in selling, general and administrative expenses for the nine months ended December 31, 2015.

Stock Options

The following table summarizes the stock option activity for the nine months ended December 31, 2015:

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at beginning of period	2,892	$ 14.72	5.18	
Granted	164	71.15		
Exercised	(721)	11.42		
Cancelled and expired	(2)	13.81		
Outstanding at end of period	2,333	$ 19.71	5.35	$ 164,775
Exercisable at end of period	1,690	$ 13.83	4.27	$ 129,224
Options vested and expected to vest at end of period	2,273	$ 19.33	5.27	$ 161,336

The aggregate intrinsic value of options exercised was $50.7 million for the nine months ended December 31, 2015. The total fair value of options that vested during the nine months ended December 31, 2015 was $2.5 million.

The remaining unrecognized stock-based compensation expense for unvested stock option awards at December 31, 2015 was approximately $6.3 million, net of forfeitures, and the weighted-average period over which this cost will be recognized is 2.4 years.

The Company estimates the fair value of each stock option granted at the grant date using the Black-Scholes option valuation model. The weighted average grant-date fair values and weighted average assumptions used in the calculation of fair value of options granted during the three and nine months ended December 31, 2015 and 2014 was as follows:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Weighted average grant-date fair value	$34.05	$15.36	$28.91	$9.18
Valuation assumptions:				
Risk-free interest rate	1.50 %	1.70 %	1.60 %	1.60 %
Expected option life (years)	4.15	4.17	4.14	4.19
Expected volatility	49.6 %	49.7 %	49.7 %	49.3 %

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for a term consistent with the expected life of the stock options. Volatility assumptions are calculated based on the historical volatility of the Company’s stock and adjustments for factors not reflected in historical volatility that may be more indicative of future volatility. The Company estimates the expected term of options based on historical exercise experience and

estimates of future exercises of unexercised options. An expected dividend yield of zero is used in the option valuation model because the Company does not pay cash dividends and does not expect to pay any cash dividends in the foreseeable future. The Company estimates forfeitures based on an analysis of actual historical forfeitures, adjusted to the extent historic forfeitures may not be indicative of forfeitures in the future.

Restricted Stock and Restricted Stock Units

The following table summarizes the activity of restricted stock and restricted stock units for the nine months ended December 31, 2015:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Restricted stock and restricted stock units at beginning of period	1,160	$ 21.90
Granted	679	$ 87.95
Vested	(465)	$ 22.65
Forfeited	(45)	$ 15.44
Restricted stock and restricted stock units at end of period	1,329	$ 55.61

The weighted average grant-date fair value for restricted stock units granted, including performance and market-based awards, during the nine months ended December 31, 2015 and 2014 was $87.95 and $22.07 per share, respectively. This includes 322,980 market based awards which were valued at $107.10 per share based on a Monte Carlo simulation that was used to account for the market condition in valuing the award. See details below in “Market Based Awards”.

The total fair value of restricted stock units that vested during the nine months ended December 31, 2015 and 2014 was $10.3 million and $9.5 million, respectively. The remaining unrecognized compensation expense for outstanding restricted stock units, including performance and market-based awards, as of December 31, 2015 was $33.9 million and the weighted-average period over which this cost will be recognized is 2.4 years.

Performance and Market-Based Awards

Included in the restricted stock units activity are certain awards that vest subject to certain performance and market-based criteria. The remaining unrecognized compensation expense for outstanding performance and market-based restricted stock units as of December 31, 2015 was $23.2 million and the weighted-average period over which this cost will be recognized is 2.4 years.

Performance-Based Awards

In May 2015, performance-based awards of restricted stock units for the potential issuance of 183,940 shares of common stock were issued to certain executive officers and employees, all of which vest upon achievement of prescribed service milestones by the award recipients and performance milestones by the Company. As of December 31, 2015, the Company is recognizing compensation expense based on the probable outcome related to the prescribed

performance targets on the outstanding awards.

In May 2014, performance-based awards of restricted stock units for the potential issuance of 379,752 shares of common stock were issued to certain executive officers and employees, all of which vest upon achievement of prescribed service milestones by the award recipients and performance milestones by the Company. The Company met the prescribed performance milestones in fiscal 2015. As of December 31, 2015, approximately 200,000 shares of common stock underlying restricted stock units remain unvested and such restricted stock units will vest subject to service requirements for vesting for these employees.

