

CARDIOGENESIS CORP /CA

Form DEF 14A

April 26, 2002

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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 []

Check the appropriate box:

[] Preliminary Proxy Statement
 [X] Definitive
Proxy
Statement []
Confidential, for
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Rule 14a-6(e)(2)) []
Definitive
Additional
Materials []
Soliciting
Material Pursuant
to sec.
240.14a-11(c) or
sec. 240.14a-12

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

[X] Fee not required.
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and 0-11.
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(2) Aggregate
number of
securities to
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applies:

(3) Per unit
price or other
underlying value
of transaction
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pursuant to
Exchange Act
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forth the amount
on which the
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state how it was
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(4) Proposed
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paid:

Fee paid
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materials. Check
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Exchange Act
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and identify the
filing for which
the offsetting fee
was paid
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Identify the
previous filing by
registration
statement
number, or the
Form or Schedule
and the date of its
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(1) Amount
Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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CARDIOGENESIS CORPORATION

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held Friday, May 31, 2002**

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 Friday, May 31, 2002, at 2:00 p.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 five (5) 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, 2002.
3. 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.
4. To approve an amendment to the Director Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 250,000 shares.
5. 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 19, 2002, 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 F. ECKSTEIN
Secretary

Foothill Ranch, California
May 3, 2002

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

**PROXY STATEMENT FOR 2002
ANNUAL MEETING OF SHAREHOLDERS**

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 2002 Annual Meeting of Shareholders (2002 Annual Meeting) to be held Friday, May 31, 2002, at 2:00 p.m. Pacific Daylight Time, and at any subsequent adjournment or postponement of the 2002 Annual Meeting, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The 2002 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, 2001, including financial statements, and these proxy materials were first mailed on or about May 3, 2002 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 19, 2002 are entitled to notice of and to vote at the 2002 Annual Meeting. We have one series of Common Shares outstanding, no par value (the Common Stock). On April 19, 2002, 36,977,213 shares of our Common Stock were issued and outstanding and held of record by 205 registered shareholders.

Voting

Each shareholder is entitled to one vote for each share of Common Stock held on the record date of April 19, 2002. 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 five (5) 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 2002 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 2003 Annual Meeting of Shareholders in late-May 2003 and to mail proxy statements relating to such meeting in late-April 2003. Shareholders interested in presenting a proposal for consideration at CardioGenesis 2003 Annual Meeting of Shareholders may do so by following the procedures prescribed by Rule 14a-8 under the Securities 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 21, 2002 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 2003 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 February 28, 2003.

PROPOSAL ONE

ELECTION OF DIRECTORS

Nominees

We currently have five (5) directors. A board of five (5) directors is to be elected at the 2002 Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for our five (5) 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 2002 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 2003 Annual Meeting of Shareholders or until a successor has been duly elected and qualified.

Vote Required

If a quorum is present and voting, the five (5) 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, 2002 is set forth below:

| Name | Age | Position |
|------------------------------|-----|--|
| Michael J. Quinn | 57 | Chairman of the Board, President and Chief Executive Officer |
| Jack M. Gill, Ph.D.(1)(3) | 66 | Director |
| Joseph R. Kletzel, II(2)(3) | 52 | Director |
| Robert L. Mortensen(1)(2)(3) | 67 | Director |
| Robert C. Strauss(1)(2) | 60 | Director |

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating Committee

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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, President, Chairman of the Board and Director since October 2000. 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 1998 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.

Jack M. Gill, Ph.D. has been one of our directors since March 1999. Dr. Gill formerly served as Chairman of the Board of Directors of the former CardioGenesis Corporation from November 1993 to March 1999. Dr. Gill is a founding general partner of Vanguard Venture Partners and has served in such capacity since 1981. Dr. Gill is a director of a number of privately held medical device companies. Dr. Gill received his B.S. degree in Engineering from Lamar University and his Ph.D. in Organic Chemistry from Indiana University. Dr. Gill now lives in Boston and is a faculty member at Harvard Medical School.

