

WEBSTER FINANCIAL CORP
Form PRE 14A
September 21, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Webster Financial Corporation

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(Exact Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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EXPLANATORY NOTE

This preliminary proxy statement relates to matters associated with Webster Financial Corporation, or Webster, and Warburg Pincus Private Equity X, L.P., or Warburg Pincus, entry into an investment agreement on July 27, 2009, or the investment agreement.

A portion of Warburg Pincus' investment pursuant to the investment agreement was completed on July 27, 2009. The remaining portion of Warburg Pincus' investment pursuant to the investment agreement is anticipated to be completed following Warburg Pincus' receipt of requisite regulatory approvals, which have not yet been received as of the date of this document.

Webster anticipates that this document (in definitive form) would not be mailed or otherwise delivered to Webster shareholders of record until such time as the remaining portion of Warburg Pincus' investment pursuant to the investment agreement has been completed. Accordingly, this document describes the remaining portion of Warburg Pincus' investment pursuant to the investment agreement as if it had been completed as contemplated by the investment agreement and assumes that no adjustments under the investment agreement to the number of securities purchased by Warburg Pincus are applicable.

If any such adjustments become applicable or if the terms of the anticipated investment differ from the descriptions thereof set forth in this preliminary proxy statement, Webster anticipates revising this document prior to the time this document (in definitive form) is mailed or otherwise delivered to Webster shareholders of record.

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, 2009

To the Shareholders of

Webster Financial Corporation:

On July 27, 2009, we announced that we had entered into an investment agreement with Warburg Pincus Private Equity X, L.P. to raise \$115 million in the aggregate through a direct sale of newly issued shares of our Common Stock at \$10 per share and shares of junior non-voting perpetual participating preferred stock which will automatically convert into Common Stock upon the receipt of shareholder approval being sought hereby. In addition, in connection with the sale of our equity securities, under the investment agreement, we agreed to issue to Warburg Pincus two classes of warrants exercisable, in accordance with their respective terms, to purchase additional shares of our Common Stock.

A primary purpose of Webster's entering into the investment agreement with Warburg Pincus is to improve its regulatory capital ratios and, in particular, its Tier 1 common equity ratio. This document is being sent to you because to complete this investment in its entirety as contemplated by the investment agreement, approval of our shareholders is required under our Certificate of Incorporation and Section 312.03 of the New York Stock Exchange Listed Company Manual. If we fail to obtain either approval, the investment will not be completed in the manner contemplated by the investment agreement, and we will not have enhanced our capital structure in the manner that we intended. In addition, as described below in this document, in the event shareholder approval of the proposals described in this document is not obtained by [February 28, 2010], Warburg Pincus would continue to hold Webster perpetual participating preferred stock (which otherwise would be converted into Common Stock) that, from and after [February 28, 2010], would begin to accrue at least an 8% annual dividend, and warrants entitling Warburg Pincus to acquire 5.5 million shares of our Common Stock for \$2.50 per share, subject to adjustment (which would otherwise expire without value if our shareholders approve the proposals described in this document) would become exercisable. Accordingly, we urge you to vote your shares for the approval of all proposals described in this document.

On July 27, 2009, we received from Warburg Pincus approximately \$40.2 million in cash and issued to Warburg Pincus approximately 4 million shares of our Common Stock and warrants to purchase an additional 3 million shares of our Common Stock. On [redacted], 2009, following the receipt by Warburg Pincus of regulatory approvals, we received from Warburg Pincus the remaining \$74.8 million of Warburg Pincus' \$115 million investment and issued to Warburg Pincus approximately 3 million shares of our Common Stock, Perpetual Participating Preferred Stock, Series C, or Series C Preferred Stock, convertible into approximately 4.5 million shares of Common Stock and additional warrants to purchase approximately 11.1 million shares of Common Stock. Of the warrants issued to Warburg Pincus pursuant to the investment agreement, warrants to purchase approximately 8.6 million shares of Common Stock in the aggregate are exercisable for \$10 per share for the first two years from issuance, then \$11.50 per share for the next two years, and then \$13 per share thereafter. As noted above, approval by our shareholders of the proposals discussed in this document by [February 28, 2010], will cause the remaining warrants to purchase 5.5 million shares of our Common Stock for \$2.50 per share of Common Stock to expire without becoming exercisable.

Upon approval by our shareholders of the proposals discussed in this document, all outstanding shares of the Series C Preferred Stock will automatically convert into Common Stock (or in certain circumstances into another series of junior non-voting preferred stock that pays the same dividends as our Common Stock). However, as noted above, if either approval is not obtained by [February 28, 2010], all of the preferred stock issued to Warburg Pincus will remain outstanding and begin to pay at least an 8% annual dividend which will continue until both shareholder approvals are obtained.

If Webster's shareholders approve the proposals described in this document at the scheduled Special Meeting of shareholders, then, based on the number of shares of Webster Common Stock outstanding as of [redacted], 2009 and giving effect to the issuances of Common Stock and warrants to Warburg Pincus,

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Warburg Pincus' total ownership of our shares of Common Stock (including the number of shares of our Common Stock for which Warburg Pincus' warrants may be exercised) will be approximately percent.

You are cordially invited to attend a Special Meeting of Shareholders of Webster Financial Corporation to be held on at , Eastern Time, at . At the special meeting, you will be asked to consider and vote on proposals to (i) amend our Certificate of Incorporation to remove Subsection 2 of Article 10, which currently prohibits any person from acquiring 10 percent or more of our outstanding shares of Common Stock without the affirmative approval of the holders of two-thirds of our outstanding shares of Common Stock, and (ii) approve the issuance of shares of our Common Stock in connection with the conversion of the preferred stock into, and exercise of the warrants to purchase, Common Stock, in each case issued to Warburg Pincus pursuant to the investment agreement, for purposes of Section 312.03 of the NYSE Listed Company Manual. If the amendment to our Certificate of Incorporation is approved, Subsection 2 of Article 10 will no longer be available to Webster with respect not only to Warburg Pincus but also to any person against whom it might otherwise thereafter have become applicable, which will eliminate any anti-takeover effect this provision would otherwise have had.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THESE PROPOSALS. We encourage you to read the accompanying proxy statement, which provides information regarding Webster and the matters to be voted on at the special meeting.

It is important that your shares be represented at the special meeting. Whether or not you plan to attend the special meeting, you may vote your common shares via a toll-free telephone number or on the Internet or you may complete, date, sign and return the enclosed proxy card in the enclosed postage paid envelope. If you attend the meeting and prefer to vote in person, you may do so.

Sincerely,

James C. Smith

Chairman and Chief Executive Officer

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WEBSTER FINANCIAL CORPORATION

145 Bank Street

Waterbury, Connecticut 06702

800-325-2424

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON _____, 2009

To the Shareholders of

Webster Financial Corporation:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders (the **Special Meeting**) of Webster Financial Corporation (**Webster**) will be held on _____ at _____, Eastern Time, at _____, for the following purposes:

1. *Amendment of Certificate of Incorporation.* To amend our Certificate of Incorporation to remove Subsection 2 of Article 10 thereof (Proposal 1);
2. *Issuance of Common Stock.* To approve the issuance of shares of Common Stock in connection with the conversion of our Perpetual Participating Preferred Stock, Series C and Non-Voting Perpetual Participating Preferred Stock, Series D, into, and exercise of Warrants to purchase, Common Stock, for purposes of Section 312.03 of the NYSE Listed Company Manual (Proposal 2); and
3. *Adjournment of Special Meeting if Necessary or Appropriate.* To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt Proposals 1 and 2.

These items of business are more fully described in the proxy statement accompanying this Notice. Submission of Proposals 1 and 2 to our shareholders is required under the terms of the investment agreement, dated as of July 27, 2009, between Webster and Warburg Pincus Private Equity X, LP.

The Board of Directors unanimously recommends shareholders vote FOR Proposals 1, 2 and 3.

The Board of Directors has fixed the close of business on _____, 2009 as the record date for the determination of shareholders entitled to notice of and to vote at the Special Meeting. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournments thereof.

By order of the Board of Directors

James C. Smith
Chairman and Chief Executive Officer

Waterbury, Connecticut

, 2009

IT IS IMPORTANT THAT YOU VOTE PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE VOTE YOUR COMMON SHARES VIA THE TOLL-FREE TELEPHONE NUMBER LISTED ON THE PROXY CARD, THE INTERNET OR BY MAIL.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on _____, 2009: This proxy statement, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our 2008 Annual Report, are available free of charge on the Investor Relations section of our website (www.wbst.com).

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WEBSTER FINANCIAL CORPORATION

145 Bank Street

Waterbury, Connecticut 06702

800-325-2424

PROXY STATEMENT FOR SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON _____, 2009

Solicitation, Voting and Revocability of Proxies

This proxy statement is being furnished to the shareholders of Webster Financial Corporation as part of the solicitation of proxies by its Board of Directors from holders of its outstanding shares of Common Stock, par value \$.01 per share, for use at the special meeting of shareholders of Webster to be held on _____ at _____, Eastern Time, at _____ and at any adjournments and postponements thereof. This proxy statement, together with the enclosed proxy card, is being mailed to shareholders of Webster on or about _____, 2009. As used in this document, the terms Webster, Company, we, us and our refer to Webster Financial Corporation and the term Warburg Pincus refers to Warburg Pincus Private Equity X, L.P. and its affiliates.

Questions and Answers about these Proxy Materials and the Special Meeting:

Question: *Why am I receiving these materials?*

Answer: We have agreed to a \$115 million equity investment by Warburg Pincus in Webster, a primary purpose of which is to enhance Webster's capital levels and, in particular, its Tier 1 common equity ratio. In order for this investment to be fully accomplished as we contemplate and to fully achieve its desired purpose, Webster's shareholders must approve the issuance of Common Stock to Warburg Pincus in accordance with Section 312.03 of the New York Stock Exchange, or NYSE, Listed Company Manual (described below and under Proposal 2) and also repeal a provision of our Certificate of Incorporation which requires the affirmative approval of the holders of two-thirds of our outstanding shares of Common Stock for any person to acquire 10 percent or more of our outstanding shares of Common Stock. In order to obtain the requisite shareholder approvals, we are calling a special meeting of our shareholders, to be held on _____, 2009. Our Board of Directors is providing these proxy materials to you in connection with the special meeting. As a shareholder of record of our Common Stock, you are invited to attend the special meeting, and are entitled to and requested to vote on the proposals described in this document.

Question: *Who is entitled to vote?*

Answer: All shareholders who are shareholders of record of our Common Stock at the close of business on _____, 2009, and only those shareholders, will be entitled to vote at the special meeting.

Question: *How many shares are eligible to be voted?*

Answer: As of the record date of _____, 2009, we had _____ shares of Common Stock outstanding. Each outstanding share of our Common Stock will entitle its holder to one vote on each matter to be voted on at the special meeting.

As of the record date, Warburg Pincus had the power to vote _____ shares of Common Stock, or _____ percent of the total number of shares entitled to vote at the special meeting. In addition, our directors and executive officers as a group owned _____ shares of Common Stock, or _____ percent of the total number of shares entitled to vote at the special meeting. Warburg Pincus and each of our directors and executive officers respectively have indicated that they will vote their shares in favor of each proposal described in this proxy statement.