In May 2013, performance-based awards of restricted stock units for the potential issuance of 268,988 shares of common stock were issued to certain executive officers and employees, all of which vest upon achievement of prescribed service milestones by the award recipients and performance milestones by the Company. The Company met the prescribed performance milestones in fiscal 2014. As of December 31, 2015, approximately 70,000 shares of common stock underlying restricted stock units remain unvested and such restricted stock units will vest subject to service requirements for vesting for these employees.

In June 2011, performance-based awards of restricted stock units for the potential issuance of 100,000 shares of common stock was issued to a certain senior executive officer of the Company that would vest upon achievement of prescribed service milestones by the award recipient and performance milestones by the Company. As of December 31, 2015, the Company has met the prescribed milestones for 50,000 shares of this award. The Company modified the performance condition on the 50,000 remaining restricted stock units that were related to this performance award in March 2014 and December 2015, all of which will vest upon achievement of a prescribed service milestone by the award recipients and a performance milestone by the Company. The Company recorded $0.5 million in stock compensation expense related to this accounting modification, which is recorded in selling, general and administrative expenses for the three and nine months ended December 31, 2015. The Company believes that it is probable that the prescribed performance milestones will be met and the compensation expense is being recognized accordingly.

Market-Based Awards

In June 2015, the Company awarded certain executive officers a total of up to 322,980 market-based restricted share units. These restricted stock units will vest and result in the issuance of common stock based on continuing employment and the relative ranking of the total shareholder return ("TSR") of the Company's common stock in relation to the TSR of the component companies in the S&P Health Care Equipment Select Industry Index over a three-year performance period based on a comparison of average closing stock prices between June 2015 and June 2018. The actual number of market-based restricted stock units that may be earned can range from 0% to 300% of the target number of shares. One-half of the market-based restricted stock units earned will vest in June 2018 and the remaining restricted stock units will vest one year thereafter.

The Company used a Monte Carlo simulation model to estimate that the grant-date fair value of the restricted stock units. The fair value related to the restricted stock units will be recorded as stock compensation expense over the period from date of grant to June 2019 regardless of the actual TSR outcome achieved.

The table below sets forth the assumptions used to value the awards and the estimated grant-date fair value:

Risk-free interest rate	1.10	%
Dividend yield	0	%
Remaining performance period (years)	2.45	
Expected volatility	47.2	%
Estimated grant date fair value (per share)	$107.10	
Target performance (number of shares)	107,660	

Note 9. Income Taxes

The income tax provision represents the Company's federal and state income tax obligations as well as foreign tax provisions. The Company's income tax provision was $6.9 million and $18.5 million for the three and nine months ended December 31, 2015, respectively. The Company's income tax provision was $1.0 million and $1.6 million for the three and nine months ended December 31, 2014, respectively. The estimated annual effective income tax rate is based upon estimated income before income taxes for the year, the geographical composition of the estimated income before taxes and estimated permanent differences. The estimated annual effective income tax rate can fluctuate and may differ from the actual tax rate recognized in fiscal 2016 for various reasons, including estimates of income before taxes, tax legislation, permanent differences, discrete items, and any adjustments between tax provision calculations and filed tax returns.

The significant differences between the statutory tax rate and effective tax rate for the three and nine months ended December 31, 2015 and 2014 were as follows:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Statutory income tax rate	35.0 %	34.0 %	35.0 %	34.0 %

Increase (decrease) resulting from:				
Losses not benefited	—	(26.6)	—	(24.4)
Credits	(1.7)	—	(1.5)	—
State taxes, net	3.2	—	3.4	—
Permanent differences	3.2	—	3.4	—
Other	—	—	0.2	—
Effective tax rate	39.7 %	7.4 %	40.5 %	9.6 %

The Company and its subsidiaries are subject to U.S. federal income tax, as well as income tax in multiple states and Germany. All tax years remain subject to examination by the Internal Revenue Service and state and foreign tax authorities. The Company has net operating loss and tax credit carryforwards which may be utilized in future years to offset taxable income, and those years may also be subject to review by relevant taxing authorities if the carryforwards are utilized. Fiscal years 2012 through 2015 remain open to examination in Germany.

Note 10. Commitments and Contingencies

Commitments

The Company's headquarters is located at 22 Cherry Hill Drive in Danvers, Massachusetts and consists of approximately 120,500 square feet of space under an operating lease.

