

Cardiovascular Systems Inc
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

CARDIOVASCULAR SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

CARDIOVASCULAR SYSTEMS, INC.

651 Campus Drive

St. Paul, Minnesota 55112

Telephone: 877-CSI-0360

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on November 12, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders (the "Annual Meeting") of Cardiovascular Systems, Inc. (the "Company") on Wednesday, November 12, 2014, at 10:00 a.m. (Central Time) at the Company's offices, located at 651 Campus Drive, St. Paul, Minnesota 55112, for the following purposes:

1. To elect as a Class III director to hold office until the fiscal 2017 Annual Meeting of Stockholders, the following nominee recommended by the Board of Directors: David L. Martin.
2. To approve the 2014 Equity Incentive Plan.
3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending June 30, 2015.
4. To approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers.
5. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the proxy statement accompanying this Notice.

The record date for the Annual Meeting is September 15, 2014. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors,

Sincerely,

David L. Martin

President, Chief Executive Officer and Director

St. Paul, Minnesota

October 3, 2014

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please vote your shares. You may vote over the telephone or the Internet as instructed in this proxy statement. If you received a proxy card or voting instruction card by mail, you may submit your proxy card or voting instruction card by completing, signing, dating and mailing your proxy card or voting instruction card in the envelope provided. Any stockholder attending the meeting may vote in person, even if you already returned a proxy card or voting instruction card or voted by proxy over the telephone or the Internet. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON NOVEMBER 12, 2014:

The Proxy Statement and Fiscal 2014 Annual Report to Stockholders are available at <http://www.proxyvote.com> and <http://www.csi360proxy.com>

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CARDIOVASCULAR SYSTEMS, INC.

651 Campus Drive

St. Paul, Minnesota 55112

Telephone: 877-CSE-0360

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 12, 2014

INFORMATION CONCERNING SOLICITATION AND VOTING

The Board of Directors of Cardiovascular Systems, Inc. (the “Company”) is soliciting your proxy to vote at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held at the Company’s offices, located at 651 Campus Drive, St. Paul, Minnesota 55112, on Wednesday, November 12, 2014, at 10:00 a.m. (Central Time), including at any adjournments or postponements of the Annual Meeting. You are invited to attend the Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card if you received paper copies of the proxy materials, or follow the instructions below to submit your proxy over the telephone or the Internet.

In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the “SEC”), we have elected to provide our beneficial owners and stockholders of record access to our proxy materials over the Internet. Beneficial owners are stockholders whose shares are held in the name of a broker, bank or other agent (i.e., in “street name”). Accordingly, a Notice of Internet Availability of Proxy Materials (the “Notice”) will be mailed on or about October 3, 2014 to our beneficial owners and stockholders of record who owned our common stock at the close of business on September 15, 2014. Beneficial owners and stockholders of record will have the ability to access the proxy materials on a website referred to in the Notice or request a printed set of the proxy materials be sent to them by following the instructions in the Notice. Beneficial owners and stockholders of record who have previously requested to receive paper copies of our proxy materials will receive paper copies of the proxy materials instead of a Notice.

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why did I receive in the mail a Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?

We are pleased to take advantage of the SEC rule that allows companies to furnish their proxy materials over the Internet. Accordingly, we have sent to our beneficial owners and stockholders of record a Notice of Internet Availability of Proxy Materials. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the Notice. Our stockholders may request to receive proxy materials in printed form by mail or electronically on an ongoing basis. A stockholder’s election to receive proxy materials by mail or electronically by email will remain in effect until the stockholder terminates its election.

Why did I receive a full set of proxy materials in the mail instead of a Notice of Internet Availability of Proxy Materials?

We are providing paper copies of the proxy materials instead of a Notice to beneficial owners or stockholders of record who have previously requested to receive paper copies of our proxy materials. If you are a beneficial owner or stockholder of record who received a paper copy of the proxy materials, and you would like to reduce the environmental impact and the costs incurred by us in mailing proxy materials, you may elect to receive all future proxy materials electronically via email or the Internet.

