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**Common Stock Underlying**

**Option**

**Option**

**Unexercised Options (#)**

**exercise**

**expiration**

**Name**

**Grant Year**

**Exercisable**

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Unexercisable

price (\$)

date

Brent D. Bailey (1)

2011

162,000

68,000

3.04

1/12/2021

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2012

497,916

3.82

8/28/2021

**Total**

162,000

646,916

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Jolé E. Deal (2)

2012

15,000

30,000

3.82

8/28/2021

2013

2,000

5.61

8/15/2022

**Total**

15,000

32,000

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Gerald R. Cysewski (3)(4)(5)(6)(7)

2008

2,000

1.60

2/22/2018

2010

6,000

4,000

2.08

4/30/2019

2012

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3,600

8,400

3.58

6/30/2021

2012

20,900

82,100

3.82

8/28/2021

2013

12,500

7/19/2022

**Total**

32,500

107,000

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(1) Option to purchase 230,000 shares was granted January 12, 2011 in accordance with Mr. Bailey's Letter of Employment. 162,000 were exercisable at March 31, 2013. The options vest on January 11, 2013 and 2014 as to 81,000 shares and 68,000 shares, respectively. Options to purchase 497,916 shares were granted August 29, 2011 in accordance with Mr. Bailey's Letter of Employment and vest on January 11, 2014, 2015, 2016, 2017 and 2018 as to 40,000 shares, 108,000 shares, 108,000 shares, 108,000 shares and 133,916 shares, respectively.

(2) Option to purchase 45,000 shares was granted on August 29, 2011 in accordance with Ms. Deal's Letter of Employment. 15,000 shares were exercisable at March 31, 2013. The options vest on August 16, 2012, 2013 and 2014 as to 15,000 shares, 15,000 shares and 15,000 shares, respectively. Options to purchase 2,000 shares were granted August 16, 2012. The options vest and become exercisable over 4 years of continuing employment in equal annual installments beginning one year after the grant date.

(3) Options to purchase 2,000 shares were granted on February 22, 2008 and 10,000 shares granted on April 30, 2009, of which 12,000 were exercisable at March 31, 2013. The options vest and become exercisable over 4 years of continuing employment in increasing annual installments (10%, 20%, 30%, 40%) beginning one year after the grant date.



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(4) Option to purchase 12,000 shares was granted on July 1, 2011, of which 3,600 were exercisable at March 31, 2013. The options vest and become exercisable over 4 years of continuing employment in increasing annual installments (10%, 20%, 30%, 40%) beginning on the grant date.

(5) Option to purchase 3,000 shares was granted on August 29, 2011, of which 900 were exercisable at March 31, 2013. The options vest and become exercisable over 4 years of continuing employment in increasing annual installments (10%, 20%, 30%, and 40%) beginning on the grant date.

(6) Option to purchase 100,000 shares was granted August 29, 2011, of which 20,000 were exercisable at March 31, 2013. The options vest and become exercisable over 5 years of continuing employment in equal annual installments beginning one year after the grant date.

(7) Option to purchase 12,500 shares was granted July 29, 2012. The options vest and become exercisable over 4 years of continuing employment in equal annual installments beginning one year after the grant date.

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The following table provides information about our common stock that may be issued upon the exercise of options and rights under all of our existing equity compensation plans as of March 31, 2013, including the 2005 Stock Option Plan (the 2005 Plan ) and 2004 Non-Employee Director Stock Option and Stock Grant Plan (the 2004 Plan ). Both the 2005 Plan and the 2004 Plan were affected by a four-for-one reverse stock split which became effective on November 1, 2006. The 2005 Stock Plan had been approved by the stockholders on August 22, 2005, amended by stockholders on September 9, 2008 to increase from 200,000 to 700,000 shares the total number of shares authorized for issuance under the Plan and further amended by stockholders on August 29, 2011, to increase the total number of shares authorized for issuance from 700,000 to 2,075,000 shares. The 2004 Plan had been approved by stockholders on August 16, 2004, and was amended by stockholders on August 29, 2011, to increase the total number of shares authorized for issuance from 75,000 to 200,000 shares.

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Options and Rights (a)(#)</b>	<b>Weighted Average Exercise Price of Outstanding Options (b)(\$)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)(c)(#)</b>
Equity Compensation Plans Approved by Stockholders	1,495,856	\$ 4.03	541,601

**OPTION GRANTS IN FISCAL YEAR 2013**

The Company granted options to purchase 258,000 Common Shares under the 2005 Stock Option Plan in fiscal year 2013. There were no options granted under the 2004 Independent Director Stock Option and Restricted Stock Grant Plan in fiscal year 2013. However, the Company granted 13,000 shares of Restricted Stock under the 2004 Plan.