Joseph R. Kletzel, II became a member of the Board in September 2001. Mr. Kletzel serves as Chief Operating Officer for Advanced Tissue Sciences in La Jolla, California, where he is responsible for the day-to-day operations, as well as all aspects of product & clinical research and development, the management of strategic alliances, regulatory and IT functions. Mr. Kletzel's most previous positions include President 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 has been a member of the Board of Directors of Lightwave Electronics Corporation a solid-state laser company that he founded since 1984 and until recently 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 6 meetings during 2001. Of the total number of meetings of the Board of Directors held in 2001, all directors attended at least 75% of the meetings held. Dr. Kaganov resigned from the Board of Directors effective July 15, 2001 and was subsequently replaced by Joseph R. Kletzel, II at the next meeting of the Board of Directors on September 5, 2001.

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

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Nominating Committee, all directors which were members of those committees during 2001 attended at least 75% of the meetings held.

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 2001, the Audit Committee consisted of Robert L. Mortensen and Robert C. Strauss prior to the appointment of Jack M. Gill on June 13, 2001 and met one (1) time.

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. For additional information on the Audit Committee, see REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS.

Compensation Committee

In 2001, the Compensation Committee consisted of Robert L. Mortensen and Robert C. Strauss prior to the appointment of Joseph R. Kletzel, II in November 2001 and met four (4) 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.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of our Board of Directors for the year ended December 31, 2001 consisted of Robert L. Mortensen, Robert C. Strauss and Joseph R. Kletzel, II. 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 November 2001, the Board of Directors created a standing Nominating Committee consisting of Robert L. Mortensen, Jack M. Gill and Joseph R. Kletzel, II, which did not meet in 2001. 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 Nominating Committee accompanied by such information regarding the nominee as would be required under the rules of the Securities and Exchange Commission were the stockholder 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 fiscal year 2001, directors Jack M. Gill, Robert C. Strauss, Alan L. Kaganov and Robert L. Mortensen were each granted an option to purchase an aggregate of 7,500 shares of Common Stock upon re-election to our Board of Directors in June 2001. In September 2001, Joseph R. Kletzel, II was granted an option to purchase an aggregate of 57,000 shares of Common Stock of which 22,500 shares were granted upon election to our Board of Directors due to the vacancy created by the resignation of Alan L. Kaganov. In the same month, directors Jack M. Gill, Robert C. Strauss and Robert L. Mortensen were each granted an option to purchase an aggregate of 49,500 shares of Common Stock.

Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE FIVE (5) 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, 2002, 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 2002 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, 2001, PWC, CardioGenesis independent public accountants, will charge CardioGenesis approximately an aggregate of \$105,990 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, 2001.

All Other Fees

For the year ended December 31, 2001, PWC billed CardioGenesis an aggregate of \$106,479 in connection with 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.

PROPOSAL THREE

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 5,600,000 shares of Common Stock are currently reserved for issuance under the Option Plan. In April 2002, 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 7,100,000 shares. The Option Plan terminates on

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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, 2002, options to purchase 2,632,173 shares of Common Stock were unexercised and outstanding under the Option Plan. As of March 31, 2002, 329,184 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 2,632,173 shares of Common Stock under the Option Plan at March 31, 2002 was \$3,237,573 based on a closing price of \$1.23 on the Nasdaq National 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 2001.

Vote Required

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2002 Annual Meeting is required for approval of this Proposal.

Recommendation

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 THEREUNDER BY 1,500,000 SHARES.

PROPOSAL FOUR

AMENDMENT TO THE DIRECTOR STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE BY 250,000 SHARES

Increase of 250,000 Shares of Common Stock

The Director Stock Option Plan of CardioGenesis, as amended and restated January 2002 (the *Director Plan*) was approved by the Board of Directors and by the shareholders in April 1996. A total of 325,000 shares of Common Stock are currently reserved for issuance under the Director Plan. In April 2002, the Board of Directors approved a further increase of 250,000 shares of Common Stock issuable under the Director Plan, which, if approved by the shareholders, would increase the total shares reserved for issuance under the Director Plan since its inception to 575,000 shares. The Director Plan terminates in April 2006. A summary of the principal terms of the Director Plan is located in *Appendix B* to this Proxy Statement.

The Board believes that the availability of an adequate number of shares reserved for issuance under the Company's Director Plan is an important factor in attracting and retaining experienced and qualified persons to serve on the Company's Board of Directors. The Board also believes that the Director Plan works to align the financial interests of the Board members with those of the Company's shareholders. Therefore, subject to shareholder approval, the Board has amended the Director Plan to increase the number of shares reserved for issuance under the Director Plan by 250,000 shares.