The monthly lease payments over the remaining term of the lease are as follows:

- The base rent for May 2014 through December 2015 was $74,050 per month; and
- The base rent for January 2016 through February 2016 will be $85,818 per month; and
- The base rent for March 2016 through February 2018 will be $82,518 per month; and
- The base rent for March 2018 through February 2021 will be $85,030 per month.

This facility encompasses most of the Company's U.S. operations, including research and development, manufacturing, sales and marketing and general and administrative departments. On December 9, 2015, the Company entered into a purchase and sale agreement (the "P&S Agreement") to acquire its existing corporate headquarters space. Pursuant to the P&S Agreement, the Company will, among other things and subject to closing conditions, acquire the real estate commonly known as 18-22 Cherry Hill Drive, located in Danvers, Massachusetts. Subject to the terms and conditions of the P&S Agreement, the purchase price of the property will be $16.5 million. On January 19, 2016, the Company entered into an amendment of the P&S Agreement to extend the due diligence period until April 19, 2016. The Company expects to close the transaction in April 2016.

The Company's European headquarters is located in Aachen, Germany and consists of approximately 33,000 square feet of space under an operating lease. In July 2013, the Company entered into a lease agreement to continue renting its existing space in Aachen, Germany through July 31, 2023. In October 2015, the Company entered into an amendment to this lease agreement to lease 9,000 square feet of additional space effective July 1, 2015. The Company also entered into another lease agreement in October 2015 to lease approximately 30,000 square feet of additional space adjacent to its Aachen facility from July 1, 2015 through June 30, 2016. This agreement also provided the Company with options to extend the lease through July 31, 2033. The lease payments under these agreements are approximately 64,500€ (euro) (approximately U.S. $70,000 at December 31, 2015 exchange rates) per month. The building houses most of the manufacturing operations for the Impella product lines as well as certain research and development functions and the sales, marketing and general and administrative functions for most of its product lines sold in Europe and the Middle East.

License Agreements

In April 2014, the Company entered into an exclusive license agreement with Opsens, Inc. for the rights to certain optical sensor technologies in the field of cardio-circulatory assist devices. The Company made a $1.5 million upfront payment upon execution of the agreement and could make additional payments of up to $4.5 million upon the achievement of certain development milestones.

In November 2015, the Company entered into an exclusive license agreement for the rights to certain vascular closure device technologies. The Company made a $0.5 million upfront payment upon execution of the agreement and a milestone payment of $0.6 million in December 2015. The Company could make additional payments of up to $2.8 million upon the achievement of certain development milestones.

Litigation

From time to time, the Company is involved in legal and administrative proceedings and claims of various types. In some actions, the claimants seek damages, as well as other relief, which, if granted, would require significant expenditures. The Company records a liability in its condensed consolidated financial statements for these matters

when a loss is known or considered probable and the amount can be reasonably estimated. The Company reviews these estimates each accounting period as additional information is known and adjusts the loss provision when appropriate. If a matter is both probable to result in liability and the amounts of loss can be reasonably estimated, the Company estimates and discloses the possible loss or range of loss. If the loss is not probable or cannot be reasonably estimated, a liability is not recorded in its condensed consolidated financial statements.

On October 26, 2012, the Company was informed that the Department of Justice, United States Attorney's Office for the District of Columbia was conducting an investigation ("Marketing and Labeling Investigation") focused on the Company's marketing and labeling of the Impella 2.5™ heart pump. On October 31, 2012, the Company accepted service of a subpoena related to this investigation seeking documents and other materials related to the Impella 2.5. The Company cooperated fully with the Marketing and Labeling Investigation, and on June 29, 2015, the Company received confirmation that the Department of Justice had closed the Marketing and Labeling Investigation without taking enforcement action.

On April 25, 2014, the Company received a subpoena from the Boston regional office of the United States Department of Health and Human Services, or HHS, Office of Inspector General requesting materials relevant to the Company's reimbursement of expenses and remuneration to healthcare providers for a six month period from July 2012 through December 2012 in connection with a civil investigation under the False Claims Act (the "FCA Investigation"). The Company submitted the requested documents to HHS and believes that it substantially complied with the subpoena. On November 6, 2014, the Company received notice from the Department of Justice, United States Attorney's Office for the District of Massachusetts in the form of a Civil Investigative Demand ("CID") requesting additional materials relating to this matter for the time period of January 1, 2012 through December 31, 2013. The Company is currently in the process of responding to the additional requests for information contained in the CID, and other informal requests, and intends to continue to cooperate with the U.S. Attorney's Office in connection with the FCA Investigation.

