

CARDIOGENESIS CORP /CA

Form PRE 14A

April 08, 2003

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**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO. \_\_)

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- x Preliminary Proxy Statement
- o Definitive Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o Definitive Additional Materials
- o Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

**CardioGenesis Corporation**  
**(formerly known as Eclipse Surgical Technologies, Inc.)**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x Fee not required.
- o 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:

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

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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o Fee paid previously with preliminary materials.

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o 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:

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

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(3) Filing Party:

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(4) Date Filed:

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**CARDIOGENESIS CORPORATION**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held Wednesday, May 21, 2003**

To the Shareholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of CardioGenesis Corporation (formerly known as Eclipse Surgical Technologies, Inc.), a California corporation ( CardioGenesis ), will be held on Wednesday, May 21, 2003, at 11:00 a.m. Pacific Daylight Time, at CardioGenesis corporate headquarters, located at 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610 for the following purposes:

1. To elect four (4) directors to serve until the next Annual Meeting of Shareholders or until their successors are elected and qualified.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent auditors of CardioGenesis for the fiscal year ending December 31, 2003.
3. To approve an amendment to the Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 75,000,000 and increase the total number of shares of all classes of stock CardioGenesis is authorized to issue.
4. To approve an amendment to the Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 1,500,000 shares.
5. To approve an amendment to the Employee Stock Purchase Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 150,000 shares.
6. To transact such other business as may properly come before the meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on April 2, 2003 are entitled to notice of and to vote at the meeting and any subsequent adjournment or postponement of the meeting.

All shareholders are cordially invited to attend the meeting in person. **However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose.** Shareholders attending the meeting may vote in person even if they have returned a proxy.

Sincerely,

DARRELL ECKSTEIN  
*Secretary*

Foothill Ranch, California  
April 18, 2003

**YOUR VOTE IS IMPORTANT.**

**IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.**

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**CARDIOGENESIS CORPORATION**  

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**PROXY STATEMENT FOR 2003**  
**ANNUAL MEETING OF SHAREHOLDERS**  

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

This Proxy Statement is furnished to the shareholders of CARDIOGENESIS CORPORATION (formerly known as Eclipse Surgical Technologies, Inc.), a California corporation ( CardioGenesis ), in connection with the solicitation of proxies on behalf of the Board of Directors of CardioGenesis for use at the 2003 Annual Meeting of Shareholders ( 2003 Annual Meeting ) to be held Wednesday, May 21, 2003, at 11:00 a.m. Pacific Daylight Time, and at any subsequent adjournment or postponement of the 2003 Annual Meeting, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The 2003 Annual Meeting will be held at CardioGenesis corporate headquarters, located at 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610. The telephone number of CardioGenesis is (714) 649-5000.

Our Annual Report to Shareholders for the year ended December 31, 2002, including financial statements, and these proxy materials was first mailed on or about April 23, 2003 to all shareholders entitled to vote at the meeting.

**Record Date and Voting Securities**

Only shareholders of record at the close of business on April 2, 2003 are entitled to notice of and to vote at the 2003 Annual Meeting. We have one series of Common Shares outstanding, no par value (the Common Stock ). On April 2, 2003, 37,120,925 shares of our Common Stock were issued and outstanding and held of record by 206 registered shareholders.

**Voting**

Each shareholder is entitled to one vote for each share of Common Stock held on the record date of April 2, 2003. Every shareholder voting for the election of directors (Proposal One) may cumulate votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares that the shareholder is entitled to vote, or distribute votes on the same principle among as many candidates as the shareholder may select. However, votes cannot be cast for more than four candidates. No shareholder is entitled to cumulate votes for a particular candidate unless that candidate s name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the meeting, before the voting, of his intention to cumulate votes. On all other matters, each share of Common Stock has one vote. A quorum, representing the holders of a majority of the outstanding shares of Common Stock on the record date, must be present or represented for the transaction of business at the 2003 Annual Meeting. Abstentions and broker nonvotes will be counted in establishing the quorum.

**Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by (a) delivering to the Secretary of CardioGenesis a written notice of revocation or a duly executed proxy bearing a later date or (b) attending the meeting and voting in person.

**Solicitation Expenses**

This solicitation of proxies is made by us and all related costs will be borne by us. We may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to those beneficial owners. Proxies may also be solicited by certain of our directors,

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officers and regular employees, without additional compensation, personally, by telephone or by telegram. Except as described above, we do not presently intend to solicit proxies other than by mail.

**Deadline for Shareholder Proposals**

We currently intend to hold our 2004 Annual Meeting of Shareholders in late-May 2004 and to mail proxy statements relating to such meeting in late-April 2004. Shareholders interested in presenting a proposal for consideration at CardioGenesis 2004 Annual Meeting of Shareholders may do so by following the procedures prescribed by Rule 14a-8 under the Securities Exchange Act of 1934 and CardioGenesis Bylaws. To be eligible for inclusion in the proxy statement and proxy card mailed to shareholders by CardioGenesis, shareholder proposals must be submitted no later than December 19, 2003 to CardioGenesis Corporation at 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610, Attention: Secretary. Shareholders who intend to present a proposal at the 2004 Annual Meeting of Shareholders, without including such proposal in CardioGenesis proxy statement, must provide CardioGenesis Secretary with written notice of such proposal no later than March 3, 2004. If the shareholder does not also comply with the requirements of Rule 14a-4 under the Securities Exchange Act of 1934, CardioGenesis may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgement on any such stockholder proposal or nomination.

**Table of Contents****PROPOSAL ONE****ELECTION OF DIRECTORS****Nominees**

We currently have five (5) directors. Jack M. Gill, a member of the Board of Directors since March 1999, has decided not to stand for reelection and our bylaws have been amended to reduce the authorized number of directors so that four (4) directors will be elected at the 2003 Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for our four nominees named below, all of whom are presently directors of CardioGenesis. If any of our nominees is unable or declines to serve as a director at the time of the 2003 Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. We are not aware of any nominee who will be unable or who will decline to serve as a director. If additional individuals are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner (in accordance with cumulative voting) that will assure the election of as many of the nominees listed below as possible. In that event, the specific nominees to be voted for will be determined by the proxy holders. The term of office for each person elected as a director will continue until the 2004 Annual Meeting of Shareholders or until a successor has been duly elected and qualified.

**Vote Required**

If a quorum is present and voting, the four nominees receiving the highest number of affirmative votes will be elected to the Board of Directors. Abstentions and broker nonvotes are not counted in the election of directors.

**Nominees**

The names of the nominees and certain information about them as of March 31, 2003 is set forth below:

Name	Age	Position
Michael J. Quinn	59	Chairman of the Board and Chief Executive Officer
Joseph R. Kletzel, II(2)(3)	53	Director
Robert L. Mortensen(1)(2)(3)	68	Director
Robert C. Strauss(1)(2)	61	Director

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating Committee

All Directors hold office until the next annual meeting of the shareholders or until their successors have been elected and qualified. Officers serve at the discretion of our Board of Directors and are appointed annually. There are no family relationships between any of our directors or officers.

*Michael J. Quinn* has served as our Chief Executive Officer, Chairman of the Board and Director since October 2000 and also President from October 2000 to May 2002. From November 1999 to September 2000, Mr. Quinn served as Chief Executive Officer, President and a member of the Board of Directors for Premier Laser Systems, a manufacturer of surgical and dental products. From January 1999 to November 1999, Mr. Quinn served as President and Chief Operating Officer of Imagyn Medical Technologies, Inc., a manufacturer of minimally invasive surgical specialty products. From 1995 through December 1997, Mr. Quinn served as President and Chief Operating Officer of Fisher Scientific Company. Prior to 1995, Mr. Quinn held senior operating management positions at major healthcare organizations including American Hospital Supply Corporation, Picker International, Cardinal Health Group and Bergen Brunswig. Mr. Quinn received a Bachelor of Arts degree in from University of Buffalo.