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Question: *What am I voting on?*

Answer: You are voting on the following matters:

A proposal to amend our Certificate of Incorporation to remove Subsection 2 of Article 10 thereof (Proposal 1);

A proposal to approve the issuance of shares of Common Stock in connection with the conversion of our Perpetual Participating Preferred Stock, Series C, or Series C Preferred Stock, and Non-Voting Perpetual Participating Preferred Stock, Series D, or Series D Preferred Stock, collectively referred to in this proxy statement as the Preferred Stock, into, and exercise of the Warrants (as defined below) to purchase, Common Stock, for purposes of Section 312.03 of the NYSE Listed Company Manual (Proposal 2); and

A proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the foregoing proposals (Proposal 3).

In this proxy statement, we refer to the approval by our shareholders of Proposals 1 and 2 collectively as the Shareholder Approvals. Both Proposal 1 and Proposal 2 must be approved by our shareholders for the investment to be fully completed in the intended form.

Question: *What securities did the Company issue to Warburg Pincus?*

Answer: On July 27, 2009, we entered into an investment agreement with Warburg Pincus. Under the investment agreement, Warburg Pincus agreed to invest \$115 million in Webster by purchasing newly issued Common Stock, Series C Preferred Stock convertible into shares of our Common Stock upon the receipt of the Shareholder Approvals and Webster agreed to issue to Warburg Pincus two classes of warrants, one of which will automatically expire upon the receipt of the Shareholder Approvals.

Specifically, pursuant to the investment agreement, Warburg Pincus acquired:

7,043,000 shares of Common Stock,

44,570 shares of Series C Preferred Stock (mandatorily convertible into 4,457,000 shares of Common Stock upon the receipt of the Shareholder Approvals),

a warrant exercisable, subject to certain restrictions described below and under *Description of the Warrants*, to purchase 1,843,100 shares of Common Stock (which we refer to as the A1 Warrant),

a warrant exercisable, subject to certain restrictions described below and under *Description of the Warrants*, to purchase 67,819 shares of Series C Preferred Stock (which shares, once issued, are convertible into 6,781,900 shares of Common Stock) (we refer to this warrant as the A2 Warrant, and together with the A1 Warrant as the A Warrants). The A Warrants are exercisable for \$10 per share for the first two years from issuance, then \$11.50 per share for the subsequent two years, and then \$13 per share thereafter,

a warrant exercisable, subject to certain restrictions described below and under *Description of the Warrants*, to purchase 11,753 shares of Series C Preferred Stock (which shares, once issued, are convertible into 1,175,300 shares of Common Stock) (we refer to this warrant as the B1 Warrant) and

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a warrant exercisable, subject to certain restrictions described below and under Description of the Warrants, to purchase 43,247 shares of Series C Preferred Stock (which shares, once issued, are convertible into 4,324,700 shares of Common Stock) (we refer to this warrant as the B2 Warrant, and together with the B1 Warrant as the B Warrants). The B Warrants will become exercisable for \$2.50 per share of underlying Common Stock solely in the event the Shareholder Approvals are not obtained by [February 28, 2010], and will expire upon obtaining the Shareholder Approvals. We refer to all of the warrants issued in the investment collectively as the Warrants.

The shares of Series C Preferred Stock acquired by Warburg Pincus will mandatorily convert into Common Stock on the fifth business day following the later of: (i) the date on which we receive the Shareholder Approvals, or the Shareholder Approvals Date, and (ii) the date of Warburg Pincus receipt of applicable regulatory approvals, including the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to in this proxy statement as the regulatory approvals. All such regulatory approvals were obtained as of , 2009. To the extent that conversion of the Series C Preferred Stock would cause the holder to own more than 24.9% of any shares of any class of our capital stock that are then entitled to vote generally in the election of directors, or our voting securities, the holder may choose either to delay delivery of Common Stock until that limit would not be exceeded or to instead receive Series D Preferred Stock in respect of any such excess.

Due to federal bank regulatory restrictions on the maximum percentage of any class of our outstanding voting securities (as defined in the Bank Holding Company Act of 1956, as amended, and any rules or regulations promulgated thereunder) Warburg Pincus may hold at any time, Warburg Pincus may never convert shares of our Series D Preferred Stock into shares of our Common Stock. However, shares of our Series D Preferred Stock will mandatorily convert into Common Stock when transferred in (1) a widespread public distribution, (2) a transfer in which no transferee (or group of associated transferees) would receive more than 2% of any class of voting securities of the Company or (3) a transfer to a transferee that would control more than 50% of the voting securities of the Company without any transfer from Warburg Pincus (we collectively refer to these types of transfers as a widely dispersed offering).

The A2 Warrant is exercisable by Warburg Pincus only for shares of our Series C Preferred Stock prior to the Shareholder Approvals Date and only for Common Stock after the Shareholder Approvals Date. To the extent that exercise of the A2 Warrant would cause the holder to own more than 24.9% of any class of our voting securities, the A2 Warrant will be exercisable for Series D Preferred Stock instead. In addition, the A2 Warrant will be exercisable by other holders who acquire the A2 Warrant in a widely dispersed offering (subject to any restrictions under Section 312.03 of the NYSE Listed Company Manual and applicable transfer restrictions that prohibit transfer of the Warrants, with certain limited exceptions, during the two years following the investment).

The B Warrants are not currently exercisable and will become exercisable by Warburg Pincus for Series C Preferred Stock, subject to certain bank regulatory restrictions on exercise and transferability, and by other holders who acquire the B Warrants in a widely dispersed offering (subject to any restrictions under Section 312.03 of the NYSE Listed Company Manual and transfer restrictions that prohibit transfer of the Warrants, with certain limited exceptions, during the two years following the investment), in each case if and only if the Company has not obtained both of the Shareholder Approvals by [February 28, 2010].

Question: *Why is the Company seeking shareholder approval for the amendment to the Certificate of Incorporation to remove Subsection 2 of Article 10?*

Answer: Subsection 2 of Article 10 of our Certificate of Incorporation currently prohibits any person from acquiring 10 percent or more of our outstanding shares of Common Stock without the affirmative approval of two-thirds of our shareholders. As a result, the affirmative approval of two-thirds of our shareholders is required

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for us to issue sufficient shares of our Common Stock to complete the investment in its entirety in the manner we and Warburg Pincus contemplated i.e., through the conversion of the Series C Preferred Stock into our Common Stock. We and Warburg Pincus intended that the investment ultimately be in our common equity.

If the amendment to our Certificate of Incorporation is approved, Subsection 2 of Article 10 of our Certificate of Incorporation will no longer apply not only to Warburg Pincus but also to any other person against whom it might otherwise thereafter have become applicable, which will eliminate any anti-takeover effect this provision would otherwise have had.

In connection with negotiating the investment agreement, the Company agreed in the investment agreement to amend the Certificate of Incorporation to remove Subsection 2 of Article 10. The Company considered the alternative, in lieu of amending the Certificate of Incorporation to remove Article 10, Subsection 2, of instead asking that shareholders solely approve the Warburg Pincus investment for purpose of that subsection. This would have permitted the Warburg Pincus investment to proceed but would have otherwise left the provisions of Article 10, Subsection 2 in place with respect to any other person or group whose acquisition of Common Stock would reach or exceed 10 percent. After considering the purposes of Article 10, Subsection 2 and the practical effects of that subsection, including its potential anti-takeover effects, in light of evolving standards of corporate governance, the Board of Directors determined that the benefits of removing the subsection in its entirety outweighed the potential benefits of leaving it in place.

Question: *Why is the Company seeking shareholder approval for the issuance of Common Stock in connection with the conversion of the Preferred Stock into, and exercise of the Warrants for, Common Stock?*

Answer: Because our Common Stock is listed on the NYSE, we are subject to NYSE rules and regulations. Section 312.03 of the NYSE Listed Company Manual requires shareholder approval prior to the issuance of Common Stock, or securities convertible into or exercisable for Common Stock, in any transaction or series of transactions if (i) the Common Stock to be issued has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such stock or of securities convertible into or exercisable for Common Stock, or (ii) if the number of shares of Common Stock to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of shares of Common Stock outstanding before the issuance of the Common Stock or of securities convertible into or exercisable for Common Stock.

The proposed conversion of the Preferred Stock into and exercise of the Warrants to purchase shares of Common Stock fall under this rule because the Common Stock issued pursuant to the investment agreement, together with the Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants, will exceed 20% of both the voting power and number of shares of our Common Stock outstanding before the issuance, and none of the exceptions to this rule apply. Accordingly, shareholder approval is required under NYSE rules in order for us to issue sufficient shares of our Common Stock to complete the investment as we and Warburg Pincus intended, and thereby enhance our Tier 1 common equity ratio to the maximum extent.

Question: *Must the shareholders approve both the Shareholder Approvals (Proposal 1 and Proposal 2) for the investment to proceed as intended by Webster?*

Answer: Yes.

Question: *How will the conversion of the Series C Preferred Stock occur?*

Answer: We and Warburg Pincus intended that the investment ultimately be in our common equity and thereby enhance our Tier 1 common equity ratio to the maximum extent. Because of the need to first obtain both Shareholder Approvals in order to issue to Warburg Pincus the amount of Common Stock implied by the size of its investment, we initially issued the non-voting Series C Preferred Stock to Warburg Pincus and intend that it will automatically convert into shares of our Common Stock upon the receipt of the Shareholder Approvals. At that time, each outstanding share of Series C Preferred Stock will automatically convert into a number of shares of Common Stock determined by dividing (i) \$1,000 (the purchase price per share of the Series C Preferred

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Stock) by (ii) the conversion price of the Series C Preferred Stock then in effect, subject to certain adjustments. The initial conversion price of the Series C Preferred Stock is \$10.00 per share, which results in an initial conversion rate of 100 shares of Common Stock for each share of Series C Preferred Stock.

Question: *How does our Board of Directors recommend that I vote?*

Answer: Our Board of Directors has approved Warburg Pincus' investment in us, and shareholder approval of both Proposal 1 and Proposal 2 is necessary for that investment to be completed in its intended form. Accordingly, our Board of Directors unanimously recommends that you vote FOR the amendment of the Certificate of Incorporation to remove of Subsection 2 of Article 10 thereof (Proposal 1), FOR the approval of the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and exercise of the Warrants for, Common Stock, for purposes of Section 312.03 of the NYSE Listed Company Manual (Proposal 2), and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies (Proposal 3).