You can choose to receive our future proxy materials electronically by visiting <http://www.proxyvote.com>. Your choice to receive proxy materials electronically will remain in effect until you instruct us otherwise by following the instructions contained in your Notice and visiting <http://www.proxyvote.com>, sending an electronic mail message to sendmaterial@proxyvote.com, or calling 1-800-579-1639.

The SEC has enacted rules that permit us to make available to stockholders electronic versions of the proxy materials even if the stockholder has not previously elected to receive the materials in this manner. We have chosen this option in connection with the Annual Meeting with respect to both our beneficial owners and stockholders of record.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on September 15, 2014 will be entitled to vote at the Annual Meeting. On the record date, there were 31,490,508 shares of common stock of the Company outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, on September 15, 2014, your shares were registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to vote your shares by completing, signing, dating and mailing your proxy card in the envelope provided, if you received paper copies of the proxy materials, or vote by proxy over the telephone or the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If, on September 15, 2014, your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the Annual Meeting; however, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are four matters scheduled for a vote:

• Election of the following nominee recommended by the Board of Directors to be a Class III director and to hold office until the fiscal 2017 Annual Meeting of Stockholders: David L. Martin.

▲ Approval of the 2014 Equity Incentive Plan.

◆ Ratification of the selection by the Audit, Risk Management and Finance Committee of the Company's Board of Directors of PricewaterhouseCoopers LLP as independent auditors of the Company for its fiscal year ending June 30, 2015.

▲ Approval, on an advisory basis, of the compensation paid to the Company's Named Executive Officers.

How do I vote?

You may either vote "For" all the nominees to the Board of Directors or you may "Withhold" your vote for any nominee you specify. For the approval of the 2014 Equity Incentive Plan, you may vote "For" or "Against" or abstain from voting. For the ratification of the Audit, Risk Management and Finance Committee's selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2015, you may vote "For" or "Against" or abstain from voting. For the advisory vote on Named Executive Officer compensation, you may vote "For" or "Against" or abstain from voting.

The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting, vote by proxy using the enclosed proxy card (if you received paper copies of the proxy materials), vote by proxy over the telephone, or vote by proxy over the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive. If you would like directions to our offices, please call 877-CSI-0360.

If you received paper copies of the proxy materials, to vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. Please have available the 12-Digit Control Number from the enclosed proxy card, if you received one, or from your Notice. Your vote must be received by 11:59 p.m., Eastern Time (10:59 p.m., Central Time) on November 11, 2014, to be counted.

To vote over the Internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. Please have available the 12-Digit Control Number from the enclosed proxy card, if you received one, or from your Notice. Your vote must be received by 11:59 p.m., Eastern Time (10:59 p.m., Central Time) on November 11, 2014, to be counted.

We are providing Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you may have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card to ensure that your vote is submitted to your broker or bank. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of September 15, 2014. There is no cumulative voting for election of directors.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted "For" the election of the nominees for director, "For" the approval of 2014 Equity Incentive Plan, "For" the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending June 30, 2015, and "For" the advisory vote on Named Executive Officer compensation. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. Our directors and employees may solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

Are proxy materials available on the Internet?

This proxy statement and our fiscal 2014 Annual Report to Stockholders are available at <http://www.proxyvote.com> or <http://www.csi360proxy.com>.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of four ways:

- You may submit another properly completed proxy card with a later date.
- You may submit a new vote by telephone or Internet.

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You may send a timely written notice that you are revoking your proxy to our Secretary at 651 Campus Drive, St. Paul, Minnesota 55112.

You may attend the Annual Meeting and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count "For" and "Withhold" votes and broker non-votes for director elections; "For" and "Against" votes and abstentions for auditor selection ratification; and "For" and "Against" votes and abstentions and broker non-votes for the approval of the 2014 Equity Incentive Plan and advisory vote on Named Executive Officer compensation.

Abstentions will be counted towards the vote total for each proposal, and will have the same effect as "Against" votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

What are "broker non-votes"?

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. Under the rules and interpretations of the New York Stock Exchange, the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm is currently considered a routine matter. The election of directors, approval of the 2014 Equity Incentive Plan and advisory vote on Named Executive Officer compensation are currently considered non-routine matters under the rules of the New York Stock Exchange.

How many votes are needed to approve each proposal?