Under the Director Plan, each new nonemployee director automatically receives a nonstatutory stock option to purchase 22,500 shares of the Company's Common Stock upon becoming a nonemployee director (a *First Option*). Each nonemployee director is also automatically granted a nonstatutory option to purchase 7,500 shares of Common Stock upon reelection annually to the Board of Directors (a *Subsequent Option*). Under the Director Plan, unless otherwise specified by the Board, shares subject to the First Option shall

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become exercisable on the first, second and third anniversaries of the date of grant and shares subject to the Subsequent Option shall become exercisable on the first anniversary of the date of grant.

As of March 31, 2002, under the Director Plan, options to purchase 325,000 shares of Common Stock were outstanding and no options had been exercised. The aggregate market value of the unexercised and outstanding options to purchase 325,000 shares of Common Stock under the Director Plan was \$399,750 based on a closing price of \$1.23 on the Nasdaq National Market on March 31, 2002. See Amended and New Plan Benefits below for certain information with respect to options granted under the Director Plan in 2001.

Vote Required

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2002 Annual Meeting is required for approval of this Proposal.

Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE DIRECTOR STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE UNDER THE DIRECTOR PLAN BY 250,000 SHARES.

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

The following table sets forth as of March 31, 2002 (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 |
| 5% Shareholders: | | |
| Perkins Capital Management, Inc.(2) 730 East Lake Street Wayzata, MN 55391 | 3,788,600 | 10.4% |
| State of Wisconsin Investment Board(3) 120 East Wilson Street Madison, WI 53703 | 5,122,225 | 14.0% |
| Directors: | | |
| Jack M. Gill, Ph.D.(4) | 1,240,818 | 3.4% |
| Joseph Kletzel, II(5) | 38,000 | * |
| Robert L. Mortensen(6) | 135,696 | * |
| Robert C. Strauss(7) | 63,000 | * |
| Named Executive Officers: | | |
| Michael J. Quinn(8)(9) | 469,443 | 1.3% |
| Darrell F. Eckstein(10) | 67,762 | * |
| Richard P. Lanigan(11) | 131,941 | * |
| Christopher M. Owens(12) | 26,808 | * |
| J. Stephen Wilkins(13)(14) | 57,241 | * |
| Thomas L. Kinder(15)(16) | 39,308 | * |
| Janet K. Castaneda(17)(18) | 50,553 | * |
| Nancy Lince(19) | | * |
| All directors and officers as a group (12 persons)(20) | 2,320,570 | 6.4% |

* Less than 1%.

- (1) Percentage ownership is based on 36,506,723 shares of Common Stock outstanding as of March 31, 2002.
- (2) The number of shares of Common Stock beneficially owned or of record has been determined solely from information reported on a Schedule 13G as of March 31, 2002.
- (3) The number of shares of Common Stock beneficially owned or of record has been determined solely from information reported on a Schedule 13G as of February 15, 2002. On April 11, 2002, CardioGenesis sold an additional 500,000 shares of Common Stock to the State of Wisconsin Investment Board increasing the number of shares it owns to 5,622,225 and ownership percentage to 15.2%.
- (4) Includes 63,000 shares of Common Stock subject to stock options held by Dr. Gill that are exercisable within 60 days of March 31, 2002.
- (5) Includes 38,000 shares of Common Stock subject to stock options held by Mr. Kletzel that are exercisable within 60 days of March 31, 2002.