Question: *What happens if the Shareholder Approvals are received by [February 28, 2010]?*

Answer: If both the Shareholder Approvals are received by [February 28, 2010], we will issue to Warburg Pincus a total of 4,457,000 shares of Common Stock upon conversion of all of the shares of the Series C Preferred Stock, which will represent, in the aggregate, including shares of our Common Stock issued to Warburg Pincus on July 27, 2009 and _____, 2009, approximately _____% of the total number of shares of Common Stock outstanding immediately after giving effect to the conversion. Upon completion of the conversion, all rights with respect to the Series C Preferred Stock will terminate, all shares of Series C Preferred Stock will be cancelled and no further dividends will accrue on the Series C Preferred Stock. Also, if the approvals described above are received at the special meeting, Warburg Pincus will be entitled to exercise the A2 Warrant to acquire up to 6,781,900 shares of Common Stock in the aggregate, at an initial exercise price of \$10.00 per share. Prior to the receipt of the Shareholder Approvals, Warburg Pincus can only exercise the A2 Warrant for Series C Preferred Stock or, to the extent that conversion of the Series C Preferred Stock would cause Warburg Pincus to be deemed to own more than 24.9% of any class of our voting securities, Series D Preferred Stock, and the A2 Warrant is only exercisable for Common Stock by a holder who acquired the A2 warrant in a widely dispersed offering (subject to any restrictions under Section 312.03 of the NYSE Listed Company Manual and transfer restrictions that prohibit transfer of the Warrants during the two years following the Investment, except in limited circumstances, including failure to obtain the Shareholder Approvals by [February 28, 2010]). Upon exercise by Warburg Pincus of the A Warrants following the conversion of the Series C Preferred Stock, Warburg Pincus' aggregate ownership of Common Stock would increase to approximately _____%.

If the Shareholder Approvals are approved by [February 28, 2010], the B Warrants, which cover 5,500,000 shares of our Common Stock, will expire without ever becoming exercisable.

As a result, upon receipt of the Shareholder Approvals by [February 28, 2010], Warburg Pincus' investment in us will be entirely in the form of Common Stock and warrants to purchase Common Stock, as intended by Webster and Warburg Pincus, and our Tier 1 common equity ratio will thereby be enhanced to the maximum extent contemplated by the investment agreement.

Question: *What happens if one or both of the Shareholder Approvals are received after [February 28, 2010]?*

Answer: The conversion of the Series C Preferred Stock into 4,457,000 shares of Common Stock and the vesting of the right in Warburg Pincus to exercise the A2 Warrant for 6,781,900 shares of Common Stock, each as described above, will occur in connection with the Company obtaining both Shareholder Approvals, whether before or after [February 28, 2010].

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However, if we fail to obtain either of the Shareholder Approvals by [February 28, 2010], until the earlier of such time as both Shareholder Approvals are obtained or July 27, 2016, the B Warrants will be exercisable, subject to certain bank regulatory restrictions, for 55,000 shares of Series C Preferred Stock, bearing a special dividend as described below, at a price per share of underlying Common Stock of \$2.50, which is substantially lower than the market price of Webster Common Stock as of the date of this document. In the event that the B Warrants were fully exercised, these shares of Series C Preferred Stock would automatically convert into 5,500,000 shares of Common Stock upon receipt of the Shareholder Approvals, substantially diluting the interests of shareholders other than Warburg Pincus. Based on Webster's closing stock price as of _____, 2009 of \$ _____ and the _____ shares of Common Stock outstanding as of such date (and ignoring the conversion of the Series C Preferred Stock and exercise of the A Warrants), the issuance of 5,500,000 shares of Common Stock at a price per share of \$2.50 would result in dilution to the per share value of Webster Common Stock of approximately ____%. In the alternative, until such time as the Shareholder Approvals are obtained, Warburg Pincus could transfer, subject to certain bank regulatory restrictions, the B Warrants immediately (rather than after a two-year holding period) in a widely dispersed offering to transferees who (subject to any restrictions under Section 312.03 of the NYSE Listed Company Manual) could in turn exercise the B Warrants for shares of Common Stock at a price of \$2.50, with the same dilutive effect.

In addition, beginning on [February 28, 2010] and until both Shareholder Approvals are obtained, the Series C Preferred Stock, which currently accrues dividends on an as-converted basis at the rate payable on our Common Stock (currently equivalent to a \$1.00 quarterly dividend per share of Series C Preferred Stock), would instead accrue dividends at the greater of the dividend rate payable on an as-converted basis on our Common Stock and an annual rate of 8% of \$1,000 (the purchase price per share of the Series C Preferred Stock) (equivalent to a \$20.00 quarterly dividend per share of Series C Preferred Stock). We refer to these dividends as the Special Dividends. Special Dividends would also be payable with respect to any outstanding shares of Series D Preferred Stock.

The Company has agreed in the investment agreement to seek to obtain the Shareholder Approvals no less than once in each six-month period beginning on [February 28, 2010] until the Shareholder Approvals are obtained, and the related costs would be at Webster's expense.

Question: *What happens if either Shareholder Approval is never received?*

Answer: If either Shareholder Approval is not obtained at the special meeting or any subsequent meeting of our shareholders, the majority of Warburg Pincus' investment will not convert into Common Stock and after [February 28, 2010]:

all outstanding Series C Preferred Stock and Series D Preferred Stock will accrue Special Dividends as described above, resulting in significant additional cash outlays for the Company;

the A2 Warrant will be exercisable by Warburg Pincus for shares of Series C Preferred Stock, accruing Special Dividends, potentially resulting in significant additional cash outlays for the Company;

the B Warrants will be exercisable by Warburg Pincus for shares of Series C Preferred Stock paying Special Dividends, at an initial exercise price of \$2.50 per underlying common share, which is substantially lower than the market price of Webster Common Stock as of the date of this document and would (subject to Section 312.03 of the NYSE Listed Company Manual) be convertible into Common Stock by holders who acquire the B Warrants in a widely dispersed offering, potentially causing substantial dilution to our shareholders, as described above;

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we will not have enhanced our capital structure as we intended in entering into the investment agreement with Warburg Pincus; and

Article 10, Subsection 2 of our Certificate of Incorporation will remain in effect, which may have potential anti-takeover effects and potentially restrict our available options to raise significant amounts of common equity capital.

Question: *What vote is required to approve the proposals at the special meeting?*

Answer: The proposals to be considered at the special meeting require the following votes in order to be approved:

Approval of the proposal to amend our Certificate of Incorporation to remove Subsection 2 of Article 10 requires the affirmative vote of two-thirds of the outstanding shares of Common Stock.

Under the rules of the NYSE, approval of the proposal to authorize the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and exercise of the Warrants for, Common Stock requires the affirmative vote of the holders of a majority of the stock having voting power present at the meeting in person or by proxy.

Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the stock having voting power present at the meeting in person or by proxy.

A failure to vote or to instruct your broker how to vote (a broker non-vote) will have the same effect as a vote against the proposal to amend our Certificate of Incorporation. Accordingly, it is important that you return your proxy card or give your broker voting instructions as soon as possible. Assuming the presence of a quorum, failure to vote or a broker non-vote will not affect whether the other proposals are approved.

Question: *How can I vote my shares?*

Answer: If your shares are held in street name by a broker, the broker will vote your shares for you, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without those instructions, your shares will not be voted. If you do not instruct your broker to vote your shares, it will have the same effect as a vote against the proposal to amend our Certificate of Incorporation, which requires the affirmative vote of two-thirds of the outstanding shares of Common Stock. Accordingly, it is important that you complete and return your proxy card as soon as possible. Failure to instruct your broker as to how you would like your shares voted will not affect whether either of the other proposals is approved.

If you hold your Common Stock in your own name and not through a broker or another nominee, you may vote your shares of Common Stock:

- by using the toll-free telephone number listed on the proxy card,
- by using the Internet website listed on the proxy card,
- by signing, dating and mailing the proxy card in the enclosed postage-paid envelope, or
- by attending the special meeting and voting in person.

Whichever of these methods you select to transmit your instructions, the proxy holders will vote your Common Stock in accordance with your instructions. If you give a proxy without specific voting instructions, your proxy will be voted by the proxy holders as recommended by the Board of Directors.

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Vote by Telephone. If you hold your Common Stock in your own name and not through your broker or another nominee, you can vote your shares of Common Stock by telephone by dialing the toll-free telephone number printed on your proxy card. Telephone voting is available 24 hours a day until 11:59 p.m., Eastern Time, on _____, 2009. Easy-to-follow voice prompts allow you to vote your shares of Common Stock and confirm that your instructions have been properly recorded. **If you vote by telephone, you do not need to return your proxy card.**

Vote by Internet. If you hold your Common Stock in your own name and not through your broker or another nominee, you can choose to vote via the Internet. The website for Internet voting is printed on your proxy card. Internet voting is available 24 hours a day until 11:59 p.m., Eastern Time, on _____, 2009. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. **If you vote via the Internet, you do not need to return your proxy card.**

Vote by Mail. You can vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage paid envelope.

Question: *Who should I call if I have questions or need assistance voting my shares?*

Answer: Please call our proxy solicitors: Morrow & Co., LLC at (800) 279-6413.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement (including exhibits filed herewith) may contain forward looking statements within the meaning of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from management expectations, projections and estimates. Factors that could cause future results to vary from current management expectations include, but are not limited to, any failure to obtain the Shareholder Approvals or obtaining them on a delayed basis, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of Webster's loan and investment portfolios, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors affecting Webster's operations, markets, products, services and prices. Some of these and other factors are discussed in the annual and quarterly reports of Webster previously filed with the SEC. Such developments, or any combination thereof, could have an adverse impact on the company's financial position and results of operations. Except as required by law, Webster does not undertake to update any such forward looking statements.

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BACKGROUND TO THE PROPOSALS

Since the deepening of the current financial crisis in mid-2008, our Board of Directors and management, with the assistance of the Company's financial advisors, have considered a range of alternative strategies to maintain our capital ratios at well above target levels in light of the asset quality and liquidity challenges presented by the disruptions in the credit and housing markets and the weakening economy. In June 2008, we raised \$225 million of capital through the issuance in a public offering of 225,000 shares of our 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock, or Series A Preferred Stock. On November 21, 2008, as part of the Capital Purchase Program established by the U.S. Department of the Treasury under the Emergency Economic Stabilization Act of 2008, we raised \$400 million through a sale to the Treasury of Fixed Rate Cumulative Perpetual Preferred Stock, Series B and a ten-year warrant to purchase up to 3.28 million shares of Common Stock at an initial exercise price of \$18.28 per share. As part of our consideration of capital raising alternatives, during late 2008, we maintained a dialogue with Warburg Pincus, based on Warburg Pincus' interest in Webster and its reputation and its particular experience as an investor in financial institutions. Preliminary discussions included a possible substantial minority investment by Warburg Pincus in Webster's Common Stock and how the terms of such an investment could be structured in view of regulatory control requirements and necessary shareholder approvals.

As adverse conditions and turbulence in the financial markets continued through late 2008 into 2009 and the market and industry emphasis on the importance of common equity as a bank capital component grew, our Board of Directors and management continued to explore alternatives to enhance Webster's capital ratios. In March, 2009, the Company completed a tender offer for approximately \$22.5 million in principal amount of its 5.875% Subordinated Notes due 2013, acquiring these notes for aggregate cash consideration of approximately \$18.25 million. As a result of this tender offer, Webster reduced its interest expense and realized a gain in connection with reacquiring its debt securities at a discount to par value. Subsequently, in June 2009, the Company completed an exchange offer in which it acquired 168,500 shares of its Series A Preferred Stock and \$63.9 million of outstanding trust preferred securities, in consideration for the issuance of approximately 11.28 million shares of Common Stock and \$59.0 million in cash. As a result of the exchange offer, Webster generated \$173 million of Tier 1 common equity capital and reduced its interest and dividend expense. During this time, the Company also remained in periodic contact with Warburg Pincus.