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*Joseph R. Kletzel, II* became a member of the Board in September 2001. From 1998 to 2002, Mr. Kletzel served as Chief Operating Officer for Advanced Tissue Sciences in La Jolla, California, where he was responsible for the daily operations, as well as all aspects of product & clinical research and development, the management of strategic alliances, regulatory and information technology functions. Mr. Kletzel's most previous positions include President of the Research Division of Fisher Scientific International in Pittsburgh, Pennsylvania from 1996-1998 and President and COO of Devon Industries in Chatsworth, California from 1992-1996. He received his BS in Biology at Villanova University and is a retired Captain from the U.S. Marine Corps.

*Robert L. Mortensen* has served as one of our directors since April 1992. Mr. Mortensen is a member of the Board of Directors of Lightwave Electronics Corporation a solid-state laser company that he founded in 1984 and until 2001 was either President or Chairman of the Board of that company. Mr. Mortensen holds an M.B.A. from Harvard University.

*Robert C. Strauss* has been one of our directors since March 1999. Mr. Strauss formerly served on the Board of Directors of the former CardioGenesis Corporation from December 1997 to March 1999. Mr. Strauss has served as President, Chief Executive Officer and Chairman of the Board of Noven Pharmaceuticals, Inc. since December 1997. From March 1997 to July 1997, Mr. Strauss served as President and Chief Operating Officer of IVAX Corporation, a pharmaceutical company. In 1983, Mr. Strauss joined Cordis Corporation, a medical device company, as Chief Financial Officer. From February 1987 to February 1997, he served as President and Chief Executive Officer of Cordis Corporation and in 1995, Mr. Strauss was named Chairman of the Board. Mr. Strauss serves on the board of trustees for the University of Miami and holds positions on the board of directors of several public companies. Mr. Strauss received his Bachelor of Science degree in Engineering Physics from the University of Illinois and his Master of Science in Physics from the University of Idaho.

## **Attendance at Meetings**

Our Board of Directors held a total of 7 meetings during 2002. Of the total number of meetings of the Board of Directors held in 2002, all directors attended at least 75% of the meetings held except for Jack M. Gill, who has elected not to run for re-election after the completion of his present term.

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. Of the total number of meetings of the Audit Committee, the Compensation Committee and the Nominating Committee, all directors who were members of those committees during 2002 attended at least 75% of the meetings held except for Jack M. Gill.

## **Audit Committee**

The Audit Committee of CardioGenesis Board of Directors is composed of three independent directors as that term is defined by the listing standards of the National Association of Securities Dealers, Inc. In 2002 the Audit Committee consisted of Robert L. Mortensen, Robert C. Strauss and Jack M. Gill and met four times.

This committee is primarily responsible for approving the services performed by our independent auditors and for reviewing and evaluating our accounting principles and CardioGenesis system of internal accounting controls. CardioGenesis Board of Directors has adopted a written charter for the audit committee. For additional information on the Audit Committee, see REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS.

## **Compensation Committee**

In 2002, the Compensation Committee consisted of Robert L. Mortensen, Robert C. Strauss and Joseph R. Kletzel, II and met two times. This committee reviews and approves our executive compensation policy and plan. For additional information on the Compensation Committee, see REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS.

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**Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity.

**Nominating Committee**

In 2002, the Nominating Committee consisted of Robert L. Mortensen, Jack M. Gill and Joseph R. Kletzel, II but did not meet. The Nominating Committee proposes nominees for election or reelection to the Board of Directors. Should a vacancy in the Board of Directors occur, the Nominating Committee will seek and nominate qualified individuals. The Nominating Committee will consider nominees for director whose names are timely submitted by holders of CardioGenesis Common Stock in writing addressed to the Chairman of the Nominating Committee accompanied by such information regarding the nominee as would be required under the rules of the Securities and Exchange Commission (the "SEC") were the shareholder soliciting proxies with regard to the election of such nominee.