In July and August 2015, Thoratec Corporation ("Thoratec"), acquired by St. Jude Medical, Inc. in October 2015, brought actions in connection with two Company patents relevant to Thoratec's HeartMate PHP medical device ("PHP"). In those proceedings, which are in the United Kingdom and Germany, Thoratec asserts that the two patents are invalid. In September 2015, the Company filed counterclaims in the action in Germany asserting that the PHP product infringes the two patents and a third patent owned by the Company. Both the Germany and United Kingdom proceedings are ongoing.

The Company is unable to estimate a potential liability with respect to the legal matters noted above. There are numerous factors that make it difficult to meaningfully estimate possible loss or range of loss at this stage of the legal proceedings, including that the FCA Investigation and patent dispute with Thoratec remain in relatively early stages, there are significant factual and legal issues to be resolved and information obtained or rulings made during any potential lawsuits or investigations could affect the methodology for calculation. Therefore, the Company is unable at this time to estimate a possible loss or range of possible loss, and no adjustment has been made to the financial statements to reflect the outcome of these uncertainties.

Note 11. Segment and Enterprise Wide Disclosures

The Company operates in one business segment—the research, development and sale of medical devices to assist or replace the pumping function of the failing heart. The Company's chief operating decision maker (determined to be the Chief Executive Officer) does not manage any part of the Company separately, and the allocation of resources and assessment of performance are based on the Company's consolidated operating results. Approximately 79% and 77% of the Company's total consolidated assets were located within the U.S. as of December 31, 2015 and March 31, 2015, respectively. The remaining assets were located primarily in Germany and included goodwill and IPR&D assets of $46.5 million and $46.2 million at December 31, 2015 and March 31, 2015, respectively, associated with the Impella Cardiosystems acquisition in May 2005 and the ECP acquisition in July 2014. Total assets outside of the U.S. excluding goodwill and IPR&D assets amounted to 9% and 10% of total consolidated assets as of December 31, 2015 and March 31, 2015, respectively. International sales (primarily in Europe) accounted for 8% of total revenue for each of the three and nine months ended December 31, 2015, and 9% and 10% of total revenue for the three and nine months ended December 31, 2014, respectively.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This Report may contain "forward looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be accompanied by such words as "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "plan," "pote "project," "target," "will" and other words and terms of similar meaning. These forward-looking statements address various matters including, among others, future actions related to ongoing investigations and expenditures related thereto; our expectations with respect to submissions to and approvals from regulatory bodies, such as the FDA, including our expectation that the Impella CP®, Impella 5.0® and Impella LD® devices will retain their 510(k) clearances until completion of the FDA review process of our Pre-Market Approval ("PMA") supplemental submissions for those devices, the expectation that the PMA supplements will receive regulatory approval by the FDA in the summer of 2016 and the expectation that the application for the Impella 2.5 in Japan will receive regulatory approval during calendar 2016; the development and commercialization of new and existing products and anticipated costs, including research and development, sales and marketing and training costs associated with product development and commercialization; expected capital expenditures for the fiscal year ending March 31, 2016; commercial plans for our products into new markets such as Japan; demand and expected shipments of our products; anticipated shifts in the revenue mix associated with our products; and our ability to increase revenues from our Impella line of products and the sufficiency of revenues to fund future operations. Each forward-looking statement in this Report is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Applicable risks and uncertainties include, among others, our inability to predict the outcome of investigations and litigation and associated expenses; possible delays in our research and development programs; our ability to obtain regulatory approvals and market our products, and uncertainties related to regulatory processes; greater government scrutiny and regulation of the medical device industry and our ability to respond to changing laws and regulations affecting our industry, including any reforms to the regulatory approval process administered by the FDA, including the 510(k) process and 515 Program Initiative, and changing enforcement practices related thereto; the inability to manufacture products in commercial quantities at an acceptable cost; the acceptance by physicians and hospitals of our products; the impact of competitive products and pricing; uncertainties associated with future capital needs and the risks identified under Item 1A of Part I of our Annual Report on Form 10-K, for the year ended March 31, 2015, as well as the other information we file with the Securities and Exchange Commission. Readers are cautioned not to place considerable reliance on any forward-looking statements contained in this Report, which speak only as of the date of this Report. We undertake no obligation to update or revise these forward-looking statements whether as a result of new information, future events or otherwise, unless required by law. Our business is subject to substantial risks and uncertainties, including those referenced above. Investors, potential investors, and others should give careful consideration to these risks and uncertainties.

