

SURMODICS INC  
Form DEF 14A  
December 19, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 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 Under Rule Pursuant to § 240.14a-12

**SURMODICS, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):



Edgar Filing: SURMODICS INC - Form DEF 14A

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

## SURMODICS, INC.

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of SurModics, Inc. will be held on February 4, 2014, at 4:00 p.m. (Minneapolis time), at the Company's headquarters located at 9924 West 74th Street, Eden Prairie, Minnesota 55344. Shareholders will be asked to:

1. Elect two (2) Class III directors;
2. Set the number of directors at eight (8);
3. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year 2014;
4. Approve, in a non-binding advisory vote, the Company's executive compensation; and
5. Consider and act upon such other matters as may properly come before the meeting or any adjournment or postponement of the meeting.

Only shareholders of record at the close of business on December 6, 2013, are entitled to notice of and to vote at the meeting or any adjournment of the meeting.

In addition to the location noted above, the Annual Meeting will also be available via the Internet at [www.virtualshareholdermeeting.com/SRDY](http://www.virtualshareholdermeeting.com/SRDY). You will not, however, be able to vote your shares during the meeting. To vote your shares, we ask that you follow the instructions in the notice of internet availability of proxy materials or the proxy card that you received in the mail.

**Your vote is very important.** Whether or not you plan to attend the meeting, please vote at your earliest convenience. Prompt voting will save the Company the expense of further requests.

BY ORDER OF THE BOARD OF DIRECTORS

Robert C. Buhrmaster

Chair of the Board

Eden Prairie, Minnesota

December 23, 2013

## **SURMODICS, INC.**

### **Annual Meeting of Shareholders**

**February 4, 2014**

## **PROXY STATEMENT**

### **INTRODUCTION**

This proxy statement is furnished to shareholders of SurModics, Inc. (the "Company") in connection with the solicitation by the Board of Directors of the Company for use at the Annual Meeting of Shareholders to be held on February 4, 2014 (the "Annual Meeting"), at the location and for the purposes set forth in the notice of meeting, and at any adjournment or postponement of the meeting.

The mailing address of the principal executive office of the Company is 9924 West 74th Street, Eden Prairie, Minnesota 55344. The Company expects that the Notice Regarding Availability of Proxy Materials (the "Notice") and proxy materials will first be mailed to shareholders on or about December 23, 2013.

### **Solicitation of Proxies**

The Company will pay all solicitation expenses in connection with this proxy statement and related proxy soliciting material of the Board, including the preparation and assembly of the proxies and soliciting material. In addition to the use of the mails, proxies may be solicited personally or by mail, telephone, fax or by our directors, officers and regular employees who will not be additionally compensated for any such services.

### **If You Hold Your Shares in Street Name**

If you hold your shares in street name, i.e., through a bank, broker or other holder of record (a custodian), your custodian is required to vote your shares on your behalf in accordance with your instructions. If you do not give instructions to your custodian, your custodian will not be permitted to vote your shares with respect to non-routine items. Please note that if you intend to vote your street name shares in person at the Annual Meeting, you must provide a legal proxy from your custodian at the Annual Meeting.

### **Revocation of a Proxy**

Any shareholder giving a Proxy may revoke it at any time prior to its use at the meeting by giving written notice of the revocation to the Secretary of the Company, or by submitting a subsequent Proxy by internet or mail. Personal attendance at the meeting is not, by itself, sufficient to revoke a Proxy unless written notice of the revocation or a subsequent Proxy is delivered to an officer before the revoked or superseded Proxy is used at the meeting. Proxies not revoked will be voted in accordance with the choices specified by shareholders by means of the ballot provided on the Proxy for that purpose.

### **Requesting Paper Copies and Voting**

Pursuant to Securities and Exchange Commission (the "SEC") rules related to the availability of proxy materials, we have chosen to make our proxy statement and related materials, including our annual report to shareholders, available online to our shareholders and, as permitted by the rules, paper copies of these materials will only be provided upon request. We are providing to our shareholders (other than those who previously requested electronic or paper delivery) the Notice containing instructions on how to access this proxy statement and related materials online. If your shares are held in street name, the Notice will be forwarded to you by your custodian. If you received the Notice by mail, you will not

## Edgar Filing: SURMODICS INC - Form DEF 14A

automatically receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the proxy materials. The Notice also instructs you on how you may vote your shares, including via the internet. If you previously requested electronic delivery, you will still receive an e-mail providing you the Notice, and if you previously requested paper delivery, you will still receive a paper copy of the proxy materials by mail.