**Director Compensation**

For serving on the Board of Directors, directors who are not compensated as our employees or as consultants to us receive fees of \$1,500 per board meeting and \$500 per committee meeting, provided such committee meeting does not occur on the same day as a board meeting. We also have a Director Stock Option Plan for non-employee directors. In 2002, directors Jack M. Gill, Joseph R. Kletzel, II, Robert C. Strauss and Robert L. Mortensen were each granted an option to purchase an aggregate of 25,500 shares of Common Stock upon re-election to our Board of Directors in May 2002.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote FOR the approval of the**

**four (4) nominees for the Board of Directors listed above.**

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**PROPOSAL TWO**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

Our Board of Directors has selected PricewaterhouseCoopers LLP ( PWC ), independent auditors, to audit our consolidated financial statements for the fiscal year ending December 31, 2003, and recommends that the shareholders vote for ratification of that appointment. Notwithstanding this selection, the Board of Directors, in its discretion, may direct the appointment of new independent auditors at any time during the year if the Board of Directors feels that such a change would be in the best interest of CardioGenesis and our shareholders. If there is a negative vote on ratification, our Board of Directors will reconsider its selection.

PWC has audited our financial statements annually since 1989. Representatives of PWC are expected to be present at the 2003 Annual Meeting with the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions.

**Audit Fees**

For the year ended December 31, 2002, PWC will charge CardioGenesis an aggregate of approximately \$103,000 for professional services rendered for the audit of CardioGenesis financial statements for such period and the review of the financial statements included in CardioGenesis Quarterly Reports on Form 10-Q during such period.

**Financial Information Systems Design and Implementation Fees**

PWC did not render professional services relating to financial information systems design and implementation for the fiscal year ended December 31, 2002.

**All Other Fees**

For the year ended December 31, 2002, PWC billed CardioGenesis an aggregate of approximately \$113,000 for tax services, filing of registration statements and other accounting advice.

**Vote Required**

The affirmative vote of a majority of the votes cast is required to ratify the Board of Director s selection. In addition, the affirmative votes must represent at least a majority of the required quorum. If the shareholders reject the nomination, our Board of Directors will reconsider its selection.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors.**

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**PROPOSAL THREE**

**APPROVAL OF AMENDMENTS TO CARDIOGENESIS  
RESTATED ARTICLES OF INCORPORATION  
TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF COMMON STOCK  
FROM 50,000,000 TO 75,000,000  
AND INCREASE THE TOTAL NUMBER OF SHARES OF ALL CLASSES OF STOCK  
CARDIOGENESIS IS AUTHORIZED TO ISSUE**

The Board of Directors has approved, and is recommending to the shareholders for approval at the 2003 Annual Meeting, amendments to Article Third of CardioGenesis Restated Articles of Incorporation (the Restated Articles ) (i) to increase the number of shares of Common Stock that CardioGenesis is authorized to issue from 50,000,000 to 75,000,000, and in connection therewith (ii) to increase the total number of shares of all classes of stock that the Company is authorized to issue from 55,000,000 to 80,000,000. The Board of Directors has determined that this amendment is advisable and should be considered at the 2003 Annual Meeting. The full text of the proposed amendments to the Restated Articles is set forth below. CardioGenesis is currently authorized to issue 50,000,000 shares of Common Stock, no par value per share, and 5,000,000 shares of Preferred Stock, no par value per share.

**Purposes and Effects of Proposed Amendments**

The proposed amendments would increase the number of shares of Common Stock that CardioGenesis is authorized to issue from 50,000,000 to 75,000,000. The additional 25,000,000 shares would become part of the existing class of Common Stock and, if and when issued, would have the same rights, privileges and preferences as the shares of Common Stock presently issued and outstanding. On April 2, 2003, 37,120,925 shares of our Common Stock were issued and outstanding and held of record by 206 registered shareholders. The Board of Directors believes it is desirable to increase the number of shares of Common Stock that the Company is authorized to issue to provide the Company with adequate authorized share capital for possible future issuances.