For Proposal 1, the election of the Class III director, who is elected by a plurality, the nominee receiving the most "For" votes (from the holders of shares present in person or represented by proxy and entitled to vote on the election of directors) will be elected. Only votes "For" or "Withheld" will affect the outcome.

For the 2014 Equity Incentive Plan to be approved, Proposal 2 must receive a "For" vote from the majority of shares present and entitled to vote either in person or by proxy. If you "Abstain" from voting, it will have the same effect as an "Against" vote.

To be approved, Proposal 3, ratification of the selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 30, 2015, must receive a "For" vote from the majority of shares present and entitled to vote either in person or by proxy. If you "Abstain" from voting, it will have the same effect as an "Against" vote.

Proposal 4, regarding Named Executive Officer compensation, is an advisory vote, which means that the vote is not binding on the Company, our Board of Directors or the Human Resources and Compensation Committee of the Board of Directors. To the extent there is any significant vote against our Named Executive Officer compensation as disclosed in this proxy statement, the Human Resources and Compensation Committee will evaluate whether any actions are necessary to address the concerns of stockholders.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares are present at the meeting in person or represented by proxy. On the record date, there were 31,490,508 shares outstanding and entitled to vote. Thus, the holders of 15,745,254 shares must be present in person or represented by proxy at the meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy, or the chairman of the meeting, may adjourn the meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K, which we will file within three business days of the meeting.

When are stockholder proposals due for the Fiscal 2015 Annual Meeting?

Any appropriate proposal submitted by a stockholder and intended to be presented at the fiscal 2015 Annual Meeting must be submitted in writing to our Secretary at 651 Campus Drive, St. Paul, Minnesota 55112, and received no later than June 5, 2015, to be includable in the Company's proxy statement and related proxy for the fiscal 2015 Annual Meeting. A stockholder proposal will need to comply with the SEC regulations under Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Although our Board of Directors will consider stockholder proposals, we reserve the right to omit from our proxy statement, or to vote against, stockholder proposals that we are not required to include under the Exchange Act, including Rule 14a-8. Additionally, pursuant to the advance notice provisions of the Company's Bylaws, as authorized by applicable state law, in order for stockholders to present director nominations or other business at the fiscal 2015 Annual Meeting, a stockholder's notice of such nomination or other business must be received by our Secretary at the same address no earlier than the close of business on July 15, 2015, and no later than the close of business on August 14, 2015, and must be in a form that complies with the requirements set forth in the Company's Bylaws. You are advised to review the Company's Bylaws for these requirements.

EXPLANATORY NOTE

We were incorporated as Replidyne, Inc. in Delaware in 2000. On February 25, 2009, Replidyne, Inc. ("Replidyne") completed its business combination with Cardiovascular Systems, Inc., a Minnesota corporation ("CSI-MN"), in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated as of November 3, 2008, by and among Replidyne, Responder Merger Sub, Inc., a wholly-owned subsidiary of Replidyne ("Merger Sub"), and CSI-MN (the "Merger Agreement"). Pursuant to the Merger Agreement, Merger Sub merged with and into CSI-MN, with CSI-MN continuing after the merger as the surviving corporation and a wholly-owned subsidiary of Replidyne. At the effective time of the merger, Replidyne changed its name to Cardiovascular Systems, Inc. ("CSI") and CSI-MN changed its name to CSI Minnesota, Inc. Following the merger of Merger Sub with CSI-MN, CSI-MN merged with and into CSI, with CSI continuing after the merger as the surviving corporation. These transactions are referred to herein as the "merger." Immediately following the effective time of the merger, former CSI-MN stockholders owned approximately 80.2% of the outstanding common stock of CSI, and Replidyne stockholders owned approximately 19.8% of the outstanding common stock of CSI. Unless the context otherwise requires or as otherwise stated herein, all references herein to the "Company," "CSI," "we," "us" and "our" refer to CSI-MN prior to the completion of the merger and to CSI following the completion of the merger and the name change, and all references to "Replidyne" refer to Replidyne prior to the completion of the merger and the name change.