## OUTSTANDING SHARES AND VOTING RIGHTS

The Board of Directors of the Company has fixed December 6, 2013, as the record date for determining shareholders entitled to vote at the Annual Meeting. Persons who were not shareholders on such date will not be allowed to vote at the Annual Meeting. At the close of business on December 6, 2013, 13,735,824 shares of the Company's common stock were issued and outstanding. Common stock is the only outstanding class of capital stock of the Company entitled to vote at the meeting. Each share of common stock is entitled to one vote on each matter to be voted upon at the meeting. Holders of common stock are not entitled to cumulative voting rights. If a shareholder votes, the shares will be counted as part of the quorum.

### Vote Required

The affirmative vote of a plurality of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote is required for the election to the Board of each of the nominees for director. Shareholders do not have the right to cumulate their votes in the election of directors. Plurality means that the individuals who receive the greatest number of votes cast For are elected as directors. Accordingly, the two nominees for director receiving the highest vote totals will be elected as directors of the Company. The vote to approve our executive compensation is advisory and not binding on our Board of Directors. However, our Board will consider our shareholders to have approved our executive compensation if the number of votes For Proposal 4 exceeds the number of votes Against Proposal 4.

The affirmative vote of the holders of the greater of (1) a majority of the shares of our common stock present in person or by proxy entitled to vote on the proposal or (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the meeting is required for approval of the other proposals presented in this Proxy Statement. A shareholder who abstains with respect to the election of directors and the advisory vote on executive compensation will not have any effect on the outcome of these proposals. A shareholder who abstains with respect to any proposal other than the election of directors and the advisory vote on executive compensation will have the effect of casting a negative vote on that proposal. A shareholder who does not vote in person or by proxy on a proposal (including a broker non-vote on a proposal) is not deemed to be present for the purpose of determining whether a proposal has been approved.

Custodians cannot vote on their customers' behalf on non-routine proposals such as Proposal 1, the election of directors, Proposal 2, board size, and Proposal 4 related to executive compensation. Because custodians require their customers' direction to vote on such non-routine matters, it is critical that shareholders provide their custodians with voting instructions. On the other hand, Proposal 3, ratification of the appointment of our independent registered public accounting firm, is a routine matter for which custodians do not need voting instruction in order to vote shares.

For vote requirement purposes for Proposals 1, 2, and 4, broker non-votes are considered to be shares present by proxy at the Annual Meeting but are not considered to be shares entitled to vote or votes cast on such items at the Annual Meeting.

---

**PRINCIPAL SHAREHOLDERS**

The following table provides information concerning persons known to the Company to be the beneficial owners of more than 5% of the Company's outstanding common stock as of December 6, 2013. Unless otherwise indicated, the shareholders listed in the table have sole voting and investment power with respect to the shares indicated.

Name and Address of Beneficial Owner	Amount and Nature of Shares Beneficially Owned	Percent of Class(1)
Blackrock Inc. 40 East 52nd Street New York, NY 10022	2,029,423(2)	14.8%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	889,100(3)	6.5%
Mairs and Powers, Inc. 332 Minnesota Street St. Paul, MN 55101	750,540(4)	5.5%
Royce & Associates, LLC 745 Fifth Avenue New York, NY 10151	733,300(5)	5.3%

- (1) In accordance with the requirements of the Securities and Exchange Commission, Percent of Class for a person or entity is calculated based on outstanding shares plus shares deemed beneficially owned by that person or entity by virtue of the right to acquire such shares as of December 6, 2013, or within sixty days of such date.
- (2) Based on Schedule 13F filings by BlackRock, Inc. and its affiliates on November 12, 2013, reporting ownership of 135 shares by BlackRock Asset Management Australia Limited; 482 shares by BlackRock Asset Management Canada Limited; 10,616 shares by BlackRock Asset Management Ireland Limited; 268,332 shares by BlackRock Financial Management, Inc.; 1,612,997 shares by BlackRock Institutional Trust Company, N.A.; 46,600 shares by BlackRock Investment Management (UK) Ltd.; 48,375 shares by BlackRock Investment Management, LLC; and 41,886 shares by BlackRock Japan Co., Ltd.
- (3) Based on a Schedule 13G filed on February 11, 2013, which reported sole voting power and sole and shared dispositive power as follows: sole voting power 17,842 shares; shared dispositive power 16,242 shares; and sole dispositive power 872,858 shares.
- (4) Based on a Schedule 13F filed on November 14, 2013.
- (5) Based on a Schedule 13F filed on November 12, 2013.