The issuance of additional shares of Common Stock might dilute, under certain circumstances, the ownership and voting rights of the shareholders. The proposed increase in the number of shares of Common Stock that the Company is authorized to issue is not intended to inhibit a change in control of CardioGenesis. The availability for issuance of additional shares of Common Stock could, however, discourage, or make more difficult, efforts to obtain control of CardioGenesis. For example, the issuance of shares of Common Stock in a public or private sale, merger or similar transaction would increase the number of outstanding shares, thereby possibly diluting the interest of a party attempting to obtain control of CardioGenesis. CardioGenesis is not aware of any pending or threatened efforts to acquire control of the CardioGenesis. Other than pursuant to a Purchase and Security Agreement entered into between CardioGenesis and Laurus Master Fund, Ltd. as of March 27, 2003, the related Convertible Note under which CardioGenesis agreed to reserve 5,000,000 shares of Common Stock for issuance and the related Common Stock Purchase Agreement exercisable for 275,000 shares of Common Stock, CardioGenesis has no plans to issue the additional shares.

**Amendments to Restated Articles of Incorporation**

If approved, the first paragraph of Article Third of the Restated Articles would be amended and restated as follows:

The Corporation is authorized to issue two classes of shares of no par value capital stock, which classes shall be designated as common stock and preferred stock. The total number of shares of capital stock which the Corporation shall have authority to issue shall be eighty million (80,000,000) shares, of which seventy-five million (75,000,000) shares shall be designated as common stock and five million (5,000,000) shares shall be designated as preferred stock.

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**Vote Required**

The affirmative vote of a majority of the outstanding shares entitled to vote at the 2003 Annual Meeting is required for approval of this Proposal.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote FOR the approval of the amendment to the Restated Articles to increase the number of shares of Common Stock authorized from 50,000,000 to 75,000,000 and increase the total number of shares of all classes of stock CardioGenesis is authorized to issue.**



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**PROPOSAL FOUR**

**AMENDMENT TO THE STOCK OPTION PLAN TO INCREASE THE NUMBER OF  
SHARES OF COMMON STOCK RESERVED FOR ISSUANCE BY 1,500,000 SHARES**

**Increase of 1,500,000 Shares of Common Stock**

The Stock Option Plan of CardioGenesis, as amended and restated in January 2002 (the "Option Plan"), was approved by the Board of Directors and the shareholders in April 1996. A total of 7,100,000 shares of Common Stock are currently reserved for issuance under the Option Plan. In March 2003, the Board of Directors approved a further increase of 1,500,000 shares of Common Stock issuable under the Option Plan, which, if approved by the shareholders, would increase the total shares of Common Stock reserved for issuance under the Option Plan since its inception to 8,600,000 shares. The Option Plan terminates on March 31, 2006. A summary of the principal terms of the Option Plan is located in *Appendix A* to this Proxy Statement.

The Board of Directors believes the requested increase in the shares of Common Stock reserved for issuance under the Option Plan is in the best interests of CardioGenesis. The Board of Directors believes that the increase will provide an adequate reserve of shares of Common Stock available for issuance under the Option Plan, which is necessary to enable CardioGenesis to compete successfully with other companies in attracting and retaining valuable employees and to expand its operations.

As of March 31, 2003, options to purchase 4,128,785 shares of Common Stock were unexercised and outstanding under the Option Plan. As of March 31, 2003, 332,572 shares of Common Stock remained available for future option grants under the Option Plan, excluding the proposed increase of 1,500,000 shares. The aggregate market value of the unexercised and outstanding options to purchase 4,128,785 shares of Common Stock under the Option Plan at March 31, 2003 was \$1,279,923 based on a closing price of \$0.31 on the Nasdaq SmallCap Market on that date. See the section entitled "Amended and New Plan Benefits" below for certain information with respect to options granted under the Option Plan in 2002.