PROPOSAL 1—ELECTION OF DIRECTORS

The Board of Directors is divided into three classes, with each class serving staggered three-year terms. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

The term of office of the Class III directors expires at the Annual Meeting. Glen D. Nelson, M.D., a current Class III director, previously advised the Board that he will not stand for reelection at the Annual Meeting. Dr. Nelson has been a member of CSI's Board of Directors since 2003 and Chairman since August 2007. As a result of Dr. Nelson's retirement, the Board has set the number of Class III directors at one and has nominated David L. Martin for election at the Annual Meeting. Mr. Martin has been CSI's President and Chief Executive Officer since February 2007, and a director since August 2006. If elected at the Annual Meeting, Mr. Martin would serve until the fiscal 2017 annual meeting and until his successor is elected and has qualified, or, if sooner, until the director's death, resignation or removal.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors at the annual meeting at which a quorum is present. The nominee receiving the most "For" votes (among votes properly cast in person or by proxy) will be elected. If no contrary indication is made, shares represented by executed proxies will be voted "For" the election of the nominee named above or, if the nominee becomes unavailable for election as a result of an unexpected occurrence, "For" the election of a substitute nominee designated by our Board of Directors. The nominee has agreed to serve as a director if elected, and we have no reason to believe that this nominee will be unable to serve.

The following is a brief biography for the nominee for Class III director, each person whose term of office as a Class I or Class II director will continue after the Annual Meeting, and Dr. Nelson, who will be retiring from the Board at the end of his term as a Class III director at the Annual Meeting.

Name	Age ⁽¹⁾	Position
Class I Directors:		
Edward Brown ⁽³⁾	51	Director
Augustine Lawlor ⁽²⁾⁽³⁾	58	Director
Scott Bartos ⁽⁴⁾	51	Director
Class II Directors:		
Brent G. Blackey ⁽⁴⁾	55	Director
Scott Ward ⁽⁴⁾	54	Director ⁽⁵⁾
Leslie L. Trigg ⁽²⁾⁽³⁾	43	Director
Class III Director Nominee:		
David L. Martin	50	President, Chief Executive Officer and Director
Class III Director (Retiring at Annual Meeting):		
Glen D. Nelson, M.D. ⁽²⁾	77	Chairman ⁽⁶⁾

(1) As of the date of this proxy statement.

(2) Member of the Governance/Nominating Committee.

(3) Member of the Human Resources and Compensation Committee.

(4) Member of the Audit, Risk Management and Finance Committee.

(5) Effective as of Dr. Nelson's retirement at the Annual Meeting, Mr. Ward will serve as Chairman of the Board.

(6)

Effective as of his retirement at the Annual Meeting, Dr. Nelson will be Chairman Emeritus, an honorary position without obligation.

NOMINEE FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE FISCAL 2017 ANNUAL MEETING

David L. Martin. Mr. Martin has been CSI's President and Chief Executive Officer since February 2007, and a director since August 2006. Mr. Martin also served as CSI's Interim Chief Financial Officer from January 2008 to April 2008. Prior to joining CSI, Mr. Martin was Chief Operating Officer of FoxHollow Technologies, Inc. from January 2004 to February 2006, Executive Vice President of Sales and Marketing of FoxHollow Technologies, Inc. from January 2003 to January 2004, Vice President of Global Sales and International Operations at CardioVenture Inc. from October 2001 to May 2002, Vice President of Global Sales for RITA Medical Systems, Inc. from March 2000 to October 2001 and Director of U.S. Sales, Cardiac Surgery for Guidant Corporation from September 1999 to March 2000. Mr. Martin has also held sales and sales management positions for The Procter & Gamble Company and Boston Scientific Corporation. Among other attributes, skills and qualifications, we believe Mr. Martin is uniquely qualified to serve as a director because, as the Company's President and Chief Executive Officer, he is the person most familiar with the Company's business and industry and most capable of effectively identifying strategic priorities and leading the execution of strategy.