**MANAGEMENT SHAREHOLDINGS**

The following table sets forth the number of shares of common stock beneficially owned as of December 6, 2013, by each executive officer of the Company named in the Summary Compensation Table, by each current director of the Company and by all directors and executive officers (including the named executive officers) as a group. Unless otherwise indicated, the shareholders listed in the table have sole voting and investment power with respect to the shares indicated.

<b>Name of Beneficial Owner or Identity of Group</b>	<b>Current Holdings</b>	<b>Acquirable within 60 days</b>	<b>Aggregate Number of Common Shares Beneficially Owned</b>	<b>Percent of Class(1)</b>
Gary R. Maharaj	53,824	92,015	145,839	1.1%
Charles W. Olson(2)	25,819	74,010	99,829	*
Gerald B. Fischer(3)	10,950	61,495	72,445	*
Joseph J. Stich	17,630	49,711	67,341	*
John W. Benson	3,600	61,407	65,007	*
José H. Bedoya		64,022	64,022	*
Bryan K. Phillips	16,233	35,953	52,186	*
Robert C. Buhrmaster(4)	2,625	46,995	49,620	*
Susan E. Knight	500	46,995	47,495	*
Timothy J. Arens	6,392	35,580	41,972	*
Mary K. Brainerd		39,291	39,291	*
Scott R. Ward		19,776	19,776	*
David R. Dantzker, M.D.	500	17,448	17,948	*
Andrew D. C. LaFrence	5,234		5,234	*
All executive officers and directors as a group (14 persons)	147,227	644,698	791,925	5.8%

\* Less than 1%

(1) See footnote (1) to preceding table.

(2) Includes 800 shares held in an IRA, over which Mr. Olson has sole voting and investment power.

(3) Includes 8,950 shares held in an IRA and 2,000 shares held jointly with Mr. Fischer's wife, over which Mr. Fischer has shared voting and investment power.

(4) Shares held in family limited partnership, over which Mr. Buhrmaster has shared voting and investment power.

**ELECTION OF DIRECTORS****(Proposals #1 and #2)****General Information**

The Bylaws of the Company provide that the number of directors, which shall not be less than three, shall be determined annually by the shareholders. The Company's Corporate Governance and Nominating Committee and Board of Directors have recommended that the number of directors be set at eight (8) at the Annual Meeting. The reduction in the size of the Board from our current nine (9) directors reflects the retirement of Robert C. Buhrmaster, our current Board chair, which will be effective at the conclusion of the Annual Meeting as we have previously disclosed on a Current Report on Form 8-K filed on September 20, 2013. The Corporate Governance and Nominating Committee is

## Edgar Filing: SURMODICS INC - Form DEF 14A

searching for qualified candidates to serve on the Board. In the event that such a qualified candidate is identified, the Board may vote to increase its size and appoint an additional director as permitted by the Bylaws.

The Bylaws also provide for the election of three classes of directors with terms staggered so as to require the election of only one class of directors each year, and further that each class be equal in number, or as nearly as possible. Only directors who are members of Class III will be elected at the Annual Meeting. Each Class III director will be elected to a three-year term and, therefore, will hold office until the Company's 2017 annual meeting of shareholders and until his or her successor has been duly elected and qualified, or until his or her resignation or removal from office. The terms of Class I and II directors continue until the 2015 and 2016 annual meetings, respectively.

The Corporate Governance and Nominating Committee has recommended, and the Board of Directors selected, José H. Bedoya and Susan E. Knight as the Board's nominees for election as Class III directors. Each of these nominees has indicated a willingness to serve as a director if elected and has consented to be named in the proxy statement. Brief biographical profiles of Mr. Bedoya and Ms. Knight, and each of our other directors are provided below. The Proxy will be voted for each of such nominees unless the Proxy withholds a vote for one or more nominees. If, prior to the meeting, it should become known that either of the nominees will be unable to serve as a director after the meeting by reason of death, incapacity or other unexpected occurrence, the Proxies will be voted for such substitute nominee as is recommended or selected by the Corporate Governance and Nominating Committee and the Board of Directors or, alternatively, not voted for any nominee. The Board of Directors has no reason to believe that any nominee will be unable to serve.