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- (6) Includes 109,500 shares of Common Stock subject to stock options held by Mr. Mortensen that are exercisable within 60 days of March 31, 2002.
- (7) Includes 63,000 shares of Common Stock subject to stock options held by Mr. Strauss that are exercisable within 60 days of March 31, 2002.
- (8) 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, President and Chairman of the Board.
- (9) Includes 419,443 shares of Common Stock subject to stock options held by Mr. Quinn that are exercisable within 60 days of March 31, 2002.
- (10) Includes 59,722 shares of Common Stock subject to stock options held by Mr. Eckstein that are exercisable within 60 days of March 31, 2002.
- (11) Includes 96,358 shares of Common Stock subject to stock options held by Mr. Lanigan that are exercisable within 60 days of March 31, 2002.
- (12) Includes 24,308 shares of Common Stock subject to stock options held by Mr. Owens that are exercisable within 60 days of March 31, 2002.
- (13) Includes 45,841 shares of Common Stock subject to stock options held by Mr. Wilkins that are exercisable within 60 days of March 31, 2002.
- (14) Number of shares beneficially owned, including shares subject to stock options, is calculated as of the date last employed by CardioGenesis, January 2002.
- (15) Includes 36,808 shares of Common Stock subject to stock options held by Mr. Kinder that are exercisable within 60 days of March 31, 2002.
- (16) Number of shares beneficially owned, including shares subject to stock options, is calculated as of the date last employed by CardioGenesis, January 2002.
- (17) Includes 50,553 shares of Common Stock subject to stock options held by Ms. Castaneda that are exercisable within 60 days of March 31, 2002.
- (18) Number of shares beneficially owned, including shares subject to stock options, is calculated as of the date last employed by CardioGenesis, February 2001.
- (19) Number of shares beneficially owned, including shares subject to stock options, is calculated as of the date last employed by CardioGenesis, March 2001.
- (20) Includes options to purchase an aggregate of 1,006,533 shares of Common Stock held by all officers and directors as a group exercisable within 60 days of March 31, 2002.

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

| Name | Age | Position |
|----------------------|------------|--|
| Michael J. Quinn | 58 | Chief Executive Officer, President and Chairman of the Board |
| Darrell F. Eckstein | 44 | Interim Chief Financial Officer, Vice President, Chief Accounting Officer, Treasurer and Secretary |
| Richard P. Lanigan | 43 | Vice President of Government Affairs and Business Development |
| Michael A. Tuckerman | 35 | Vice President of Sales |
| Christopher M. Owens | 33 | Vice President of 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 Interim Chief Financial Officer, Vice President, Chief Accounting Officer, Treasurer and Secretary since January 2002 and Vice President of Operations since December 2000. From 1996 to 2000 he served as Vice President and General Manager of the Surgical Products Division of Imagn 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 Bachelor of Arts in Finance from Notre Dame and a Masters degree in Systems Management from the University of Southern California.

Michael A. Tuckerman has been our Vice President of Sales since January 2002 and General Manager, Central Area since May 2001. From 1997 to 2001, Mr. Tuckerman served in various positions, most recently National Manager of Sales, at Heartport Inc. From 1995 to 1997, he served as Technical Sales Representative at Schneider, Inc., a division of Pfizer, Inc., and from 1991 to 1995, Mr. Tuckerman was the Midwest Area Manager for U.S. Surgical Corporation. Mr. Tuckerman has a Bachelor of Science in Marketing from Indiana University.

Christopher M. Owens has been our Vice President of Marketing since March 2001. Prior to CardioGenesis, Mr. Owens was Director of Marketing for the global Lamellar Surgery business of Bausch & Lomb. The Lamellar Surgery business provides surgical products for vision correction procedures. From 1997 to 2000, Mr. Owens served in a variety of sales related positions (most recently National Sales Manager) at Imagn Medical Technologies, Inc., a manufacturer of minimally invasive surgical specialty products. From 1996 to 1997, Mr. Owens was Marketing Product Manager for Stackhouse, Inc. From 1990 to 1996 he also served as a Product Development Engineer at Baxter Healthcare Corp. He has both a Bachelor of Science and Masters degree in Plastics Engineering from the University of Massachusetts and a Masters in Business Administration from the University of Phoenix.

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EXECUTIVE COMPENSATION AND OTHER MATTERS

Employment Contracts of Executive Officers

Michael J. Quinn entered into an employment agreement with CardioGenesis effective September 27, 2001. This agreement superceded the letter employment agreement with CardioGenesis effective October 16, 2000. These agreements provided for an annual salary of \$330,000, subject to annual review and increase at the discretion of the Board of Directors and options to acquire 700,000 shares of CardioGenesis Common Stock at an exercise price equal to \$1.688 per share, which is the price of CardioGenesis Common Stock on the date the option was granted, October 17, 2000. Mr. Quinn 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 35% 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 (3) years, which automatically renews for one (1) year terms after the initial term unless terminated in writing thirty (30) days prior to the commencement of a new one (1) year term. Mr. Quinn may be terminated at any time with or without cause subject to certain termination provisions contained in Mr. Quinn's employment agreement filed as Exhibit 10.11 of CardioGenesis 10-K on April 16, 2002.