**Vote Required**

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2003 Annual Meeting is required for approval of this Proposal.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote FOR the approval of the amendment to the Option Plan to increase the number of shares of Common Stock reserved for issuance by 1,500,000 shares.**

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**PROPOSAL FIVE**

**AMENDMENT TO THE 1996 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE  
THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE BY  
150,000 SHARES**

**Increase of 150,000 Shares of Common Stock**

The 1996 Employee Stock Purchase Plan of CardioGenesis (the Purchase Plan ) was approved by the Board of Directors and by the shareholders in April 1996. A total of 700,000 shares of Common Stock are currently reserved for issuance under the Purchase Plan. In March 2003, the Board of Directors approved a further increase of 150,000 shares of Common Stock issuable under the Purchase Plan, which, if approved by the shareholders, would increase the total shares reserved for issuance under the Purchase Plan since its inception to 850,000 shares. The Purchase Plan terminates in April 2006. A summary of the principal terms of the Purchase Plan is located in *Appendix B* to this Proxy Statement.

The Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code, permits eligible employees to purchase Common Stock through payroll deductions at a price equal to 85% of the fair market value of the Common Stock at the beginning or at the end of each offering period, whichever is lower. Qualified employees are eligible to participate at the beginning of the first day of an offering period after their first full calendar month of full time employment. As of March 31, 2003, a total of 547,111 shares of Common Stock had been purchased under the Purchase Plan and 152,889 shares remained available for future purchase under the Purchase Plan. See Amended and New Plan Benefits below for certain information with respect to participation in the Purchase Plan in 2002.

The Purchase Plan is voluntary and encourages and motivates employees to participate in CardioGenesis's future through direct stock ownership. The Board of Directors believes that the availability of a sufficient number of shares available for issuance under the Purchase Plan is integral to attract, retain and motivate qualified employees fundamental to the success of CardioGenesis. Subject to shareholder approval, the Board of Directors has amended the Purchase Plan to increase the number of shares of Common Stock reserved for issuance under the Purchase Plan from 700,000 shares to 850,000 shares.

**Vote Required**

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2003 Annual Meeting is required for approval of this Proposal.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote FOR the approval of the amendment to the 1996  
Employee Stock Purchase Plan to increase the number of shares of Common Stock reserved for  
issuance 150,000 shares.**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth as of March 31, 2003 (except as noted in the footnotes) certain information with respect to the beneficial ownership of our Common Stock by (i) each person known by us to own beneficially more than 5% of our outstanding shares of Common Stock; (ii) each of our directors; (iii) each of our named executive officers; and (iv) all directors and named executive officers as a group. Except as indicated in the footnotes to this table, the persons and entities named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	
	Number	Percentage Ownership
<b>5% Shareholders:</b>		
Perkins Capital Management, Inc. 730 East Lake Street Wayzata, MN 55391	4,709,700(2)	12.7%
<b>Directors:</b>		
Jack M. Gill	1,288,193(3)	3.5%
Joseph R. Kletzel, II	80,375(4)	*
Robert L. Mortensen	183,071(5)	*
Robert C. Strauss	110,375(6)	*
<b>Named Executive Officers:</b>		
Michael J. Quinn	1,167,934(7)(8)	3.1%
Darrell F. Eckstein	321,895(9)	*
Michael A. Tuckerman	90,599(10)	*
Richard P. Lanigan	324,715(11)	*
Christopher M. Owens	74,722(12)	*
All directors and officers as a group (10 persons)(13)	3,641,879	7.8%

\* Less than 1%.

- (1) Percentage ownership is based on 37,120,925 shares of Common Stock outstanding as of March 31, 2003.
- (2) The number of shares of Common Stock beneficially owned of record has been determined solely from information reported on a Schedule 13G as of February 3, 2003. This Schedule 13G indicates power to vote 1,360,100 shares and investment power over 4,709,700 shares.
- (3) Includes 110,375 of Common Stock subject to stock options held by Dr. Gill that are exercisable within 60 days of March 31, 2003.
- (4) Represents 80,375 shares of Common Stock subject to stock options held by Mr. Kletzel that are exercisable within 60 days of March 31, 2003.
- (5) Includes 156,875 shares of Common Stock subject to stock options held by Mr. Mortensen that are exercisable within 60 days of March 31, 2003.
- (6) Represents 110,375 shares of Common Stock subject to stock options held by Mr. Strauss that are exercisable within 60 days of March 31, 2003.
- (7)

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Michael J. Quinn is both a member of the Board of Directors and a Named Executive Officer in his positions as CardioGenesis Chief Executive Officer and Chairman of the Board.