A plurality of votes cast is required for the election of directors. However, under the Company's Corporate Governance Guidelines, any nominee for director in an uncontested election (i.e., an election where the only nominees are those recommended by the Board of Directors) who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote) will, within five business days of the certification of the shareholder vote by the inspector of elections, tender a written offer to resign from the Board of Directors. The Corporate Governance and Nominating Committee will promptly consider the resignation offer and recommend to the Board of Directors whether to accept it. The Nominating and Corporate Governance Committee will consider all factors its members deem relevant in considering whether to recommend acceptance or rejection of the resignation offer, including, without limitation:

the perceived reasons why shareholders withheld votes for election from the director;

the length of service and qualifications of the director;

the director's contributions to the Company;

compliance with listing standards;

the purpose and provisions of these principles; and

the best interests of the Company and its shareholders.

Any director who tenders his or her offer to resign from the Board pursuant to this provision shall not participate in the Corporate Governance and Nominating or Board deliberations regarding whether to accept the offer of resignation. The Board will act on the Corporate Governance and Nominating Committee's recommendation within 90 days following the certification of the shareholder vote by the inspector of elections, which action may include, without limitation:

acceptance of the offer of resignation;

adoption of measures intended to address the perceived issues underlying the Majority Withheld Vote; or

rejection of the resignation offer.

## Edgar Filing: SURMODICS INC - Form DEF 14A

Thereafter, the Board will disclose its decision whether to accept the director's resignation offer and the reasons for rejecting the offer, if applicable, in a current report on Form 8-K to be filed with the Securities and Exchange Commission within four business days of the Board's determination.

## Edgar Filing: SURMODICS INC - Form DEF 14A

As discussed above, Mr. Buhrmaster, our current Board chair, will retire effective at the conclusion of the Annual Meeting. The Board has elected Scott R. Ward to succeed Mr. Buhrmaster as Board chair. The following information is provided with respect to each director whose term continues after the Annual Meeting and each director nominee:

Name	Age	Position with Company
José H. Bedoya (2)(3)	57	Director
John W. Benson (1)(3)	69	Director
Mary K. Brainerd (1)(2)	59	Director
David R. Dantzker, M.D. (2)(3)	70	Director
Gerald B. Fischer (2)(3)	70	Director
Susan E. Knight (2)(3)	59	Director
Scott R. Ward(1)(3)	54	Director
Gary R. Maharaj	50	Director, President and Chief Executive Officer

(1) Member of the Organization and Compensation Committee, of which Mr. Benson is the Chair.

(2) Member of the Audit Committee, of which Ms. Knight is the Chair.

(3) Member of the Corporate Governance and Nominating Committee, of which Mr. Bedoya is the Chair.

*José H. Bedoya* (Class III) has been a director of the Company since 2002. Mr. Bedoya is President and Chief Executive Officer of Otologics, LLC, a Colorado-based technology company he founded in 1996. From 1986 to 1996, Mr. Bedoya held a number of positions at Storz Instrument Company, then a division of American Cyanamid and later a division of American Home Products, including Director of Operations, Director of Research and Director of Commercial Development. Prior to that, he served as Vice President of Research and Development for Bausch & Lomb's surgical division.

Mr. Bedoya brings to the board significant business, operational and management experience in the medical device, medical instruments and related industries. Additionally, his experience brings executive decision making, analytical and strategic planning skills gained as a chief executive. Mr. Bedoya serves as the chair of our Corporate Governance and Nominating Committee.

*John W. Benson* (Class II) has been a director of the Company since 2003. Mr. Benson retired from 3M Company in February 2003 where he served in various capacities for 35 years. Prior to his retirement, he served as Executive Vice President, Health Care Markets. Mr. Benson previously served on the Board of Regents at St. Olaf College.

As a former senior executive at 3M, Mr. Benson brings to the board extensive strategic planning and management skills from a large, diversified technology and consumer products company. His extensive knowledge of corporate leadership, governance and the healthcare industry gained at 3M make Mr. Benson a valued director. Mr. Benson serves as the chair of our Organization and Compensation Committee.