In late June 2009, Webster and Warburg Pincus returned to discussing the terms of a possible minority investment by Warburg Pincus. The Company and Warburg Pincus agreed that the structure of the investment should emphasize common equity, reflecting the increased market and regulatory emphasis on the Tier 1 common equity ratio. During July 2009, discussions continued with a view to refining the terms of an investment and addressing structural issues relating to regulatory control restrictions and necessary shareholder approvals. It was understood that, as a result of the proposed size of the investment, the approval of the Company's shareholders would likely be required and that, if, as the Company desired, Warburg Pincus would agree to fully fund its investment prior to the receipt of such approval, it would be reasonable for the investment to include elements that served to compensate Warburg Pincus in a reasonable manner in the event such approval was not received. Also during this time discussions were held with representatives of the Federal Reserve, as the primary regulator of our holding company, regarding the structure of the proposed investment, required regulatory approvals and the permissibility of the investment under the Federal Reserve's practice and policies relating to non-controlling investments in bank holding companies. Throughout this period, Webster's senior management updated the Webster Board of Directors regarding the progress of discussions and the potential terms of an investment.

Discussions continued and ultimately the parties agreed on terms, as well as a governance and investment structure that was believed to be acceptable to the Federal Reserve. On July 27, 2009, following approval by the Company's Board of Directors, the Company entered into an investment agreement with Warburg Pincus, pursuant to which Warburg Pincus agreed to invest \$115 million in Webster through a direct purchase of: (i) 7,043,000 shares of Webster's Common Stock, (ii) 44,570 shares of Series C Preferred Stock, convertible into an aggregate of 4,457,000 shares of Common Stock (which pay Special Dividends described on

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page in the event the Shareholder Approvals are not obtained by [February 28, 2010]), (iii) the A1 Warrant, exercisable for 1,843,100 shares of Common Stock, (iv) the A2 Warrant, exercisable for 67,819 shares of Series C Preferred Stock or, following Webster's receipt of the Shareholder Approvals, 6,781,900 shares of Common Stock and (v) two series of contingent B Warrants collectively exercisable only in the event that the Shareholder Approvals are not obtained by [February 28, 2010] for an aggregate of 5,500,000 shares of Common Stock at an exercise price per underlying share of Common Stock of \$2.50. Because of NYSE rules and the provision of our Certificate of Incorporation described in this proxy statement, it was necessary to structure the equity investment transaction to include Series C Preferred Stock until we could obtain the necessary shareholder approvals to issue Common Stock in its place. Warburg Pincus' investment, including the exercise of the A Warrants and B Warrants in certain circumstances, is subject to Warburg Pincus not owning more than 24.9% of Webster's voting securities or total equity as calculated under applicable Federal Reserve guidelines.

A portion of Warburg Pincus' investment was completed on July 27, 2009, on which date Warburg Pincus purchased 4,024,600 shares of Common Stock, in exchange for a cash payment to Webster of approximately \$40.2 million. At that time, the Company also issued to Warburg Pincus the A1 Warrant and the B1 Warrant. On the same date, David A. Coulter, Warburg Pincus' designated representative, was elected to our Board of Directors. Following the public announcement of Warburg Pincus' investment prior to the opening of the market of July 27, 2009, our Common Stock, which had closed at a price of \$9.63 on the prior trading day, closed at \$10.81, a 12.2% increase.

The remaining portion of Warburg Pincus' investment was completed on _____, 2009, upon the receipt by Warburg Pincus of required regulatory clearances. On such date, Warburg Pincus purchased an additional 3,018,400 shares of Common Stock and 44,570 shares of Series C Preferred Stock in exchange for approximately \$74.8 million in cash on _____, 2009. At that time, the Company also issued to Warburg Pincus the A2 Warrant and the B2 Warrant. In order for Warburg Pincus' \$115 million investment to be treated entirely as Tier 1 common equity and for Webster to realize the maximum enhancement in its Tier 1 common equity ratio as contemplated by the Board of Directors, Webster's shareholders must approve Proposal 1 and Proposal 2 to permit Warburg Pincus to receive common shares upon conversion of the Preferred Stock and upon exercise of the A Warrants it acquired.

Our Board of Directors unanimously recommends that Webster shareholders vote FOR the proposals at the shareholder meeting so that the Series C Preferred Stock will convert into Common Stock and the A2 Warrant will be exercisable for shares of Common Stock (rather than shares of Series C Preferred Stock), the B Warrants will expire immediately without becoming exercisable, and the Series C Preferred Stock will never commence to accrue Special Dividends.

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PROPOSAL 1

APPROVAL OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO REMOVE SUBSECTION 2 OF ARTICLE 10 THEREOF

Our Board of Directors adopted a resolution recommending that the shareholders approve the amendment of the Certificate of Incorporation to remove Subsection 2 of Article 10 thereof.

If the shareholders approve the amendment, the amendment will become effective on the filing of the amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware. The only changes in the Company's existing Certificate of Incorporation would be those changes required to remove Subsection 2 of Article 10 as proposed in this proxy statement. The text of Article 10 of the Certificate of Incorporation as it is proposed to be amended is set forth as Annex B to this proxy statement.

The primary purpose of Proposal 1 is to permit the Company's sale and issuance of the Common Stock, Preferred Stock and Warrants to Warburg Pincus. Subsection 2 of Article 10 currently prohibits any person from acquiring 10% or more of the Company's capital stock entitled to elect directors unless such acquisition is approved by two-thirds of the shares of capital stock entitled to elect directors, and Article 10 further provides that any party that acquires Common Stock in violation of such 10% limitation will not be entitled to vote any shares in excess of such limit and will be subject to certain restrictions on transfer. If the shareholders approve the amendment, these restrictions will no longer apply.

The Company considered the alternative, in lieu of amending the Certificate of Incorporation to remove Article 10, Subsection 2, of instead asking that shareholders approve the Warburg Pincus investment for purposes of that subsection. This would have permitted the Warburg Pincus investment to proceed but would have otherwise left the provisions of Article 10, Subsection 2 in place with respect to any other person or group whose acquisition of Common Stock would reach or exceed 10 percent. After considering the purposes of Article 10, Subsection 2 and the practical effects of that subsection, including its potential anti-takeover effects, in light of evolving standards of corporate governance, the Board of Directors determined that the benefits of removing the 10 percent restriction in its entirety outweighed the potential benefits of leaving it in place.

A failure to approve Proposal 1 at the special meeting would have potentially adverse consequences for Webster and its shareholders described elsewhere in this document, including under "Consequences If Either of the Shareholder Approvals Is Not Approved" on page 10.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSED AMENDMENT TO OUR CERTIFICATE OF INCORPORATION.

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PROPOSAL 2

APPROVE THE ISSUANCE OF SHARES OF COMMON STOCK PURSUANT TO THE CONVERSION OF THE SERIES C PREFERRED STOCK AND EXERCISE OF THE WARRANTS

Our Board of Directors adopted a resolution recommending that the shareholders approve the issuance of shares of Common Stock in connection with the conversion of our Perpetual Participating Preferred Stock, Series C and Non-Voting Perpetual Participating Preferred Stock, Series D into, and exercise of the Warrants for, Common Stock, for purposes of Section 312.03 of the NYSE Listed Company Manual.

Because our Common Stock is listed on the NYSE, we are subject to the NYSE's rules and regulations. Section 312.03 of the NYSE Listed Company Manual requires shareholder approval prior to the issuance of Common Stock, or securities convertible into or exercisable for Common Stock, in any transaction or series of transactions if (i) the Common Stock to be issued has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such stock or of securities convertible into or exercisable for Common Stock, or (ii) the number of shares of Common Stock to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of shares of Common Stock outstanding before the issuance of the Common Stock or of securities convertible into or exercisable for Common Stock.

Our proposed issuance of Common Stock to Warburg Pincus upon conversion of the Preferred Stock and exercise of the Warrants falls under this rule because the Common Stock issued at the closing of the Investment, together with the Common Stock issuable upon conversion of the Preferred Stock and exercise of the Warrants, will exceed 20% of the voting power and number of shares of Common Stock outstanding before the Investment.

A failure to approve Proposal 2 at the special meeting would have potentially adverse consequences for Webster and its shareholders described elsewhere in this document, including under "Consequences If Either of the Shareholder Approvals Is Not Approved" on page 10.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE PROPOSED ISSUANCE OF SHARES OF COMMON STOCK PURSUANT TO THE CONVERSION OF THE SERIES C PREFERRED STOCK AND EXERCISE OF THE WARRANTS.

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THE SPECIAL MEETING

This section contains information for Webster shareholders about the special meeting that Webster has called to allow its shareholders to consider and approve (i) the amendment of the Certificate of Incorporation to remove Subsection 2 of Article 10 thereof and (ii) the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and the exercise of the Warrants for the purchase of, Common Stock. Webster is mailing this proxy statement to its shareholders on or about _____, 2009. Together with this proxy statement, Webster is sending a notice of the special meeting and a form of proxy that our Board of Directors is soliciting for use at the special meeting and at any adjournments or postponements of the meeting.

Date, Time and Place

The special meeting will be held on _____, 2009, at _____, Eastern Time, at _____.

Matters to be Considered

At the special meeting, Webster shareholders will be asked to:

1. approve the amendment of the Certificate of Incorporation to remove Subsection 2 of Article 10 thereof;
2. approve the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and exercise of Warrants for, Common Stock, for purposes of Section 312.03 of the NYSE Listed Company Manual; and
3. approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt proposals 1 and 2.

Proxies

If you are a shareholder of record (that is, you own stock registered in your own name), you may attend the special meeting and vote in person, or you may vote by proxy. You may vote by proxy by completing and returning the proxy card accompanying this proxy statement or by telephone or through the Internet by following the instructions described on your proxy card. If your shares are held through a bank, broker or other nominee (that is, if your shares are held in street name), you will receive separate voting instructions from your bank, broker or other nominee with your proxy materials. Although most banks, brokers and other nominees offer telephone and Internet voting, availability and specific processes will depend on their voting arrangements.

You can revoke a proxy at any time before the vote is taken at the special meeting by submitting a properly executed proxy of a later date by mail, telephone or Internet, or by attending the special meeting and voting in person. Communications about revoking Webster proxies should be addressed to Mark S. Lyon, Assistant Secretary, Webster Financial Corporation, 145 Bank Street, Waterbury, Connecticut, 06702. If your shares are held in street name, you should follow the instructions of your bank, broker or other nominee regarding the revocation of proxies. Please note that attendance at the special meeting will not, in itself, constitute revocation of your proxy.