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**Report of the Audit Committee of the Board of Directors**

The Audit Committee, which met four (4) times in fiscal 2013, reviewed and discussed the Company's audited financial statements with management. The Audit Committee discussed with Grant Thornton LLP, the Company's independent registered public accounting firm ( Grant Thornton ), the matters required to be discussed by Statement of Auditing Standards No. 114, Communication with Audit Committees, which includes, among other items, matters related to the conduct of the audit of the Company's financial statements. The Audit Committee also received written disclosures and the letter from Grant Thornton required by Independence Standards Board Standard No. 1, which relates to the independent registered public accounting firm's independence from the Company and its related entities.

The Audit Committee is governed by the Audit Committee Charter adopted by the Board of Directors, a current copy of which is available on the Company's website at [www.cyanotech.com](http://www.cyanotech.com). Pursuant to such Charter, the Audit Committee has the following primary responsibilities:

- 1) Review the performance of the independent registered public accounting firm and make recommendations to the Board of Directors regarding the appointment or termination of the independent registered public accounting firm;
- 2) Confer annually with the independent registered public accounting firm concerning the scope of its examinations of the books and records of the Company and its subsidiaries; reviewing and approving the independent registered public accounting firm's annual engagement letter, and authorizing the independent registered public accounting firm to perform such supplemental reviews or audits as the Committee may deem desirable;
- 3) Review the range and cost of audit and non-audit services performed by the independent registered public accounting firm;
- 4) Review the Company's audited financial statements and the independent registered public accounting firm's opinion rendered with respect to such financial statements, including reviewing the nature and extent of any significant changes in accounting principles or the application thereof; and
- 5) Review the adequacy of the Company's systems of internal controls.

The firm of Grant Thornton, an independent registered public accounting firm, served as the Company's independent registered public accounting firm for the past four fiscal years. As stated in Proposal Four, the Audit Committee has selected and the Board has approved Grant Thornton to serve as the Company's independent registered public accounting firm for the fiscal year ended March 31, 2014.

Audit services provided by Grant Thornton consisted of the examination of the Company's annual financial statements and services related to filings with the SEC as well as their review of the Company's quarterly financial statements. All fees paid to Grant Thornton were reviewed and considered for independence by the Audit Committee. In addition, the Audit Committee (i) discussed with Grant Thornton their qualification of the partners and managers assigned to the Company's audit, (ii) reviewed with Grant Thornton the quality control system for the US accounting and audit practice to provide reasonable assurance that the audit was conducted with professional standards, and (iii) confirmed with Grant Thornton that there was appropriate continuity of personnel working on our audits and availability of national office consultation.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013.

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Submitted by the Audit Committee of the Company's Board of Directors.

Ralph K. Carlton, Chairman  
Thomas F. Chen  
Michael A. Davis

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**Independent Registered Public Accounting Firm's Fees**

**Audit Fees**

The aggregate fees billed by Grant Thornton, our independent registered public accounting firm, for professional services rendered for the audit of the Company's annual financial statements and timely quarterly reviews for the fiscal year ended March 31, 2013 and 2012 were \$295,000 and \$282,000, respectively.

**Audit-Related Fees**

There were no audit-related fees billed by Grant Thornton for the fiscal year ended March 31, 2013. The aggregate fees billed by Grant Thornton for audit-related services for the fiscal year ended March 31, 2012 was \$29,000 and was for services rendered in connection with the filing of our S-8 registration statement and SEC comment letter responses, and discussions on tax and accounting for various stock compensation agreements.

**Tax Fees**

The aggregate fees billed or to be billed by Grant Thornton for tax services rendered to the Company, for the fiscal year ended March 31, 2013 and 2012 were \$15,800 and \$13,500, respectively.

**All Other Fees**

There were no other fees billed by Grant Thornton for the fiscal years ended March 31, 2013 and 2012.

The Audit Committee has considered and does not believe the provision of all other services by the Company's registered public accounting firm is incompatible with maintaining Grant Thornton's independence.

A representative of Grant Thornton is expected to be available at the 2013 Annual Meeting of Stockholders, and will have an opportunity to make a statement and to respond to appropriate questions from Stockholders.