- (8) Includes 1,054,284 shares of Common Stock subject to stock options held by Mr. Quinn that are exercisable within 60 days of March 31, 2003.

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- (9) Includes 313,855 shares of Common Stock subject to stock options held by Mr. Eckstein that are exercisable within 60 days of March 31, 2003.
- (10) Represents 90,599 shares of Common Stock subject to stock options held by Mr. Tuckerman that are exercisable within 60 days of March 31, 2003.
- (11) Includes 289,132 shares of Common Stock subject to stock options held by Mr. Lanigan that are exercisable within 60 days of March 31, 2003.
- (12) Represents 72,222 shares of Common Stock subject to stock options held by Mr. Owens that are exercisable within 60 days of March 31, 2003. Because as of January 2003, Mr. Owens is no longer employed by CardioGenesis, beneficial ownership amounts shown may only be accurate as of such date.
- (13) Includes options to purchase an aggregate of 2,444,068 shares of Common Stock held by all officers and directors as a group exercisable within 60 days of March 31, 2003.

**Table of Contents****MANAGEMENT****Executive Officers**

The following table and discussion sets forth information with respect to CardioGenesis' current executive officers (the "Current Executive Officers").

Name	Age	Position
Michael J. Quinn	59	Chief Executive Officer and Chairman of the Board
Darrell F. Eckstein	45	President, Chief Operating Officer, Acting Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary
Richard P. Lanigan	44	Vice President of Government Affairs and Business Development
Henry R. Rossell, Jr.	47	Senior Vice President of Worldwide Sales and Marketing

Biographical information for *Michael J. Quinn* is set forth above under Proposal One for the Election of Directors.

*Darrell F. Eckstein* has served as our President and Chief Operating Officer since May 2002, in addition to serving as Acting Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary since January 2002. Mr. Eckstein served as our Vice President of Operations from December 2000 to January 2002. From 1996 to 2000 he served as Vice President and General Manager of the Surgical Products Division of Imagyn Medical Technologies, a manufacturer of minimally invasive surgical specialty products. From 1995 to 1996, Mr. Eckstein was Vice President of Finance, Chief Financial Officer and an Executive Committee member of Richard-Allen Medical Industries Inc., a medical devices company. From 1991 to 1995, Mr. Eckstein was Vice President of Finance, Chief Financial Officer and an Executive Committee member of National Emergency Services Inc., a health care services company that provides physician contract management, medical billing and insurance services. Prior to 1991, Mr. Eckstein worked for Deloitte and Touche, most recently as a Senior Audit Manager, for 11 years. He received his Bachelor of Science degree in Accounting from Indiana University.

*Richard P. Lanigan* has been our Vice President of Government Affairs and Business Development since March 2001, Vice President of Sales and Marketing since March 2000 and Director of Marketing since 1997. From 1992 to 1997, Mr. Lanigan served in various positions, most recently Marketing Manager, at Stryker Endoscopy. From 1987 to 1992, Mr. Lanigan served in Manufacturing and Operations management at Raychem Corporation. From 1981 to 1987, he served in the U.S. Navy where he completed six years of service as Lieutenant in the Supply Corps. Mr. Lanigan has a Bachelors of Arts in Finance from Notre Dame and a Masters degree in Systems Management from the University of Southern California.