*Mary K. Brainerd* (Class II) has been a director of the Company since 2009. Ms. Brainerd is President and Chief Executive Officer of HealthPartners, Inc., a family of non-profit Minnesota health care organizations headquartered in Minneapolis, Minnesota. She has been with HealthPartners since 1992 and has served as President and Chief Executive Officer since 2002. Prior to joining HealthPartners, Ms. Brainerd held senior level positions with Blue Cross and Blue Shield of Minnesota. Ms. Brainerd also serves on the boards of Minnesota Life/Securian, Minnesota Philanthropy Partners, Greater MSP, Alliance of Community Health Plans, and the Federal Reserve Bank of Minneapolis.

As the President and Chief Executive officer of HealthPartners, Inc., Ms. Brainerd brings significant business, operational and executive management expertise to the board. Her extensive experience within the healthcare industry permits her to contribute valuable strategic management and organizational development insight to the Company.

*David Dantzker, M.D.* (Class I) has been a director of the Company since January 2011. Dr. Dantzker has been a Partner at Wheatley MedTech Partners L.P., a venture capital fund, since 2001. He manages Wheatley's Life Science and Healthcare investments. From 1997 to 2000, Dr. Dantzker was President of North Shore-LIJ Health System, a large academic health care system. He also co-founded the North Shore-LIJ Research Institute to direct and coordinate basic science research for the North Shore-LIJ Health System. He is a former Chair of the American Board of Internal Medicine, the largest physician-certifying board in the United States. Dr. Dantzker served on the board of directors of Datascope Corp. from January 2008 until its sale in January 2009. Dr. Dantzker holds a B.A. in Biology from New York University, and received his M.D. from the State University of New York at Buffalo School of Medicine. Dr. Dantzker sits on the boards of several Wheatley MedTech portfolio companies including Oligomerix, Inc., Care Management Technologies and Visionsense, Ltd. (all of which are private companies). He also serves on the board of iSonea Limited, a public company traded on the Australian Securities Exchange. Dr. Dantzker has also served on the faculty and in leadership positions of four major research-oriented medical schools, has authored or co-authored 130 research papers and five textbooks and is an internationally recognized expert in the area of pulmonary medicine and critical care.

His extensive management experience in a variety of roles, and board and board committee leadership experience, as well as his extensive knowledge of the medical industry, enable Dr. Dantzker to provide the Company with valuable financial and executive insights.

*Gerald B. Fischer* (Class II) has been a director of the Company since 2002. Mr. Fischer is President Emeritus of the University of Minnesota Foundation, a foundation dedicated to advancing the mission of the University of Minnesota, and served as its President and Chief Executive Officer from 1990 through August 2008, and as Vice President, Senior Philanthropy Advisor from August 2008 until December 2010. From 1985 to 1989, Mr. Fischer was with First Bank System, now U.S. Bancorp, serving as Executive Vice President, Chief Financial Officer and Treasurer. Previous to that, he spent 18 years in various finance positions at Ford Motor Company and its affiliates.

Mr. Fischer brings many years of leadership, strategic planning and governance experience to the board. His financial expertise, experience in the oversight of risk management and perspectives on financial markets provides valuable insight to the Company. Mr. Fischer qualifies as an audit committee financial expert as defined by SEC rules.

*Susan E. Knight* (Class III) has been a director of the Company since 2008. Since 2011, Ms. Knight has served as Senior Vice President and Chief Financial Officer of MTS Systems Corporation, a leading global supplier of test systems and industrial position sensors, having served as Vice President and Chief Financial Officer at MTS Systems Corporation since 2001. Prior to her position with MTS Systems, from 1977 to 2001, Ms. Knight served in various executive and management positions with Honeywell Inc., last serving as the Chief Financial Officer of the global Home and Building Controls division. Ms. Knight also serves on the board of the Greater Metropolitan Housing Corporation. Ms. Knight also served on the board of Plato Learning, Inc., from 2006 to 2010, where she served on the Audit Committee, including as Chair from 2009 to 2010, and on the Governance and Nominating and a Special Committee from 2009 to 2010.