All shares represented by valid proxies that Webster receives through this solicitation, and that are not revoked, will be voted in accordance with the instructions on the proxy card. If you make no specification on

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your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR each of the proposals. Our Board of Directors is currently unaware of any other matters that may be presented for action at the special meeting. If other matters properly come before the special meeting, or at any adjournment or postponement of the meeting, Webster intends that shares represented by properly submitted proxies will be voted, or not voted, by and in accordance with the best judgment of the persons named as proxies on the proxy card.

Solicitation of Proxies

Webster will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. In addition to mailing these materials, directors, officers and regular employees of Webster may, without being additionally compensated, solicit proxies personally and by mail, telephone, facsimile or electronic communication. Webster will reimburse banks and brokers for their reasonable out-of-pocket expenses related to forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation. We have retained Morrow & Co., LLC to assist in the solicitation at a cost of approximately \$11,000, plus payment of reasonable out-of-pocket expenses and other customary costs.

Record Date and Quorum

Our Board of Directors has fixed the close of business on _____, 2009 as the record date for determining the shareholders entitled to receive notice of and to vote at the special meeting. At that time, _____ shares of Webster Common Stock were outstanding, held by approximately _____ holders of record.

A quorum of a majority of the issued and outstanding Common Stock is required for the transaction of business by shareholders at the special meeting. Therefore, at the special meeting, the presence, in person or by proxy, of the holders of at least _____ shares of Common Stock will be required to establish a quorum. Abstentions are counted for the purposes of determining whether a quorum is achieved and for determining the number of shares which are present in person or represented by proxy at the special meeting. Consequently, an abstention has the same effect as a vote against a proposal, as each abstention is one less vote in favor of the proposal. Shares that are not voted on proxies returned by brokers (broker non-votes) will be counted for the purpose of determining whether a quorum has been achieved.

Vote Required

Each outstanding share of our Common Stock is entitled to one vote on each proposal at the special meeting.

Approval of the proposal to amend our Certificate of Incorporation to remove Subsection 2 of Article 10 requires the affirmative vote of two-thirds of the outstanding shares of Common Stock. **Accordingly, failure to vote, a broker non-vote or an abstention will have the same effect as a vote against this proposal.**

Approval of the proposal to authorize the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and exercise of the Warrants for, Common Stock requires the affirmative vote of the holders of a majority of the stock having voting power present at the meeting in person or by proxy. Accordingly, failure to vote or a broker non-vote will not affect whether this proposal is approved, but an abstention will have the same effect as a vote against this proposal.

Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the stock having voting power present at the meeting in person or by proxy. Accordingly, failure to vote or a broker non-vote will not affect whether this proposal is approved, but an abstention will have the same effect as a vote against this proposal.

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Voting Options

If you are a shareholder of record: You may vote by one of the following four methods (as instructed on the enclosed proxy card):

- by using the toll-free telephone number listed on the proxy card,
- by using the Internet website listed on the proxy card,
- by signing, dating and mailing the proxy card in the enclosed postage-paid envelope, or
- by attending the special meeting and voting in person.

Whichever of these methods you select to transmit your instructions, the proxy holders will vote your Common Stock in accordance with your instructions. If you give a proxy without specific voting instructions, your proxy will be voted by the proxy holders as recommended by the Board of Directors.

Vote by Telephone. If you hold your Common Stock in your own name and not through your broker or another nominee, you can vote your shares of Common Stock by telephone by dialing the toll-free telephone number printed on your proxy card. Telephone voting is available 24 hours a day until 11:59 p.m., Eastern Time, on _____, 2009. Easy-to-follow voice prompts allow you to vote your shares of Common Stock and confirm that your instructions have been properly recorded. **If you vote by telephone, you do not need to return your proxy card.**

Vote by Internet. If you hold your Common Stock in your own name and not through your broker or another nominee, you can choose to vote via the Internet. The website for Internet voting is printed on your proxy card. Internet voting is available 24 hours a day until 11:59 p.m., Eastern Time, on _____, 2009. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. **If you vote via the Internet, you do not need to return your proxy card.**

Vote by Mail. You can vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage paid envelope.

If you own your shares in _____ street name, that is, through a brokerage account or in another nominee form: You must provide instructions to the broker or nominee as to how your shares should be voted. Brokers do not have the discretion to vote on the proposals and will only vote at the direction of the underlying beneficial owners of the shares of Common Stock. Accordingly, if you do not instruct your broker to vote your shares, your broker will not have the discretion to vote your shares. Your broker or nominee will usually provide you with the appropriate instruction forms at the time you receive this proxy statement. If you own your shares in this manner, you cannot vote in person at the special meeting unless you receive a proxy to do so from the broker or the nominee, and you bring that proxy to the special meeting.

Recommendations of Our Board of Directors

Our Board of Directors has unanimously approved each of the proposals. The Board of Directors believes that the proposals are advisable, and unanimously recommends that Webster shareholders vote FOR the approval of (i) the amendment of the Certificate of Incorporation to remove Subsection 2 of Article 10 thereof, (ii) the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and the exercise of the Warrants for, Common Stock, and (iii) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

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CONSEQUENCES IF EITHER OF THE SHAREHOLDER APPROVALS IS NOT APPROVED

B Warrants Become Exercisable. If the Shareholder Approvals have not been received by [February 28, 2010], then until the earlier of such time as the Shareholder Approvals are obtained or July 27, 2016, the B Warrants will be exercisable for 55,000 shares of Series C Preferred Stock (bearing Special Dividends) at a price per share of underlying Common Stock of \$2.50, which is substantially lower than the current market price of Webster Common Stock. In the event that the B Warrants were exercised, these shares of Series C Preferred Stock would automatically convert into 5,500,000 shares of Common Stock upon receipt of the Shareholder Approvals, substantially diluting the interests of shareholders other than the holders of these warrants. The B Warrants contain a limitation on the maximum number of shares of Series C Preferred Stock that can be issued such that upon exercise, assuming the conversion of such shares of Series C Preferred Stock into shares of Common Stock, Warburg Pincus would not have beneficial ownership of more than 24.9% of the outstanding shares of a class of voting securities of the Company. In the event Warburg Pincus cannot receive all of the Series C Preferred Stock to which it would be entitled because of this limitation, the shortfall will be delivered in the form of Series D Preferred Stock.

Increased Preferred Stock Dividends. Beginning on [February 28, 2010] and until both Shareholder Approvals are obtained, the Series C Preferred Stock, which currently accrues dividends on an as-converted basis at the rate payable on our Common Stock (currently equivalent to a \$1.00 quarterly dividend per share of Series C Preferred Stock), would instead accrue Special Dividends at the greater of the dividend rate payable on an as-converted basis on our Common Stock and an annual rate of 8% of \$1,000 (the purchase price per share of the Series C Preferred Stock) (equivalent to a \$20.00 quarterly dividend per share of Series C Preferred Stock).

B Warrants Become Transferable and May Cause Dilution. If both Shareholder Approvals have not been received by [February 28, 2010], then Warburg Pincus will be able to transfer its Warrants in a widely dispersed offering immediately rather than after a two-year holding period. Following such a transfer, the transferees of the B Warrants may (subject to any restrictions under Section 312.03 of the NYSE Listed Company Manual) exercise such warrants at a price per underlying common share of \$2.50 into Common Stock. Any such exercise would have a dilutive effect on the interests of other shareholders. Based on Webster's closing stock price as of _____, 2009 of \$ _____ and the _____, shares of Common Stock outstanding as of such date (and ignoring the conversion of the Series C Preferred Stock and exercise of the A Warrants), the issuance of 5,500,000 shares of Common Stock at a price per share of \$2.50 would result in economic dilution to Webster shareholders of approximately ____%.

Shareholders Meeting. If either of the Shareholder Approvals is not received, the Series C Preferred Stock will remain outstanding in accordance with its terms and we have agreed, in accordance with the terms of the investment agreement, to seek the Shareholder Approvals no less than once in each six-month period beginning on [February 28, 2010] until both Shareholder Approvals have been obtained. The Company will bear the costs of soliciting the approval of its shareholders.

Restriction on Payment of Dividends and Share Repurchases. For as long as the Preferred Stock remains outstanding, subject to limited exceptions, the Company will be prohibited from redeeming, purchasing or acquiring any shares of Common Stock or other junior securities, and from paying dividends on any shares of our Common Stock or other junior securities, unless the full quarterly dividends on the Preferred Stock have been paid in full for the applicable dividend period.

Exercise of A2 Warrant for Series C Preferred Stock. At any time prior to the receipt of both Shareholder Approvals, Warburg Pincus may exercise the A2 Warrant for shares of Series C Preferred Stock convertible into the number of shares of Common Stock underlying the A2 Warrant. Such shares of Series C Preferred Stock would pay Special Dividends. Such shares of Series C Preferred Stock would, in accordance with their terms, convert automatically into Common Stock upon receipt of both Shareholder Approvals. The A2 Warrant contains a limitation on the maximum number of shares of Series C Preferred Stock that may be delivered such that upon such exercise, assuming the conversion of such shares of Series C Preferred Stock into shares of Common Stock, Warburg Pincus would not have beneficial ownership of more than 24.9% or more of the outstanding shares of a class of voting securities of the Company. In the event Warburg Pincus cannot receive all of the Series C Preferred Stock to which it would be entitled because of such limitation, the shortfall will be delivered in the form of Series D Preferred Stock.

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DESCRIPTION OF THE INVESTMENT AGREEMENT

As described above, Warburg Pincus entered into the investment agreement with Webster to purchase Common Stock, warrants for the purchase of Common Stock and preferred stock convertible into Common Stock. The following is a summary of material terms of the investment agreement, a copy of which is attached to this proxy statement as Annex A and is incorporated by reference into this proxy statement. Shareholders are urged to read the investment agreement attached as Annex A in its entirety. While Webster believes this summary covers the material terms and provisions of the investment agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to Annex A.

Covenants

We have agreed to call a special meeting of our shareholders, as promptly as practicable following the second of two closing dates (which occurred on _____, 2009), but in any event on or before [February 28, 2010], to vote on proposals to (1) approve the amendment of the Certificate of Incorporation to remove Subsection 2 of Article 10 thereof and (2) approve the issuance of shares of Common Stock in connection with the conversion of the Preferred Stock into, and exercise of warrants for the purchase of Common Stock for, Common Stock, for purposes of Section 312.03 of the NYSE Listed Company Manual. In the event that both of the foregoing approvals are not obtained at the special meeting, we have agreed to include a proposal to approve (and our Board of Directors will unanimously recommend approval of) such issuance at a meeting of our shareholders no less than once in each six-month period beginning on [February 28, 2010] until the approval is obtained.

Board Representation

Warburg Pincus is entitled to nominate one person to be elected or appointed to our Board of Directors subject to satisfaction of all legal and governance requirements regarding service as a director of the Company and to the reasonable approval of the Nominating and Corporate Governance Committee of our Board of Directors. In that connection, Warburg Pincus nominated David A. Coulter as a director, and Mr. Coulter joined our Board of Directors on July 27, 2009. So long as Warburg Pincus holds at least 9.9% of all outstanding shares of our Common Stock (counting for such purposes all shares of Common Stock into which or for which shares of any Preferred Stock or the Warrants owned by Warburg Pincus are directly or indirectly convertible or exercisable, and excluding as shares owned and outstanding shares of Common Stock issued by the Company after the first closing date, other than as contemplated by the investment agreement), the Company will be required to recommend to its shareholders the election of Warburg Pincus' board representative at the Company's annual meeting, subject to satisfaction of all legal and governance requirements regarding service as a director of the Company and to the reasonable approval of the Nominating and Corporate Governance Committee.