**STOCKHOLDER PROPOSALS AND NOMINATIONS**

Stockholders who wish to present proposals in accordance with Rule 14a-8 of Regulation 14A under the Securities Exchange Act of 1934 which they desire to be considered at the 2014 Annual Meeting of Stockholders must timely submit such proposals in order that they will be received by the Company no later than March 21, 2013. Any such stockholder proposal must be mailed to the Company's principal executive offices, 73-4460 Queen Kaahumanu Hwy., Suite 102, Kailua-Kona, Hawaii 96740, Attention: Corporate Secretary. However, submission of a proposal does not assure the proponent that the proposal will be included in the Company's 2014 proxy materials because all applicable rules of the SEC must be followed by both the proponent and the Company.

In addition, the Company's Bylaws provide a procedure for stockholders to propose a matter (other than a matter brought pursuant to SEC Rule 14a-8) at a meeting of stockholders, or to nominate a person or persons as a director. Procedurally, eligible stockholders must submit for actual receipt by the Company, Attention Corporate Secretary, at its principal executive office, any proposal or nomination within 120-150 days prior to the anniversary date of the prior year's annual meeting of stockholders. In the case of the Company's 2014 Annual Meeting, such proposals or nominations by eligible stockholders pursuant to our Bylaws (and not pursuant to SEC Rule 14a-8) must be received no later than May 1, 2014 and no earlier than April 1, 2014, unless our Annual Meeting date occurs more than 30 days before or after August 29, 2014. In that case, we must receive proposals not earlier than the close of business 120 days prior to the date of the annual meeting and not later than 90 days prior to the date of the annual meeting, or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the tenth day following the day on which public announcement of the date of such meeting is first made by the Company.

To be in proper form, a stockholder's notice must include the information concerning the proposal or nominee, as well as the stockholder and possibly affiliated persons, specified in our Bylaws. A stockholder who wishes to consider submitting a proposal or nomination is encouraged to seek independent counsel about our Bylaw requirements and procedures, as well as SEC requirements and procedures. The Company will not consider any proposal or nomination that does not meet all requirements of our Bylaws and of the SEC. The Company also reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

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**OTHER MATTERS**

At the date of this Proxy Statement, the Board of Directors does not know of any business to be presented for consideration at the meeting other than those set forth herein and in the Notice accompanying this Proxy Statement. If any other business should properly come before the meeting, the shares represented by proxies may be voted in accordance with the judgment of the persons named in such proxies.

*Cyanotech Corporation's annual report to the SEC on Form 10-K, including financial statements and financial statement schedules, for the most recent fiscal year, accompanies these proxy materials. Additional copies may be obtained by downloading them from the Company's website (www.cyanotech.com), including Exhibits to the Form 10-K. Paper copies of the five (5) Exhibits identified in the Form 10-K, Item 15(b) with an asterisk (\*) will be furnished upon request from persons making a good faith representation that they were a beneficial owner of the Company's securities on July 5, 2013, and upon payment to the Company of its reasonable expenses for furnishing such copies (which will be the lesser of \$60 per set or \$0.68 per page for those requesting less than a full set). Such written requests should be addressed to: Jolé E. Deal, Secretary, Cyanotech Corporation, 73-4460 Queen Kaahumanu Hwy., Suite 102, Kailua-Kona, HI 96740.*

The Annual Report to the Stockholders of the Company, for the fiscal year ended March 31, 2013, including financial statements, is enclosed with this proxy statement.

You are most cordially invited to attend this meeting in person. **However, whether or not you plan to attend the meeting, please sign, date and return the enclosed proxy or instructions to your broker as to how you want your shares voted as promptly as possible**

By Order of the Board of Directors

/s/ Jolé E. Deal  
Corporate Secretary

Kailua-Kona, Hawaii  
July 19, 2013

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Using a **black ink** pen, mark your votes with an **X** as shown in this example: x Please do not write outside the designated areas.

**Annual Meeting Proxy Card**

**PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Proposals** The Board of Directors recommends a vote **FOR** all the nominees listed, **FOR** Proposal 2 and 4, **and FOR** every 3 Years on Proposal 3.