Overview

We are a leading provider of temporary percutaneous mechanical circulatory support devices and we offer a continuum of care to heart failure patients. We develop, manufacture and market proprietary products that are designed to enable the heart to rest, heal and recover by improving blood flow to the coronary arteries and end-organs and/or temporarily performing the pumping function of the heart. Our products are used in the cardiac catheterization lab, or cath lab, by interventional cardiologists, the electrophysiology lab, the hybrid lab and in the heart surgery suite by heart surgeons. A physician may use our devices for patients who are in need of hemodynamic support prophylactically or emergently before, during or after angioplasty or heart surgery procedures. We believe heart recovery is the optimal clinical outcome for patients experiencing heart failure because it enables patients to go home with their own native heart and restores their quality of life. In addition, we believe that for the care of such patients, heart recovery is the most cost-effective solution for the healthcare system.

Our strategic focus and the driver of the majority of our revenue growth is the market penetration of our family of Impella products. Revenues from our non-Impella products, largely focused on the heart surgery suite, have been lower over the past several years as we have strategically shifted our sales and marketing efforts towards our Impella products and the cath lab. We expect that most of our product and service revenues in the near future will be from our Impella products.

The Impella product portfolio, which includes the Impella 2.5™, Impella CP®, Impella RP®, Impella LD™ and Impella 5.0™, has supported over 25,000 patients in the U.S. Our Impella 2.5, Impella 5.0, Impella LD, Impella CP and Impella RP products also have CE Mark approval and Health Canada approval which allows us to market these devices in the European Union and Canada. We have submitted an application for the Impella 2.5 in Japan and we are hopeful of receiving regulatory approval in calendar 2016.

In July 2014, we acquired all of the issued shares of ECP, a German limited liability company, for $13.0 million in cash, with additional potential payments up to a maximum of $15.0 million based on the achievement of certain technical, regulatory and commercial milestones. ECP, based in Berlin, Germany, is engaged in research, development, prototyping and the pre-serial production of a percutaneous expandable catheter pump which increases blood circulation from the heart with an external drive shaft. In connection with our acquisition of ECP, ECP acquired all of the issued shares of AIS, a German limited liability company, for $2.8 million in cash which was provided by us. AIS, based in Aachen, Germany, holds certain intellectual property useful to ECP’s business, and, prior to being acquired by ECP, had licensed such intellectual property to ECP.

Our Products

Impella 2.5™

The Impella 2.5 catheter is a percutaneous micro heart pump with an integrated motor and sensors. The device is designed primarily for use by interventional cardiologists to support patients in the cath lab who may require assistance to maintain their circulation. The Impella 2.5 catheter can be quickly inserted via the femoral artery to reach the left ventricle of the heart where it is directly deployed to draw blood out of the ventricle and deliver it to the circulatory system. This function is intended to reduce ventricular work and provide flow to vital organs. The Impella 2.5 is introduced with normal interventional cardiology procedures and can pump up to 2.5 liters of blood per minute.

The Impella 2.5 product received 510(k) clearance in June 2008 from the FDA for partial circulatory support for up to six hours. In March 2015, we received PMA from the FDA for Impella 2.5 during elective and urgent high-risk PCI procedures. Impella 2.5 is the first hemodynamic support device to receive a PMA indication for use during high-risk PCI procedures, demonstrating its safety and effectiveness for this complex patient population. With this approval, the Impella 2.5 is a temporary (up to six hours) ventricular support device indicated for use during high-risk PCI performed in elective or urgent hemodynamically stable patients with severe coronary artery disease and depressed left ventricular ejection fraction, when a heart team, including a cardiac surgeon, has determined high-risk PCI is the appropriate therapeutic option. Use of the Impella 2.5 in these patients may prevent hemodynamic instability that may occur during planned temporary coronary occlusions and may reduce periprocedural and post-procedural adverse events. The product labeling allows for the clinical decision to leave Impella 2.5 in place beyond the intended duration of up to six hours due to unforeseen circumstances. Per our PMA approval, we will conduct a single-arm, post-approval study on the Impella 2.5, collecting data on high-risk PCI patients. The study will be a prospective, multi-center study comprised of 369 patients from 70 sites supported with the Impella 2.5 system. The Impella 2.5 device has CE mark approval in Europe for up to five days of use and is approved for use in over 40 countries.