DIRECTORS CONTINUING IN OFFICE UNTIL THE FISCAL 2016 ANNUAL MEETING

Brent G. Blackey. Mr. Blackey has been a member of CSI's Board of Directors since 2007. Since 2004, Mr. Blackey has served as the President and Chief Operating Officer for Holiday Companies. Between 2002 and 2004, Mr. Blackey was a Senior Partner at the accounting firm of Ernst & Young LLP. Prior to 2002, Mr. Blackey served most recently as a Senior Partner at the accounting firm of Arthur Andersen LLP. Since April 2006, Mr. Blackey has served on the board of directors of Datalink Corporation, a publicly-held company. Mr. Blackey also serves on the Board of Overseers for the University of Minnesota, Carlson School of Management. We believe that Mr. Blackey's accounting background, experience as an executive officer and his service as a board member of a public company are strong endorsements for membership on our Board and invaluable to his role as our audit committee financial expert and Chairman of the Audit Committee.

Scott Ward. Mr. Ward has been a member of CSI's Board of Directors since 2013 and will serve as Chairman of CSI's Board of Directors effective upon Dr. Nelson's retirement at the Annual Meeting. Since 2013, Mr. Ward has been a Managing Director at SightLine Partners, and, since 2011, Mr. Ward has been President of Raymond Holdings. From 1981 to 2010, Mr. Ward was employed by Medtronic, Inc. and held a number of senior leadership positions. Mr. Ward was Senior Vice President and President of Medtronic's CardioVascular business from May 2007 to November 2010. Prior to that he was Senior Vice President and President of Medtronic's Vascular business from May 2004 to May 2007, Senior Vice President and President of Medtronic's Neurological and Diabetes Business, from February 2002 to May 2004, and was President of Medtronic's Neurological business from January 2000 to January 2002. He was Vice President and General Manager of Medtronic's Drug Delivery Business from 1995 to 2000. Prior to that, Mr. Ward led Medtronic's Neurological Ventures in the successful development of new therapies. Mr. Ward is Chairman of the Board of Creganna-Tactx Medical and Surmodics, Inc. He also serves on the Board of ImpediMed, Ltd. We believe that Mr. Ward's experience running businesses within a large medical device company and his knowledge of the medical device industry will allow him to make a valuable contribution to our Board.

Leslie L. Trigg. Ms. Trigg has been a member of CSI's Board of Directors since 2010. Ms. Trigg currently serves as an Executive in Residence for Warburg Pincus. From 2010 to 2012, Ms. Trigg served as Executive Vice President, Marketing and Commercial Strategy for Lutonix, a medical device company in the drug-coated balloon space. Prior to that, Ms. Trigg held the positions of Chief Business Officer and Sr. Vice President, Sales & Marketing of AccessClosure, Inc. between September 2006 and June 2009. Before joining AccessClosure, Ms. Trigg was the Vice President, Marketing for FoxHollow Technologies, Inc. from March 2003 to August 2006, Business Unit Director at Cytoc Corporation from November 2001 to September 2002, and Director, Market Development at Pro-Duct Health,

Inc. from July 2000 to November 2001. Ms. Trigg has also held marketing positions for Guidant Corporation. We believe that Ms. Trigg's experience as an executive officer of several public and private companies in the medical device industry make her a valued member of our Board.

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DIRECTORS CONTINUING IN OFFICE UNTIL THE FISCAL 2015 ANNUAL MEETING

Edward Brown. Mr. Brown has been a member of CSI's Board of Directors since February 2009. Mr. Brown was a member of Replidyne's Board of Directors from May 2007 to February 2009. Mr. Brown currently serves as a Partner at Health Evolution Partners. Mr. Brown was previously a Managing Director at TPG Growth from 2007 to 2009 and a Managing Director and co-founder of Healthcare Investment Partners, a private equity fund focused on healthcare investments, from 2004 to 2007. Before Healthcare Investment Partners, Mr. Brown was a Managing Director in the healthcare group of Credit Suisse Group where he led the firm's West Coast healthcare effort and was one of the senior partners responsible for the firm's global life sciences practice. Mr. Brown currently serves on the board of two private companies, Freedom Innovations, LLC, and Prolacta Biosciences, Inc. Mr. Brown previously served on the public company boards of Angiotech Pharmaceuticals Inc., from January 2007 to June 2011, Oculus Innovative Sciences, Inc., from September 2005 to June 2008, and Replidyne, Inc., from May 2007 to February 2009, as well as several private company boards. We believe that Mr. Brown's leadership experience with investment firms and his service as a board member of public and private healthcare companies enable him to bring valuable insight and knowledge to our Board.