1. Election of Directors:		For	Withhold			For	Withhold			For	Withhold
01	Brent D. Bailey	<input type="radio"/>	<input type="radio"/>	02	Ralph K. Carlton	<input type="radio"/>	<input type="radio"/>	03	Gerald R. Cysewski, Ph. D.	<input type="radio"/>	<input type="radio"/>
04	Michael A. Davis	<input type="radio"/>	<input type="radio"/>	05	Walter B. Menzel	<input type="radio"/>	<input type="radio"/>				

2. To approve, on an advisory basis, the compensation of our Named Executive Officers;	<b>For</b>	<b>Against</b>	<b>Abstain</b>	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3. To approve, on an advisory basis, the Company's proposal for a three-year vote on the frequency of future advisory votes on the compensation of our Named Executive Officers;	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>Abstain</b>
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. To ratify the selection of Grant Thornton LLP as the Company's Independent Registered Public Accounting Firm for the fiscal year ending March 31, 2014	<b>For</b>	<b>Against</b>	<b>Abstain</b>	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

5. In their discretion, the proxies are authorized to vote upon such other business as may properly come before this meeting.

**B Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please date this proxy and sign it exactly as your name or names appear on your share. If signing as an attorney, executor, administrator, guardian or trustee, please give full title as such. If a corporation, please sign full corporate name by duly authorized officer or officers.



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Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

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**PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy CYANOTECH CORPORATION**

**PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD THURSDAY, AUGUST 29, 2013**

**This proxy is solicited on behalf of the Board of Directors**

The undersigned hereby appoints Dan Sprague and Debbie Walch and each of them (with full power to act without the other), as proxies, each having full power to substitute, to represent and to vote, as designated below, all shares of stock of Cyanotech Corporation which the undersigned would be entitled to vote if personally present at the Annual Meeting of the Corporation to be held Thursday, August 29, 2012, at the Waikoloa Beach Marriott, 69-275 Waikoloa Beach Drive, Waikoloa, Hawaii, USA, 96738 at 3:00 P.M. prevailing local time, and any adjournment thereof, with respect to matters set forth below and described in the Notice of Annual Meeting and Proxy Statement dated July 19, 2013.

All other proxies heretofore given by the undersigned to vote shares of stock of Cyanotech Corporation which the undersigned would be entitled to vote if personally present at the Annual Meeting or any adjournment thereof are hereby expressly revoked. This proxy may be revoked at any time prior to the voting hereof as set forth in the Proxy Statement.

Please sign and date this proxy and return in promptly whether you expect to attend the meeting or not. If you do attend the meeting you may vote in person.

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**Electronic Voting Instructions**

**You can vote by Internet or telephone! Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on August 29, 2013.**

**Vote by Internet**

- Log on to the Internet and go to [www.envisionreports.com/CYAN](http://www.envisionreports.com/CYAN)
- Follow the steps outlined on the secured website.

**Vote by telephone**

- Call toll free 1-800-652-VOTE (8683) within the United States, US territories & Canada any time on a touch tone telephone. There is **NO CHARGE** to you for the call.
- Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example: x Please do not write outside the designated areas.

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**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Proposals** The Board of Directors recommends a vote FOR all the nominees listed *and* FOR Proposals 2 and 4, *and* FOR every 3 Years on Proposal 3.

1. Election of Directors:		For	Withhold			For	Withhold			For	Withhold
01	Brent D. Bailey	<input type="radio"/>	<input type="radio"/>	02	Ralph K. Carlton	<input type="radio"/>	<input type="radio"/>	03	Gerald R. Cysewski, Ph.D.	<input type="radio"/>	<input type="radio"/>
04	Michael A. Davis	<input type="radio"/>	<input type="radio"/>	05	Walter B. Menzel	<input type="radio"/>	<input type="radio"/>				

		For	Against	Abstain
2.	To approve, on an advisory basis, the compensation of our Named Executive Officers;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		<b>1 year</b>	<b>2 years</b>	<b>3 years</b>
3.	To approve, on an advisory basis, the Company's proposal for a three-year vote on the frequency of future advisory votes on the compensation of our Named Executive Officers;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		<b>For</b>	<b>Against</b>	<b>Abstain</b>
4.	To ratify the selection of Grant Thornton LLP as the Company's Independent Registered Public Accounting Firm for the fiscal year ending March 31, 2014	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. In their discretion, the proxies are authorized to vote upon such other business as may properly come before this meeting.

**B Non-Voting Items**

**Change of Address** Please print new address below.

**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please date this proxy and sign it exactly as your name or names appear on your share. If signing as an attorney, executor, administrator, guardian or trustee, please give full title as such. If a corporation, please sign full corporate name by duly authorized officer or officers.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

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