As the Chief Financial Officer of MTS Systems Corporation, Ms. Knight brings significant audit, financial reporting, corporate finance and risk management experience to the board. She has extensive understanding of the board's role and responsibilities based on her prior service on the board of another public company. Ms. Knight serves as the chair of our Audit Committee and qualifies as an audit committee financial expert as defined by SEC rules.

*Gary R. Maharaj* (Class I) has served as a director and our President and Chief Executive Officer since December 2010. Prior to joining SurModics, Mr. Maharaj served as President and Chief Executive Officer of Arizant Inc., a provider of patient temperature management systems in hospital operating rooms, from 2006 to 2010. Previously, Mr. Maharaj served in several senior level management positions for Augustine Medical, Inc. (predecessor to Arizant Inc.) from 1996 to 2006, including Vice President of Marketing, and Vice President of

Research and Development. During his over 25 years in the medical device industry, Mr. Maharaj has also served in various management and research positions for the orthopedic implant and rehabilitation divisions of Smith & Nephew, PLC. Mr. Maharaj holds an M.B.A. from the University of Minnesota's Carlson School of Management, an M.S. in biomedical engineering from the University of Texas at Arlington and the University of Texas Southwestern Medical Center at Dallas, and a B.Sc. in Physics from the University of the West Indies.

Mr. Maharaj brings to the board strong experience in the medical technology industry, as well as leadership, strategic planning, and operating experience gained as a chief executive officer of a medical technology company.

*Scott R. Ward* (Class I) has been a director of the Company since 2010. Since 2013, Mr. Ward has been a Managing Director at SightLine Partners LLC and, since 2011, Mr. Ward has been President of Raymond Holdings, a firm with activities in venture capital, strategy and transactional advisory services. He has over 30 years of experience in the healthcare industry, including 15 years as an operating business leader. From 1981 until 2010, he served in a variety of senior leadership positions at Medtronic, Inc. From 2007 to 2010, he was Senior Vice President and President of Medtronic's CardioVascular business where he was responsible for all of the worldwide operations of that business, including the Coronary, Peripheral, Endovascular, Structural Heart Disease (SHD) and Revascularization and Surgical Therapies (RST) businesses. Prior to that, Mr. Ward served as Senior Vice President and President of Medtronic Neurological and Diabetes, with responsibility for the global Neurological, Neurologic Technologies, Diabetes, Gastroenterology and Urology businesses; Vice President and General Manager of the Medtronic Drug Delivery Business; and Director of Medtronic NeuroVentures. Mr. Ward serves on the board of Cardiovascular Systems, Inc., and from 2008 to 2013, he served on the board of MAP Pharmaceuticals, Inc., including as chair from 2011 to 2013. He also serves on the board of Gillette Children's Specialty Healthcare (as chair), and several private medical technology companies, including Creganna-Tactx Medical (as chair), iScience Interventional, Inc., and Respicardia, Inc. He received his Bachelor's Degree in Genetics and Cell Biology in 1981, and his Masters Degree in Toxicology in 1983, both from the University of Minnesota.

As a former senior executive in the medical device industry, Mr. Ward brings to the board leadership, strategic planning, mergers and acquisitions and operating experience from a large, diversified medical technology company. He also serves on the board of another public company.

The Board of Directors unanimously recommends that the shareholders vote **FOR** the election of each of the Board's nominees and to set the Board at eight directors.

#### **DIRECTOR COMPENSATION**

The Company's Board Compensation Policy provides cash and equity compensation to our non-employee directors for their service on the Board and its committees as discussed below.

*Cash Compensation.* Each of our non-employee directors is paid an annual retainer of \$35,000. Our non-employee directors are also eligible to receive additional annual retainers as follows:

the chair of the Board will receive an additional annual cash retainer of \$35,000;

the chair of the Audit Committee will receive an additional annual cash retainer of \$15,000, and the non-chair members of that committee will receive an additional annual cash retainer of \$6,000;

the chair of the Organization and Compensation Committee will receive an additional annual cash retainer of \$8,500, and the non-chair members of that committee will receive an additional annual cash retainer of \$4,500; and

the chair of the Corporate Governance and Nominating Committee will receive an additional annual cash retainer of \$6,500, and the non-chair members of that committee will receive an additional annual cash retainer of \$3,500.