Warburg Pincus is also entitled to designate one observer subject to applicable legal requirements for so long as Warburg Pincus owns at least 4.9% of all outstanding shares of our Common Stock (counting for such purposes all shares of Common Stock into which shares of any Preferred Stock or the Warrants owned by Warburg Pincus are directly or indirectly convertible into or exercisable for and excluding as shares owned and outstanding shares of Common Stock issued by the Company after the first closing date, other than as contemplated by the investment agreement). The observer is entitled to attend meetings of the Board of Directors (including any meetings of committees of which Warburg Pincus' board representative is a member) in a nonvoting observer capacity if Warburg Pincus' board representative does not attend such meeting. In the event of Mr. Coulter's resignation in connection with Warburg Pincus ceasing to meet the ownership threshold entitling it to a board representative, the observer will, subject to applicable law, be David A. Coulter.

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Transfer Restrictions

Subject to certain exceptions, Warburg Pincus is prohibited, without the prior approval of a majority of the directors of the Company who qualify as independent directors (other than Warburg Pincus board representative), from directly or indirectly selling, transferring, making any short sale of, loan, granting any option for the purchase of or otherwise disposing of any securities acquired pursuant to the investment agreement, or taking any other action that is intended to have an economic impact equivalent to any of the foregoing, in one or more transactions, to any person or group if such person or group and their respective affiliates would collectively own more than 4.9% of the outstanding voting power of the Company or more than 4.9% of any class of voting securities of the Company. The foregoing limitation does not (1) prohibit Warburg Pincus from transferring securities in any broadly distributed offering as conducted by an independent broker dealer mutually acceptable to the Company and Warburg Pincus that involves only sales to mutual funds or other institutional investors that acquire and hold securities in the ordinary course of business and not for the purpose of or with the effect of changing or influencing control of the Company or in connection with or as a participant in any transaction having that purpose or effect, or (2) apply if certain change of control events have occurred. Warburg Pincus further agreed that it will not engage in any transaction or series of transactions the primary purpose of which is to avoid these limitations.

Registration Rights

The investment agreement provides Warburg Pincus with customary registration rights, including shelf registration rights which may be exercised to execute sales (other than during certain black-out periods) and piggy-back registration rights, with respect to the securities purchased by it under the investment agreement.

Preemptive Rights

The investment agreement provides Warburg Pincus with customary preemptive rights, applicable for so long as Warburg Pincus owns securities of Webster representing 4.9% or more of all of the outstanding shares of our Common Stock (counting for such purposes all shares of Common Stock into which shares of any Preferred Stock or Warrants owned by Warburg Pincus are directly or indirectly convertible into or exercisable for), to enable it to maintain its proportionate ownership of our Common Stock. At any time that Warburg Pincus meets this ownership threshold and the Company makes any public or nonpublic offering or sale of any equity, or any securities convertible or exchangeable into equity or that includes an equity component, Warburg Pincus may acquire at the same price and on the same terms, subject to certain limitations, that number of the securities being offered necessary to maintain its proportionate Common Stock-equivalent interest in the Company. However, Warburg Pincus may not exercise the foregoing right in connection with (1) issuances under the Company's stock incentive plans, employee stock purchase plan or any similar plan in the ordinary course of providing incentive compensation, (2) issuances as full or partial consideration for a merger, acquisition, joint venture, strategic alliance, license agreement or other similar nonfinancing transaction or (3) issuances upon exercise of the warrant issued to the U.S. Department of the Treasury under the Troubled Asset Relief Program and conversion of shares of Series A Stock.

Standstill Agreement

Until Warburg Pincus holds, on an as-converted basis, less than 10% of the total outstanding Common Stock of the Company (counting for such purposes all shares of Common Stock into which or for which shares of any Preferred Stock or the Warrants owned by Warburg Pincus are directly or indirectly convertible or exercisable, and excluding as shares owned and outstanding all shares of Common Stock issued by the Company after the first closing date, other than as contemplated by the investment agreement), Warburg Pincus and its affiliates are prohibited from acquiring additional Common Stock if the acquisition of the additional Common

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Stock would result in Warburg Pincus and its affiliates owning 24.9% or more of the total outstanding Common Stock of the Company. Additionally, Warburg Pincus and its affiliates are prohibited from (1) making or participating in any solicitation of proxies or influencing the any vote with respect to the Company's Common Stock, (2) seeking to call a special meeting of shareholders or initiating a shareholder proposal with respect the Company or seeking to influence or control the management, Board of Directors or policies of the Company or its subsidiaries, (3) contesting the validity or seeking a waiver of the standstill provisions of the investment agreement, (4) agreeing or proposing any business combination relating to all or part of the Company or any of its subsidiaries or any acquisition of their respective assets or (5) disclosing any intention or plan inconsistent with the foregoing limitations. However, the foregoing restrictions will no longer apply if a change in control (as defined in the investment agreement) occurs or any person commences and does not withdraw a bona fide public tender or exchange offer that would result in a change in control.

Representations and Warranties

In the investment agreement, we made customary representations and warranties to Warburg Pincus relating to us, our business and the Preferred Stock and the Warrants issued to Warburg Pincus and the Common Stock to be issued to Warburg Pincus upon conversion of the Preferred Stock and the exercise of its Warrant, and agreed to indemnify Warburg Pincus for breaches of our representations and warranties in certain circumstances.

The investment agreement and the description of its terms and provisions in this document have been included to provide security holders with information regarding its terms. It is not intended to provide any other factual information about Webster or Warburg Pincus. The representations, warranties and covenants contained in the investment agreement were made only for purposes of that agreement and as of specific dates, were solely for the benefit of the parties to the investment agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the investment agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the investment agreement and should not construe the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of Webster or Warburg Pincus or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the investment agreement, which subsequent information may or may not be fully reflected in Webster's public disclosures. The provisions of the investment agreement, including the representations and warranties, should not be read alone, but instead should only be read together with the information provided elsewhere in this document and in the documents incorporated by reference into this document, including the periodic and current reports and statements that Webster files with the Securities and Exchange Commission, or the SEC. For more information regarding these documents incorporated by reference, see the section entitled "Where You Can Find More Information" below.

Fees and Expenses

We agreed to reimburse Warburg Pincus for its and its affiliates' out-of-pocket expenses incurred in connection with due diligence, the negotiation and preparation of the transaction documents and consummating the investment (including fees and expenses of counsel and accounting fees and filing fees under the Hart Scott Rodino Antitrust Improvements Act of 1976) up to an aggregate maximum amount of \$2,000,000.

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DESCRIPTION OF THE CONVERTIBLE PREFERRED STOCK

The following is a summary of the material terms and provisions of the preferences, limitations, voting powers and relative rights of the Series C Preferred Stock and Series D Preferred Stock as contained in the Certificates of Designations of the Company relating to the Series C Preferred Stock and Series D Preferred Stock, which are attached to this proxy statement as Annex C and Annex D respectively, which we incorporate by reference into this proxy statement. Shareholders are urged to read the Certificates of Designations relating to the Series C Preferred Stock and Series D Preferred Stock in their entirety. While Webster believes this summary covers the material terms and provisions of the Certificates of Designations of the Company relating to the Series C Preferred Stock and Series D Preferred Stock, it may not contain all of the information that is important to you and is qualified in its entirety by reference to Annex C and Annex D.

Authorized Shares and Liquidation Preference

The number of authorized shares of Series C Preferred Stock is 167,389, and the number of authorized shares of Series D Preferred Stock is 86,250. Shares of Series C Preferred Stock and Series D Preferred Stock have a par value of \$0.01 per share and the liquidation preference of Series C Preferred Stock and Series D Preferred Stock is \$0.01 per share.

Ranking

The Series C Preferred Stock and Series D Preferred Stock, with respect to dividend rights and rights on liquidation, winding-up and dissolution, ranks (i) on a parity with our other authorized series of preferred stock and with each other class or series of preferred stock, established after the date of issuance of Series C Preferred Stock, the terms of which do not expressly provide that such class or series will rank senior or junior to the Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Company, and (ii) senior to the Company's Common Stock, par value \$0.01 per share and each other class or series of capital stock outstanding or established after the Effective Date by the Company the terms of which expressly provide that it ranks junior to the Series C Preferred Stock or Series D Preferred Stock as to dividend rights and/or as to rights on liquidation, winding-up and dissolution of the Company. The Company has the right to authorize and/or issue additional shares or classes or series of junior securities or parity securities without the consent of the holders.

Dividends

Holders of Series C Preferred Stock and Series D Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors, non-cumulative cash dividends in the amount determined as set forth below.

If our Board of Directors declares and pays a cash dividend in respect of any shares of Common Stock, then the Board of Directors is required to declare and pay to the holders of the Preferred Stock a cash dividend in an amount per share of Preferred Stock equal to the product of (i) the per share dividend declared and paid in respect of each share of Common Stock and (ii) the number of shares of Common Stock into which such share of Preferred Stock is then convertible, assuming receipt of the Shareholder Approvals and, if applicable, the regulatory approvals.

If both Shareholder Approvals have not been received on or prior to [February 28, 2010], each share of Series C Preferred Stock and Series D Preferred Stock that remains outstanding after [February 28, 2010] will begin to accrue dividends commencing with the dividend period relating to the dividend payment date on [March 15, 2010] at the greater of (x) an annual rate of 8% or (y) the dividend rate payable on an as-converted basis on the Common Stock during the applicable dividend period until such time as the Shareholder Approvals have been obtained.

Dividends on the Preferred Stock are non-cumulative. If the Board of Directors does not declare a dividend on the Preferred Stock in respect of any dividend period prior to [February 28, 2010], the holders of the Preferred Stock will have no right to receive any dividend for that dividend period, and the Company will have no obligation to pay a dividend for that dividend period.

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Subject to limited exceptions, if full quarterly dividends payable on all outstanding shares of the Preferred Stock for any dividend period have not been declared and paid, the Company will not be permitted to declare or pay dividends with respect to any of its junior securities, including Webster Common Stock, during the next succeeding dividend period.

Repurchase of Junior Securities

Subject to limited exceptions, for as long as the Preferred Stock is outstanding, if full quarterly dividends payable on all outstanding shares of the Preferred Stock for any dividend period have not been declared and paid, the Company will be prohibited from redeeming, repurchasing or acquiring any shares of Common Stock or other junior securities.

In the event the Company voluntarily or involuntarily liquidates, dissolves or winds up, the holders of the Preferred Stock will be entitled, for each share of the Preferred Stock held, to the greater of (1) \$0.01 and (2) an amount equal to the liquidation amount payable on an as-converted basis on the number of shares of Common Stock into which such shares of Preferred Stock could have been converted on a date at least ten business days before the first liquidating distribution is made on the Preferred Stock, plus any declared but unpaid dividends.