In August 2015, we submitted the PMA supplement submissions requesting to expand our current Impella 2.5 PMA approval for additional indications for Impella 2.5 and for most of our other Impella devices (Impella CP, Impella 5.0 and Impella LD). The submissions are for a set of indications related to the use of the Impella devices in patients suffering cardiogenic shock following acute myocardial infarction or cardiac surgery and for a longer duration of support. We anticipate receiving regulatory approval on the PMA supplements from the FDA in the summer of 2016.

A November 2011 update to the American College of Cardiology Foundation, or ACCF, / American Heart Association, or AHA, Task Force on Practice Guidelines and the Society for Cardiovascular Angiography and Interventions Guidelines for Percutaneous Coronary Intervention, for the first time, included Impella devices in both the emergent and prophylactic hemodynamic support settings. In addition, a December 2012 update to the AHA's Recommendations for the Use of Mechanical Circulatory Support: Device Strategies and Patient Selection recommended Impella devices for use in mechanical circulatory support; a December 2012 update to the ACCF/AHA Guidelines for the Management of ST-Elevation Myocardial Infarction (STEMI) included Impella 2.5 for use in patients requiring urgent coronary artery bypass grafting with STEMI and in treatment of patients with cardiogenic shock complications after STEMI; and a January 2013 update to the International Society for Heart and Lung Transplantation Guidelines for Mechanical Circulatory Support included Impella devices for the first time for patients with multi-organ failure. In addition, Impella devices were included in a January 2013 update to the ACCF /AHA Task Force on Practice Guidelines for the Management of ST-Elevation Myocardial Infarction and a September 2014 AHA /the American College of Cardiology (ACC) Task Force on Practice Guidelines for the Management of Patients with Non-ST-Elevation Acute Coronary Syndromes.

In addition to the U.S. clinical trial data, the Impella 2.5 PMA submission included clinical and scientific supporting evidence from more than 215 publications, covering 1,638 Impella 2.5 patients and incorporated a medical device reporting (MDR) analysis from 13,981 Impella 2.5 patients. In addition to PROTECT I and PROTECT II, further data was provided in the submission from 637 high-risk patients enrolled in the U.S. Impella Registry or cVAD

Registry™. The cVAD Registry™ is an ongoing multicenter, observational retrospective registry that includes 49 centers that collects data on the Impella 2.5, Impella 5.0 and Impella CP. The data collection from the registry includes Institutional Review Board, or IRB, approval, complete data monitoring and Clinical Events Committee adjudication. Additionally, the PMA analysis included hemodynamic science described in the literature and validated with a series of pre-clinical and clinical studies.

Impella CP®

In September 2012, we announced that the Impella CP received 510(k) clearance from the FDA. The Impella CP provides blood flow of approximately one liter more per minute than the Impella 2.5 and is primarily used by either interventional cardiologists to support patients in the cath lab or by surgeons in the heart surgery suite. The Impella CP is indicated for up to six hours of partial circulatory support using an extracorporeal bypass control unit. It is also intended to be used to provide partial circulatory support, for up to six hours, during procedures not requiring cardiopulmonary bypass. The Impella CP received CE Mark approval to be marketed in the European Union in April 2012 and Health Canada approval to be marketed in Canada in June 2012.

In August 2015, we submitted the PMA supplement submissions requesting to expand our current Impella 2.5 PMA approval for additional indications for Impella 2.5 and for most of our other Impella devices (Impella CP, Impella 5.0 and Impella LD). The submissions are for a set of indications related to the use of the Impella devices in patients suffering cardiogenic shock following acute myocardial infarction or cardiac surgery and for a longer duration of support. We anticipate receiving regulatory approval on the PMA supplements from the FDA in the summer of 2016.

We expect the Impella CP to retain its 510(k) clearance until completion of the FDA process.

Impella 5.0™ and Impella LD™

The Impella 5.0 and Impella LD are percutaneous micro heart pumps with integrated motors and sensors for use primarily in the heart surgery suite. These devices are designed to support patients who require higher levels of circulatory support as compared to the Impella 2.5. The Impella 5.0 and Impella LD devices received 510(k) clearance in April 2009, for circulatory support for up to six hours and have CE Mark approval in Europe for up to ten days' duration and are approved for use in over 40 countries.