The cash retainers are paid quarterly following the completion of each calendar quarter. Furthermore, the cash retainers are reduced by 25% if a non-employee director does not attend at least 75% of the total meetings of the Board and board committees on which such director served during the year.

*Equity Compensation.* In addition to the cash compensation described above, each of our non-employee directors also receive stock awards as compensation for their service on the Board. Upon a director's initial election or appointment to the Board, such director will be awarded an equity grant having a value of \$60,000, one-half of such award will be in the form of a nonqualified stock option to purchase shares of the Company's common stock (as estimated using the black-scholes option pricing model as of the date of the grant) and the other half will be in the form of restricted stock units (RSUs). Additionally, on the date of the Board's first regularly scheduled meeting during each fiscal year, each non-employee director will be awarded an equity grant having a value of \$60,000 (on a pro-rata basis for directors who served on the Board for less than the entire preceding fiscal year), one-half of such award will be in the form of stock options and the other half will be in the form of RSUs. Each RSU grant will vest annually in equal increments, beginning on the first anniversary of the date of grant (except for RSUs granted in lieu of cash compensation as discussed below which are fully vested on the date of grant).

*Stock in Lieu of Cash Compensation.* A director may elect annually to receive all or a portion of their cash retainers in the form of RSUs. The RSU award will be granted on the date any regular annual cash retainer would have otherwise been paid and the number of units covered by such award will be determined using the fair market value of the Company's common stock on such date. Each such RSU award would be settled in shares of the Company's common stock after the non-employee director leaves the Board.

*Dividend Equivalents.* To the extent the Company pays a dividend, each non-employee director will have the right to receive dividend equivalents for each RSU held by such director on the record date for the payment of such dividend. The dividend equivalents will be treated as reinvested in an additional number of RSUs which will be determined by dividing (a) the cash amount of any such dividend that would have been paid if the RSUs held by the director were outstanding shares of Company stock by (b) the fair market value of the Company's common stock (i.e., the closing price) on the applicable dividend payment date.

*Non-Employee Director Stock Ownership.* The Board of Directors has established equity ownership guidelines for all non-employee directors. For a description of the equity ownership guidelines, see *Corporate Governance - Equity Ownership Guidelines*.

### Summary of Fiscal 2013 Director Compensation

The Director Compensation table below reflects all compensation awarded to, earned by or paid to the Company's non-employee directors during fiscal 2013. Compensation for Gary R. Maharaj, our President and Chief Executive Officer, is set forth below under the heading Executive Compensation and Other Information.

*Other Compensation.* All non-employee directors are reimbursed for their reasonable travel-related expenses incurred in attending board and committee meetings. Additionally, in connection with his service as our Board Chair, which will become effective at the conclusion of the Annual Meeting, the Company will make available to Mr. Ward, on a part-time basis, an administrative assistant.

Name	Fees	Stock	Option	Total
	Earned or Paid in Cash(1)	Awards (2)(4)	Awards(3)(4)	
Robert C. Buhrmaster	\$ 70,000	\$ 30,000	\$ 30,000	\$ 130,000
Susan E. Knight	\$ 53,500	\$ 30,000	\$ 30,000	\$ 113,500
José H. Bedoya	\$ 11,875	\$ 65,625	\$ 30,000	\$ 107,500
John W. Benson	\$ 11,750	\$ 65,250	\$ 30,000	\$ 107,000
Mary K. Brainerd	\$ 11,375	\$ 64,125	\$ 30,000	\$ 105,500
David R. Dantzker, M.D	\$ 11,125	\$ 63,375	\$ 30,000	\$ 104,500
Gerald B. Fischer	\$ 44,500	\$ 30,000	\$ 30,000	\$ 104,500
Scott R. Ward .	\$ 43,000	\$ 30,000	\$ 30,000	\$ 103,000



- (1) Represents the amount of cash retainers earned by or paid to directors in fiscal 2013 for Board and committee service. Pursuant to our Board Compensation Policy, Ms. Brainerd, Mr. Bedoya, Mr. Benson, and Dr. Dantzker elected to receive all of their cash compensation earned during tax year 2013 in the form of RSUs. The portion of the cash retainers paid to each such director in the form of RSUs is shown in the column Stock Awards.
  
- (2) Reflects the aggregate grant date fair value dollar amount of restricted stock units granted in fiscal 2013 computed in accordance with Accounting Standards