In the event the assets of the Company available for distribution to shareholders upon any liquidation, dissolution or winding-up of the affairs of the Company, whether voluntary or involuntary, are insufficient to pay in full the amounts payable with respect to all outstanding shares of the Preferred Stock and the corresponding amounts payable on any parity securities, holders of Preferred Stock and the holders of parity securities will share ratably in any distribution of assets of the Company in proportion to the full respective liquidating distributions to which they would otherwise be respectively entitled.

Redemption

The Preferred Stock is not redeemable.

Mandatory Conversion

The Series C Preferred Stock mandatorily converts into shares of our Common Stock on the fifth business day following the date on which (1) both Shareholder Approvals have been received and (2) with respect to a holder who is required to obtain regulatory approval, such holder has received such approval.

Each share of Series D Preferred Stock mandatorily converts into shares of our Common Stock on the date of consummation of a transfer of that share in (1) a widespread public distribution, (2) a transfer in which no transferee (or group of associated transferees) would receive more than 2% of any class of voting securities of the Company or (3) a transfer to a transferee that would control more than 50% of the voting securities of the Company without any transfer from Warburg Pincus. The Series D Preferred Stock is not convertible into shares of our Common Stock in the hands of Warburg Pincus.

The number of shares of Common Stock into which a share of Preferred Stock will be convertible will be determined by dividing \$1,000 by the then applicable conversion price. No fractional shares of Common Stock will be issued. Upon conversion, cash will be paid in lieu of fractional shares based on the closing price of the Common Stock determined as of the second trading day immediately preceding the date of the mandatory conversion. The initial conversion price of the Preferred Stock is \$10.00 per share of Common Stock into which it is converted.

To the extent that conversion of the Series C Preferred Stock would cause a holder to hold more than 24.9% of any outstanding class of voting securities of the Company, the Series C Preferred Stock is instead convertible into the number of Series D Preferred Stock that is convertible into such number of shares of Common Stock.

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Anti-Dilution Provision

The conversion price of the Preferred Stock is also subject to customary anti-dilution adjustments, which will be made (subject to certain exceptions) in the event that the Company:

pays dividends or other distributions on the Common Stock in shares of Common Stock;

subdivides, splits or combines the shares of Common Stock;

subject to certain exceptions and limitations, issues to holders of its Common Stock rights or warrants entitling them to purchase Common Stock at less than the then current market price (as defined in the certificate of designations for the applicable series of Preferred Stock);

distributes to holders of its Common Stock indebtedness, shares of capital stock, securities, cash or other assets (other than cash dividends and certain other transactions);

makes a cash distribution to holders of Common Stock, other than (1) cash dividends to the extent a corresponding dividend is paid on the corresponding series of Preferred Stock, (2) cash distributed in a reorganization event or spin-off, (3) upon liquidation, dissolution or winding-up, and (4) in connection with a tender or exchange offer by the Company; and

completes a tender or exchange offer for the Common Stock where the consideration exceeds the closing price (as defined in the certificate of designations for the applicable series of Preferred Stock) per share of the Common Stock.

Reorganization Events

If the Company enters into a transaction constituting a consolidation or merger of the Company or similar transaction or any sale or other transfer of all or substantially all of the consolidated assets of the Company and its subsidiaries, taken as a whole (in each case pursuant to which its Common Stock will be converted into cash, securities or other property) or for certain reclassifications or exchanges of its Common Stock, then each holder of Preferred Stock will have the right to convert such Preferred Stock, effective on the date such transaction is consummated (or, if later, the date applicable regulatory approvals are obtained), into the securities, cash and other property receivable in the transaction by the holder of the number of shares of Common Stock into which such Preferred Stock would then be convertible, assuming receipt of any applicable regulatory approval.

Voting Rights

Except as set forth below, holders of the Preferred Stock will not have any voting rights.

So long as any shares of Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required by law or by the Certificate of Incorporation, the vote or consent of the holders of at least two-thirds of the outstanding shares of Preferred Stock voting as a single class with all other classes and series of Parity Stock having similar voting rights then outstanding, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, will be necessary for (1) any amendment of our Certificate of Incorporation to authorize, or increase the authorized amount of, any shares of any class or series of capital stock ranking senior to the Preferred Stock with respect to the payment of dividends or the distribution of assets on our liquidation, (2) any amendment, alteration or repeal (including by means of a merger, consolidation or otherwise) of any provision of the Certificate of Incorporation or our bylaws that would alter or change the rights, preferences or privileges of the Preferred Stock so as to affect them adversely; or (3) the consummation of a binding share exchange or reclassification involving the Preferred Stock or a merger or consolidation of the Company with another entity, except that Holders will have no right to vote under this provision or under Delaware law if the Company shall have complied with certain notice requirements with respect to

such transaction.

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DESCRIPTION OF THE WARRANTS

Pursuant to the investment agreement, we issued to Warburg Pincus Warrants to acquire Common Stock and Preferred Stock. The following is a summary of the material terms and provisions of the A1 Warrant, the A2 Warrant, the B1 Warrant and the B2 Warrant issued to Warburg Pincus, copies of which are attached to this proxy statement as Annex E, Annex F, Annex G and Annex H respectively and are incorporated by reference into this proxy statement. Shareholders are urged to read the forms of warrant attached as Annex E, Annex F, Annex G and Annex H in their entirety. While Webster believes this summary covers the material terms and provisions of the Warrants issued to Webster Pincus, it may not contain all of the information that is important to you and is qualified in its entirety by reference to Annex E, Annex F, Annex G and Annex H.

Exercise of Warrants

The A Warrants issued to Warburg Pincus entitle it, upon exercise in the manner described below, to acquire up to 8,625,000 shares of Common Stock in the aggregate. The B Warrants issued to Warburg Pincus entitle it, upon exercise in the manner described below should they become exercisable, to acquire up to 5,500,000 shares of Common Stock in the aggregate.

The A1 Warrant can be exercised by Warburg Pincus to purchase 1,843,100 shares of Common Stock at any time (subject to limited exceptions), in whole or in part, until the seventh anniversary of the issuance of that Warrant. A holder who directly or indirectly acquires the A1 Warrant in a widely dispersed offering and in compliance with transfer restrictions that prohibit transfer of the Warrants during the two years following the Investment, except in limited circumstances, including failure to obtain the Shareholder Approvals by [February 28, 2010], may exercise the A1 Warrant to purchase such underlying Common Stock subject to compliance with Section 312.03 of the NYSE Listed Company Manual and to its expiration on the seventh anniversary of issuance. A widely dispersed offering includes any widespread public distribution, transfer in which no transferee would receive more than 2% of any class of voting securities of the Company or transfer to a transferee that would control the Company.

The A2 Warrant can be exercised by Warburg Pincus to purchase 6,781,900 shares of Common Stock after receipt of the Shareholder Approvals or 67,819 shares of Series C Preferred Stock convertible into such number of shares of Common Stock prior to the receipt of the Shareholder Approvals. Warburg Pincus may exercise the A2 Warrant in whole or in part until the seventh anniversary of the issuance of the Warrant. A holder who directly or indirectly acquires the A2 Warrant in a widely dispersed offering and in compliance with transfer restrictions that prohibit transfer of the Warrants during the two years following the investment, except in limited circumstances, including failure to obtain the Shareholder Approvals by [February 28, 2010], may exercise the A2 Warrant to purchase such underlying shares of Common Stock subject to compliance with Section 312.03 of the NYSE Listed Company Manual and to its expiration on the seventh anniversary of issuance.

The B1 Warrant would be exercisable by Warburg Pincus, in whole or in part, to purchase 11,753 shares of Series C Preferred Stock, at any time between [February 28, 2010] and the seventh anniversary of the issuance of such Warrant when both Shareholder Approvals have not been obtained. The B1 Warrant would be exercisable by a holder thereof other than Warburg Pincus or its affiliates under the same circumstances to purchase 1,175,300 shares of Common Stock if such holder directly or indirectly acquired the B1 Warrant in a widely dispersed offering, subject to compliance with Section 312.03 of the NYSE Listed Company Manual and transfer restrictions that prohibit transfer of the Warrants during the two years following the investment, except in limited circumstances, including failure to obtain the Shareholder Approvals by [February 28, 2010]. In the event that both Shareholder Approvals are obtained prior to [February 28, 2010], the B1 Warrant will automatically expire and will never be exercisable.

The B2 Warrant would be exercisable by Warburg Pincus, in whole or in part, to purchase 43,247 shares of Series C Preferred Stock, at any time between [February 28, 2010] and the seventh anniversary of the issuance

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of such Warrant when both Shareholder Approvals have not been obtained. The B2 Warrant would be exercisable by a holder thereof other than Warburg Pincus or its affiliates under the same circumstances to purchase 4,324,700 shares of Common Stock if such holder directly or indirectly acquired the B2 Warrant in a widely dispersed offering, subject to compliance with Section 312.03 of the NYSE Listed Company Manual and transfer restrictions that prohibit transfer of the Warrants during the two years following the investment, except in limited circumstances, including failure to obtain the Shareholder Approvals by [February 28, 2010]. In the event that both Shareholder Approvals are obtained prior to [February 28, 2010], the B2 Warrant will automatically expire and will never be exercisable.

However, no exercise of the Warrants entitles Warburg Pincus to receive delivery of Common Stock to the extent that such delivery would cause such holders to own more than 24.9% of any series of the outstanding voting securities of the Company. To the extent that a holder cannot receive delivery of Common Stock because of this limitation, delivery of shares of either Series C or Series D Preferred Stock exercisable for the excess Common Stock will be made instead.

Exercise Price of the Warrants

The A Warrants are exercisable for \$10.00 per share of Common Stock to and including the second anniversary of issuance of such warrants. The exercise price of the A Warrants will be increased to \$11.50 following such second anniversary and to \$13.00 following the fourth anniversary of the issuance of such warrants.

The B Warrants are not currently exercisable and will become exercisable for Series C Preferred Stock at an initial exercise price of \$2.50 per underlying share of Common Stock if and only if the Shareholder Approvals are not obtained by [February 28, 2010].

Anti-Dilution and Other Provisions

The exercise price of the Warrants will be adjusted upon the occurrence of any of the following events:

issuances of Common Stock (other than in connection with certain stock compensation plans, stock splits or subdivisions, exercise of the warrant issued to the U.S. Treasury on November 21, 2008, conversions of Series A Non-cumulative Convertible Preferred Stock outstanding as of the issue of the Warrant or Series C Preferred Stock or Series D Preferred Stock, or exercise by the holders or their affiliates of certain preemptive rights) at less than 95% (90% in the case of offerings a stated purpose of which is repayment or repurchase of securities owned by the U.S. Treasury) of the greater of the most recent closing price per share as reported by the NYSE on (i) the date on which the Company issues or sells any Common Stock or (ii) on the first date of the announcement of such issuance;

stock splits, subdivisions, reclassifications or combinations;

certain distributions of shares of a class other than Common Stock or other property (including cash but excluding ordinary dividends) to holders of Common Stock;

certain repurchases of Common Stock;

certain business combinations; or

any other Company action that in the opinion of the Board of Directors would adversely affect the rights of the holders of the Warrants.