Darrell F. Eckstein entered into a letter employment agreement with CardioGenesis effective December 19, 2000. The agreement provides for an annual salary of \$225,000, subject to annual review and increase at the discretion of the Board of Directors and options to acquire 100,000 shares of CardioGenesis Common Stock at an exercise price equal to \$0.563 per share, which is the price of CardioGenesis Common Stock on the date the option was granted. Mr. Eckstein may also be entitled to receive (i) an annual bonus, the amount of which shall be determined by the Board of Directors 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 letter employment agreement provides that his employment is at will at the discretion of CardioGenesis, and that he may be terminated at any time with or without notice and with or without cause.

Table of Contents**Executive Officer Compensation**

The following table sets forth certain information concerning the annual and long-term compensation for services rendered in all capacities to CardioGenesis for the fiscal year 2001 by (i) all individuals who served at one point during 2001 as CardioGenesis Chief Executive Officer, (ii) the five most highly compensated executive officers having compensation of at least \$100,000 or more serving at the end of the fiscal year 2001, and (iii) two additional individuals who served as executive officers for CardioGenesis during the fiscal year 2001 but were not employed as executive officers at the end of the fiscal year 2001 (collectively, the Named Executive Officers).

Summary Compensation Table

| Name and Principal Position | Fiscal Year | Annual Compensation | | Other Annual Compensation (\$) | Long Term Compensation Awards | All Other Compensation (\$) |
|--|-----------------|---------------------|------------|--------------------------------|--|-----------------------------|
| | | Salary(\$) | Bonus (\$) | | Securities Underlying Options/SARs (#) | |
| Michael J. Quinn Chief Executive Officer, President and Chairman of the Board | 2001 | \$330,000 | | \$36,258(1) | 200,000 | |
| | 2000 | 66,000 | | 15,217(2) | 700,000 | |
| | 1999 | | | | | |
| Darrell F. Eckstein Interim Chief Financial Officer and Vice President | 2001 | 227,596 | | 26,487(2) | 50,000 | |
| | 2000(3) 1999 | | | | 100,000 | |
| Richard P. Lanigan Vice President of Government Affairs and Business Development | 2001 | 175,000 | | | 50,000 | |
| | 2000 | 170,000 | \$24,600 | | 50,000 | |
| | 1999 | 134,458 | | | 33,000 | |
| Christopher M. Owens Vice President of Worldwide Marketing | 2001 | 115,679 | 8,703 | | 75,000 | |
| | 2000 1999 | | | | | |
| J. Stephen Wilkins(4) Former Vice President, Chief Financial Officer | 2001 | 116,667 | | | 150,000 | |
| | 2000 1999 | | | | | |
| Thomas L. Kinder(4) Former Vice President and General Manager, U.S. Business Unit | 2001 | 211,486 | | | 75,000 | |
| | 2000 1999 | 12,096 | | | 25,000 | |
| Janet K. Castaneda(4) Former Vice President of Legal Affairs | 2001 | 28,333 | | | | \$17,951 |
| | 2000 | 170,000 | 26,300 | | 25,000 | |
| | 1999 | 140,425 | | | 40,001 | |
| Nancy Lince(4) Former Vice President of Regulatory and Clinical Affairs | 2001 | 37,411 | | | | 10,213 |
| | 2000 | 162,000 | 34,800 | | 30,000 | |
| | 1999 | 105,398 | 20,000 | | 44,500 | |

- (1) Housing allowance and health insurance premiums.
- (2) Housing allowance.
- (3) Mr. Eckstein was hired 12/27/00 and received no salary for fiscal year 2000.
- (4) No longer an employee of CardioGenesis Corporation.

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Option Grants in Fiscal Year 2001

The following tables set forth information regarding stock options granted to and exercised by the Named Executive Officers during our fiscal year ended December 31, 2001.

**Option Grants in Last Fiscal Year
Individual Grants(1)**

**Potential Realizable
Value at Annual Rates**