*Henry R. Rossell, Jr.* has been our Senior Vice President of Worldwide Sales and Marketing since January 2003. From 1999 to 2002, Mr. Rossell served as Senior Vice-President, Sales and Marketing, Surgical Products Division at Imagyn Medical Technologies, Inc. From 1998 to 1999, he served as Vice President of the Education Services Group at Medascend, Inc. From 1994 to 1998, Mr. Rossell served as Vice President of Sales at Deknatel Snowden-Pencer and at Genzyme Surgical Products following the acquisition of Deknatel by Genzyme. Prior to Genzyme, Mr. Rossell spent 17 years in several sales management positions at Baxter Healthcare International where his most recently held position was Area Vice President, Corporate Sales and Marketing. Mr. Rossell has a Bachelors of Arts in History from Duke University.

**EXECUTIVE COMPENSATION AND OTHER MATTERS****Employment Contracts of Executive Officers**

Michael J. Quinn entered into an employment agreement with CardioGenesis on September 27, 2001 which was on July 3, 2002. Mr. Quinn's employment agreement provides for an annual salary of \$369,930, subject to annual review and increase at the discretion of the Board of Directors. Mr. Quinn may also be

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entitled to receive (i) an annual bonus, the amount of which shall be determined by the Board of Directors, not to exceed 50% of Mr. Quinn's annual salary, and (ii) options or other rights to acquire CardioGenesis Common Stock, under terms and conditions determined by the Compensation Committee of the Board of Directors. Mr. Quinn's employment agreement provides that his employment is for an initial term of three years, which automatically renews for one year terms after the initial term unless terminated in writing thirty days prior to the commencement of a new one year term. Mr. Quinn may be terminated at any time with or without cause subject to certain termination provisions. Mr. Quinn's employment agreement was filed as Exhibit 10.11 of CardioGenesis annual report on Form 10-K on April 16, 2002 and the Amendment No. 1 to Employment Agreement was filed as Exhibit 10.10 to CardioGenesis annual report on Form 10-K filed on March 31, 2003.

Darrell F. Eckstein entered into an employment agreement with CardioGenesis effective June 1, 2002. The employment agreement provides for an annual salary of \$277,725, subject to annual review and increase at the discretion of the Board of Directors. Mr. Eckstein may also be entitled to receive (i) an annual bonus, the amount of which shall be determined by the Board of Directors, not to exceed 40% of Mr. Eckstein's annual salary, and (ii) options or other rights to acquire CardioGenesis Common Stock, under terms and conditions determined by the Compensation Committee of the Board of Directors. Mr. Eckstein's employment agreement, provides that his employment is for an initial term of 18 months, which automatically renews for one year terms after the initial term unless terminated in writing 30 days prior to the commencement of a new one year term. Mr. Eckstein may be terminated at any time with or without cause subject to certain termination provisions. Mr. Eckstein's employment agreement was filed as Exhibit 10.12 of CardioGenesis quarterly report on Form 10-Q on August 14, 2002.

**Executive Officer Compensation**

The following table sets forth information concerning the annual and long-term compensation for services rendered in all capacities to CardioGenesis for the fiscal year ended 2002 by (i) the individual who served as CardioGenesis Chief Executive Officer, (ii) the four most highly compensated executive officers having compensation of at least \$100,000 or more serving at the end of the fiscal year 2002, and (iii) two additional individuals who served as executive officers for CardioGenesis during the fiscal year 2002 but were not employed as executive officers at the end of the fiscal year 2002 (collectively, the Named Executive Officers).

**Table of Contents****SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Fiscal Year</b>	<b>Annual Compensation</b>		<b>Other Annual Compensation (\$)</b>	<b>Long Term Compensation Awards</b>
		<b>Salary (\$)</b>	<b>Bonus (\$)</b>		<b>Securities Underlying Options/SARs (#)</b>
Michael J. Quinn	2002	\$ 369,930			75,000
Chief Executive Officer and Chairman of the Board	2001	330,000		36,258(1)	200,000
	2000	66,000		15,217(1)	700,000
Darrell F. Eckstein	2002	266,148			50,000
President, Chief Operating Officer and Acting Chief Financial Officer	2001	227,596		26,487(2)	50,000
	2000(3)				100,000
Michael A. Tuckerman	2002	301,921			75,000