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Transfer Restrictions

The Warrants are non-transferable until the second anniversary of the date of issuance thereof, unless (1) certain change of control events have occurred or (2) the Shareholder Approvals have not been obtained by [February 28, 2010].

Subject to certain exceptions, at any time when a holder of Warrants would otherwise be entitled to transfer Warrants, no such holder may, without the prior approval of a majority of the directors of the Company who qualify as independent directors (other than Warburg Pincus board representative), directly or indirectly sell, transfer, make any short sale of, loan, grant any option for the purchase of or otherwise dispose of any securities acquired pursuant to the investment agreement, or take any other action that is intended to have an economic impact equivalent to any of the foregoing, in one or more transactions, to any person or group if such person or group and their respective affiliates would collectively own more than 4.9% of the outstanding voting power of the Company or more than 4.9% of any class of voting securities of the Company. The foregoing limitation does not (1) prohibit Warburg Pincus from transferring securities in any broadly distributed offering as conducted by an independent broker dealer mutually acceptable to the Company and Warburg Pincus that involves only sales to mutual funds or other institutional investors that acquire and hold securities in the ordinary course of business and not for the purpose of or with the effect of changing or influencing control of the Company or in connection with or as a participant in any transaction having that purpose or effect, or (2) apply if certain change of control events have occurred. Warburg Pincus further agreed that it will not engage in any transaction or series of transactions the primary purpose of which is to avoid these limitations.

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INTEREST OF CERTAIN PERSONS IN THE SHARE

CONVERSION, AND OTHER MATTERS

Effective as of July 27, 2009, Mr. David A. Coulter, a Partner of Warburg Pincus & Co. and a Member and Managing Director of Warburg Pincus LLC, was appointed to our Board of Directors pursuant to the right of Warburg Pincus to nominate a director under the investment agreement. Because Mr. Coulter did not join our Board of Directors until after the execution of the investment agreement, he did not participate in his capacity as a director in discussions of, or vote with respect to, matters related to the investment agreement that were approved by our Board of Directors, including our Board of Directors vote recommending approval of the issuance of Common Stock upon conversion of the Preferred Stock and exercise of the Warrants and recommending approval of the amendment to our Certificate of Incorporation.

As of the record date, Warburg Pincus owned _____ shares of Common Stock, _____ shares of Series C Preferred Stock and currently exercisable warrants to purchase _____ shares of Common Stock. Warburg Pincus has reported on its Schedule 13D dated _____ that it beneficially owns _____ shares of Common Stock. Warburg Pincus has indicated that it intends to vote all of its shares of Common Stock in favor of each proposal described in this proxy statement.

In the event that the Shareholder Approvals are obtained at the special meeting, the conversion of the Preferred Stock and exercise of Warrants held by Warburg Pincus would result in Warburg Pincus owning approximately _____ % of our outstanding Common Stock after giving effect to such conversion and exercise of warrants as well as a transfer made by Warburg Pincus following the closing of the transaction.

No directors and officers of the Company purchased any securities in connection with the investment.

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The following table sets forth information as of September 16, 2009 with respect to the amount of Webster Common Stock beneficially owned by each director of Webster each of the named executive officers and by all directors and executive officers of Webster as a group. Each of our directors and executive officers has indicated that he or she intends to vote all of his or her shares of Common Stock in favor of each proposal described in this proxy statement.

Name and Position(s) with Webster	Number of Shares and Nature of Beneficial Ownership (a)	Percent of Common Stock Outstanding
Joel S. Becker Director	72,305	*
Jeffrey N. Brown Executive Vice President and Chief Administrative Officer	75,594	*
David A. Coulter Director	1,561 (b)	*
John J. Crawford Director	78,428	*
Michelle M. Crecca Executive Vice President, Chief Marketing Officer	13,576	*
Robert A. Finkenzeller Director	61,752	*
Douglas O. Hart Executive Vice President, Chief Accounting Officer	14,013	*
C. Michael Jacobi Director	65,834	*
Nitin J. Mhatre Executive Vice President, Consumer Lending	9,630	*
Laurence C. Morse Director	33,681	*
Karen R. Osar Director	25,396	*
Mark Pettie Director	1,816	*
Gerald P. Plush Senior Executive Vice President and CFO/CRO	28,125	*
Joseph J. Savage Executive Vice President	120,902	*
Charles W. Shivery Director	2,561	*
James C. Smith Chairman, Chief Executive Officer, Director	1,207,002	1.77%
Harriet Munrett Wolfe Executive Vice President, General Counsel and Secretary	50,065	*
All Directors and executive officers as a group (17 persons)	1,862,241	2.73%

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* Less than 1% of Common Stock outstanding.

(a) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if such person has or shares voting power and/or investment power with respect to the security, or has the right to acquire beneficial ownership at any time within 60 days from September 16, 2009. As used herein, voting power includes the power to vote or direct the voting of shares and investment power includes the power to dispose or direct the disposition of shares.

The table includes shares owned by spouses, other immediate family members and others over which the persons named in the table possess shared voting and/or shared investment power as follows: Mr. Smith, 13,695 shares; and all directors and executive officers as a group, 13,695 shares. The table includes shares held in trust for immediate family members over which the persons named in the table possess shared voting and/or shared investment power as follows: Mr. Becker, 2,016 shares, Mr. Smith, 63,546 shares; and all directors and executive officers as a group, 65,562 shares.

Outstanding options reflected in the table were held as follows: Mr. Becker, 41,105 shares; Mr. Brown, 49,435 shares; Mr. Crawford, 41,105 shares; Ms. Crecca, 4,446 shares; Mr. Finkenzeller, 43,105 shares; Mr. Hart, 3,312 shares; Mr. Jacobi, 41,105 shares; Mr. Morse, 29,105 shares; Ms. Osar, 21,105 shares; Mr. Plush, 23,871 shares; Mr. Savage, 57,952 shares; Mr. Smith, 637,736 shares; and Ms. Wolfe, 32,028 shares. Also reflected are 58,965 shares of phantom stock held by Mr. Smith in the Webster Bank Deferred Compensation Plan for Directors and Officers.

The table includes 7,360 shares of Common Stock issuable upon conversion of 200 shares of Webster's 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock beneficially owned by Mr. Crawford, which are convertible at the option of the holder at any time. Mr. Crawford owns less than one percent of the outstanding shares of 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock.

(b) Excludes the shares of Common Stock held by Warburg Pincus as listed in note 2 under PRINCIPAL HOLDERS OF VOTING SECURITIES OF WEBSTER below. Mr. Coulter is a general partner of Warburg Pincus & Co. and a managing director and member of Warburg Pincus LLC. Mr. Coulter directly owns 1,461 shares of Common Stock and indirectly owns 100 shares of Common Stock in trust. Mr. Coulter disclaims beneficial ownership of all shares owned by Warburg Pincus.

Table of Contents**PRINCIPAL HOLDERS OF VOTING SECURITIES OF WEBSTER**

The following table sets forth information as of September 16, 2009 with respect to the beneficial ownership of Common Stock by any person or group as defined in Section 13(d)(3) of the Exchange Act who is known to Webster to be the beneficial owner of more than five percent of the Common Stock. Warburg Pincus has indicated that it intends to vote all of its shares of Common Stock in favor of each proposal described in this proxy statement.

Name and Addresses of Beneficial Owners	Number of Shares; Nature of Beneficial Ownership (1)	Percent of Common Stock Owned
Warburg Pincus Private Equity X, L.P. 450 Lexington Avenue New York, NY 10017	5,867,700 (2)	8.39%

- (1) Based on information in the most recent Schedule 13D or 13G filed with the Securities and Exchange Commission pursuant to the Exchange Act, unless otherwise indicated. In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if such person has or shares voting power and/or investment power with respect to the security, or has the right to acquire beneficial ownership at any time within 60 days from September 16, 2009. As used herein, voting power includes the power to vote or direct the voting of shares and investment power includes the power to dispose or direct the disposition of shares.
- (2) Warburg Pincus reports that it has sole dispositive and sole voting power of 5,867,700 shares. This figure includes the A1 Warrant currently exercisable for 1,843,100 shares of Common Stock but does not include the B1 Warrant, that is not exercisable within 60 days. This figure also does not include the 3,018,400 shares of Common Stock, the 44,570 shares of Series C Preferred Stock, the A2 Warrant or the B2 Warrant that Warburg Pincus has agreed to purchase from Webster following receipt of required regulatory approvals.

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WHERE YOU CAN FIND MORE INFORMATION

The SEC maintains a website that contains reports, proxies and information statements and other information regarding us and other issuers that file electronically with the SEC at www.sec.gov. Our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through the SEC's website. Shareholders may also read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Shareholders may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single proxy statement and annual report addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. While the Company does not "household," some brokers household proxy materials, delivering a single proxy statement and annual report to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account.

DATE FOR SUBMISSION OF STOCKHOLDER PROPOSALS

FOR INCLUSION IN PROXY STATEMENT

Any proposal which a Webster shareholder wishes to have included in Webster's Proxy Statement and form of proxy relating to Webster's 2010 Annual Meeting of Shareholders under Rule 14a-8 of the Securities and Exchange Commission must be received by Webster's Secretary at 145 Bank Street, Waterbury, Connecticut 06702 by November 20, 2009. Nothing in this paragraph shall be deemed to require Webster to include in its Proxy Statement and form of proxy for the meeting any shareholder proposal which does not meet the requirements of the Securities and Exchange Commission in effect at the time. Any other proposal for consideration by shareholders at Webster's 2010 Annual Meeting of Shareholders must be delivered to, or mailed to and received by, the Secretary of Webster not less than 30 days nor more than 90 days prior to the date of the meeting if Webster gives at least 45 days' notice or prior public disclosure of the meeting date to shareholders.

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INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference into this proxy statement documents we file with the SEC. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this proxy statement, and later information that we file with the SEC as specified below will update and supersede that information. We incorporate by reference Items 7, 7A, 8 and 9 from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Items 1, 2 and 3 of Part I of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 and any other items in that Quarterly Report expressly updating the above referenced items from our Annual Report on Form 10-K.

This proxy statement incorporates important business and financial information about Webster from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this proxy statement through our website, www.websteronline.com and from the SEC at its website, www.sec.gov or by requesting them in writing to Webster Financial Corporation, 145 Bank Street, Waterbury, Connecticut 06702 or by telephone at 800-325-2424. To receive timely delivery of the documents in advance of the special meeting, you should make your request no later than _____, 2009.

By order of the Board of Directors

James C. Smith
Chairman and Chief Executive Officer

Waterbury, Connecticut

_____, 2009

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ANNEX A
EXECUTION COPY

INVESTMENT AGREEMENT

dated as of July 27, 2009

between

WEBSTER FINANCIAL CORPORATION

and

WARBURG PINCUS PRIVATE EQUITY X, L.P.

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