Augustine Lawlor. Mr. Lawlor has been a member of CSI's Board of Directors since February 2009. He was a member of Replidyne's Board of Directors from March 2002 to February 2009. Mr. Lawlor is the Managing Partner of HealthCare Ventures LLC, where he was a Managing Director from 2000 to 2007. Mr. Lawlor was previously Chief Operating Officer of LeukoSite, Inc. and has also served as a management consultant with KPMG Peat Marwick. Mr. Lawlor serves on the board of directors of numerous companies, and served on the Board of Directors of Human Genome Sciences, Inc. from March 2004 to August 2012 and the board of directors of Replidyne, Inc. from March 2002 to March 2009. We believe that Mr. Lawlor's leadership experience in operating companies with investment firms and his service as a board member of public companies enable him to bring valuable insight and knowledge to our Board.

Scott Bartos. Mr. Bartos has been a member of CSI's Board of Directors since October 2012. Mr. Bartos has more than 20 years' experience as a healthcare executive and director, and was appointed President & CEO and a member of the board of directors of Rural/Metro Corporation in May 2013. He was subsequently named as chairman of the board of directors of Rural/Metro Corporation in February 2014. Mr. Bartos is also a director of Alliance HealthCare Services, Inc. and currently serves as lead director for Home Dialysis Plus. Mr. Bartos previously served as President, Chief Executive Officer, and a director of LaVie Care Centers, a national long-term care company with revenues exceeding \$1.0 billion annually, from July 2009 through the sale of the company in December 2011. From December 2008 to July 2009, he was an Executive in Residence at Warburg Pincus LLC. Mr. Bartos was Division President for Gambro Healthcare, Inc. from 2000 to 2004 and COO-East from 2004 to 2005. Mr. Bartos previously was the founder, President, CEO and a Director of Endoscopy Specialists Inc. We believe that Mr. Bartos's experience in business design, strategic planning, new product and service innovation, sales and marketing, and mergers and acquisitions with large, medium and small businesses in both public and private company settings allow him to make valuable contributions to our Board.

DIRECTOR RETIRING AT THE FISCAL 2014 ANNUAL MEETING

Glen D. Nelson, M.D. Dr. Nelson has been a member of CSI's Board of Directors since 2003 and CSI's Chairman since August 2007. Dr. Nelson is retiring from CSI's Board of Directors at the expiration of his term as a director at the Annual Meeting, and has been appointed Chairman Emeritus, an honorary position without obligation, effective upon his retirement. Since 2002, Dr. Nelson has been Chairman of GDN Holdings, LLC, a private investment company of which he is the sole owner. Dr. Nelson was a member of the board of directors of Medtronic, Inc. from 1980 until 2002. Dr. Nelson joined Medtronic as Executive Vice President in 1986, and he was elected Vice Chairman in 1988, a position held until his retirement in 2002. Before joining Medtronic, Dr. Nelson practiced surgery from 1969 to 1986.

Dr. Nelson was Chairman of the Board and Chief Executive Officer of American MedCenters, Inc. from 1984 to 1986. Dr. Nelson also was Chairman, President and Chief Executive Officer of the Park Nicollet Medical Center, a large multi-specialty group practice in Minneapolis, Minnesota, from 1975 to 1986. Dr. Nelson serves as a director for American Public Media/Minnesota Public Radio (non-profit) and for nine private companies: Anhese, LLC, Arstasis, Inc., Carlson Holdings, Inc., Guided Delivery Systems, Inc., Inspire Medical Systems, LLC, InterValue, Inc., MyMeds, Inc., NxThera, and RedBrick Health. Dr. Nelson has previously served in the past five years on the board of directors of The Travelers Companies, Inc. We believe that Dr. Nelson's extensive experience in medicine and the medical device industry and previous positions of leadership and service as a board member of several companies have provided invaluable contributions to our Board.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the Nasdaq Stock Market (“Nasdaq”) listing standards, a majority of the members of a listed company’s Board of Directors must qualify as “independent,” as affirmatively determined by the Board of Directors. The Board of Directors consults with the Company’s counsel to ensure that the Board of Directors’ determinations are consistent with relevant securities and other laws and regulations regarding the definition of “independent,” including those set forth in pertinent listing standards of Nasdaq, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, nominee, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board of Directors, following the determination of the Governance/Nominating Committee, has affirmatively determined that the following directors are independent within the meaning of the applicable Nasdaq listing standards: Messrs. Blackey, Brown, Ward, Bartos and Lawlor, Ms. Trigg and Dr. Nelson. In making this determination, the Board of Directors found that none of these directors had a material or other disqualifying relationship with the Company. Mr. Martin, the Company’s President and Chief Executive Officer, is not an independent director by virtue of his employment with the Company.