The Impella 5.0 can be inserted into the left ventricle via femoral cut down or through the axillary artery. The Impella 5.0 pump goes through the ascending aorta, across the valve and into the left ventricle. The Impella LD is similar to the Impella 5.0 but is implanted directly through an aortic graft. The Impella 5.0 and Impella LD can pump up to five liters of blood per minute, providing full circulatory support.

In August 2015, we submitted the PMA supplement submissions requesting to expand our current Impella 2.5 PMA approval for additional indications for Impella 2.5 and for most of our other Impella devices (Impella CP, Impella 5.0 and Impella LD). The submissions are for a set of indications related to the use of the Impella devices in patients suffering cardiogenic shock following acute myocardial infarction or cardiac surgery and for a longer duration of support. We anticipate receiving regulatory approval on the PMA supplements from the FDA in the summer of 2016.

Impella RP®

The Impella RP is a percutaneous catheter-based axial flow pump that is designed to allow greater than four liters of flow per minute and is intended to provide the flow and pressure needed to compensate for right side heart failure.

In November 2012, we announced that the Impella RP received U.S. investigational device exemption, or IDE, approval from the FDA for use in RECOVER RIGHT, a pivotal clinical study in the U.S. In March 2014, we completed enrollment of 30 patients at sites that present with signs of right side heart failure, require hemodynamic support, and are being treated in the catheterization lab or cardiac surgery suite. The study collected safety and effectiveness data on the percutaneous use of the Impella RP and was submitted to the FDA in connection with the HDE application towards the submission of an HDE. In January 2015, we received FDA approval for Impella RP under an HDE. As part of the HDE approval, we are required to conduct two post approval studies (PAS) for Impella RP. One includes an adult patient population of 30 patients and the other, a pediatric patient population for a maximum of 15 patients. These studies will be conducted to monitor the post-market safety and probable benefit of the Impella RP device. Both studies will be single-arm multicenter studies that will follow the respective patients at 30 and 180 days post device explant.

Impella RP is the first percutaneous single access heart pump designed for right heart support to receive FDA approval. An HDE is similar to a PMA application but is intended for patient populations of 4,000 or less per year in the U.S. and is subject to certain profit and use restrictions. The Impella RP is a percutaneous device approved to provide support of the right heart during times of acute failure for certain patients who have received a left ventricle assist device or have suffered heart failure due to acute myocardial infarction, or AMI, or a failed heart transplant. An HDE requires demonstration of the safety and probable benefit of the product, which is a lower standard than is applied to a PMA. In order to receive an HDE, there must be no comparable devices approved under PMA that are

available to treat the targeted population. An approved HDE authorizes sales of the device to any hospital after Institutional Review Board review and approval by the hospital. In April 2014, the Impella RP received CE Marking approval which allows for commercial sales of Impella RP in the EU and other countries that require a CE Marking approval for sales.

AB5000™

We manufacture and sell the AB5000 Circulatory Support System for the temporary support of acute heart failure patients in profound shock, including patients suffering from cardiogenic shock after a heart attack, post-cardiotomy cardiogenic shock, or myocarditis. We believe the AB5000 is the only commercially available cardiac assist device that is approved by the FDA for all indications where heart recovery is the desired outcome, including patients who have undergone successful cardiac surgery and subsequently develop low cardiac output, or patients who suffer from acute cardiac disorders leading to hemodynamic instability. We expect revenues from the AB5000 to be a smaller part of our business in the future as we focus our efforts on the Impella family of products.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies during the three and nine months ended December 31, 2015, as compared to the critical accounting policies disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is included in "Note 1. Nature of Business and Basis of Preparation" to our condensed consolidated financial statements and are incorporated herein by reference.

Results of Operations

The following table sets forth certain condensed consolidated statements of operations data for the periods indicated as a percentage of total revenues:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2015	2014	2015	2014
Revenues:				
Product revenue	100.0 %	99.9 %	100.0 %	99.8 %
Funded research and development	-	0.1	-	0.2
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses as a percentage of total revenues:				
Cost of product revenue	14.9	15.9	15.2	17.9
Research and development	16.0	13.5	15.1	16.1
Selling, general and administrative	48.8	48.6	50.5	56.0
Total costs and expenses	79.7	78.0	80.8	90.0
Income from operations	20.3	22.0	19.2	10.0
Other income and income tax provision	8.0	1.5		