BOARD LEADERSHIP STRUCTURE

We have separate individuals serving as Chairman of the Board and as President and Chief Executive Officer because we believe independent directors and management have different perspectives and roles in strategy development. The President and CEO is responsible for setting the strategic direction of the Company and managing the day-to-day leadership and performance of the Company, while the Chairman provides guidance to the President and CEO, sets the agenda for meetings of the Board and presides over meetings of the full Board. We believe this structure promotes active participation of the independent directors and strengthens the role of the Board in fulfilling its oversight responsibility and fiduciary duties to our stockholders while recognizing the day-to-day management direction of the Company by the President and CEO.

OVERSIGHT OF RISK MANAGEMENT

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company’s risks. The Board regularly reviews information regarding the Company’s credit, liquidity and operations, as well as the risks associated with each, and the Board receives regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks. The Human Resources and Compensation Committee is responsible for overseeing the management of risks relating to the Company’s executive compensation plans and arrangements. While the Human Resources and Compensation Committee addresses risk by setting compensation within the range of what the Company can manage and what is competitive, the Human Resources and Compensation Committee did not formally undertake a “risk assessment.” The Audit, Risk Management and Finance Committee oversees our disclosure and internal controls and regularly assesses financial and accounting processes, and reviews and assesses the Company’s major enterprise, financial condition and operational risks. The Governance/Nominating Committee manages risks associated with the independence of the Board and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks and has overall risk management oversight responsibility.

CODE OF ETHICS AND BUSINESS CONDUCT

The Company has adopted the Cardiovascular Systems, Inc. Code of Ethics and Business Conduct that applies to all officers, directors and employees, which was last amended on January 31, 2012. We intend to maintain the highest standards of ethical business practices and compliance with all laws and regulations applicable to our business. The Code of Ethics and Business Conduct, as amended, is available on our website at <http://www.csi360.com> in the “Investors” section. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Ethics and Business Conduct by posting such information on our website at the web address and location specified above.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Stockholders may communicate directly with the Board of Directors. All communications should be directed to the Company's Secretary at the address below and should prominently indicate on the outside of the envelope that it is intended for the Board of Directors or for non-management directors, and the Company's Secretary will forward the communications to all specified directors. If no director is specified, the communication will be forwarded to the entire Board. Stockholder communications to the Board should be sent to:

Cardiovascular Systems, Inc. Board of Directors, Attention: Secretary, 651 Campus Drive St. Paul, MN 55112.

DIRECTOR ATTENDANCE AT ANNUAL MEETINGS OF STOCKHOLDERS

Directors' attendance at annual meetings of our stockholders can provide stockholders with an opportunity to communicate with directors about issues affecting the Company. We encourage, but do not require, our directors and nominees for director to attend annual meetings of stockholders. Seven of our eight directors attended our last annual meeting of stockholders on November 13, 2013.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met eight times during the fiscal year ended June 30, 2014. All directors attended at least 75% of the aggregate of the meetings of the Board of Directors and of the committees on which they served and which were held during the period for which they were directors or committee members. In addition, the directors often communicate informally to discuss the affairs of the Company and, when appropriate, take formal action by written consent, in accordance with the Company's charter and bylaws and Delaware law.

INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

During the fiscal year ended June 30, 2014, the Board of Directors maintained three standing committees: the Audit, Risk Management and Finance Committee; the Human Resources and Compensation Committee; and the Governance/Nominating Committee. The following table provides current committee membership, and meeting information for fiscal 2014 for each of the committees of the Board of Directors in existence through June 30, 2014:

Name	Audit, Risk Management and Finance Committee	Human Resources and Compensation Committee	Governance/Nominating Committee	
Brent G. Blackey	X	*		
Edward Brown		X	*	
Augustine Lawlor		X	X	
David L. Martin				
Glen D. Nelson, M.D.			X	
Leslie Trigg		X	X	*
Scott Bartos	X			
Scott Ward	X			
Total meetings in fiscal 2014	9	8	4	
* Committee Chairperson				

Below is a description of each committee of the Board of Directors as such committees are presently constituted. The Board of Directors has determined that each current member of each committee meets the applicable SEC and Nasdaq

rules and regulations regarding “independence” and that each member is free of any relationship that would impair his individual exercise of independent judgment with regard to the Company.

Audit, Risk Management and Finance Committee

The Audit, Risk Management and Finance Committee of the Board of Directors (the "Audit Committee") was established by the Board of Directors in accordance with Section 3(a)(58)(A) of the Exchange Act to oversee the Company's corporate accounting and financial reporting processes and audits of its financial statements. The Audit Committee is composed of Brent G. Blackey, Chair, Scott Bartos and Scott Ward. The Board of Directors has adopted an Audit, Risk Management and Finance Committee Charter, which was last amended on April 23, 2014 and is available on our website at <http://www.csi360.com> in the "Investors" section. The functions of the Audit Committee include, among other things:

- serving as an independent and objective party to monitor the Company's financial reporting process and internal control system;
- coordinating, reviewing and appraising the audit efforts of the Company's independent auditors and management and, to the extent the Company has an internal auditing or similar department or persons performing the functions of such department ("internal auditing department" or "internal auditors"), the internal auditing department;
- communicating directly with the independent auditors, the financial and senior management, the internal auditing department, and the Board of Directors regarding the matters related to the committee's responsibilities and duties;
- monitoring, overseeing and reviewing the Company's risk management and ethical and legal compliance and exercising principal oversight responsibility with respect to certain of the Company's material financial matters; and
- reviewing and making recommendations to the Board regarding the financial policies of the Company, the Company's capital structure and the Company's current and anticipated financial requirements, and overseeing management of the financial affairs of the Company.

Our independent registered public accounting firm, outside legal counsel and management periodically meet privately with our Audit Committee.

Each Audit Committee member is a non-employee director of our Board. The Board of Directors reviews the Nasdaq listing standards definition of independence for Audit Committee members on an annual basis and has determined that all current members of the Company's Audit Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards and Rule 10A-3(b)(1) under the Exchange Act).

Audit Committee Financial Expert

The Board has determined that Mr. Blackey is the "audit committee financial expert," as defined in Item 407(d)(5)(ii) of Regulation S-K, as amended. As noted above, Mr. Blackey is independent within the meaning of Nasdaq's listing standards. A description of Mr. Blackey's experience is set forth above under "Directors Continuing In Office Until The Fiscal 2016 Annual Meeting." The designation of Mr. Blackey as the audit committee financial expert does not impose on Mr. Blackey any duties, obligations or liability that are greater than the duties, obligations and liability imposed on Mr. Blackey as a member of the Audit Committee and the Board of Directors in the absence of such designation or identification.

Report of the Audit Committee of the Board of Directors

In accordance with its written charter, the Audit Committee assists the Board of Directors with fulfilling its oversight responsibility regarding the quality and integrity of the accounting, auditing and financial reporting practices of the Company. In discharging its oversight responsibilities regarding the audit process, the Audit Committee:

- (1) reviewed and discussed the audited financial statements with management and the independent auditors;
- (2) discussed with the independent auditors the material required to be discussed by Auditing Standard No. 16 (Communications with Audit Committees), with and without management present; and
- (3) received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and discussed with the independent accountant the independent accountant's independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014, as filed with the Securities and Exchange Commission.

Brent G. Blackey, Chair
Scott Bartos
Scott Ward

Human Resources and Compensation Committee

Our Human Resources and Compensation Committee (the "Compensation Committee") consists of three directors: Edward Brown, Chair, Augustine Lawlor and Leslie L. Trigg. All members of the Company's Compensation Committee were appointed by the Board of Directors, and consist entirely of directors who are "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act, and "independent," as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards.

The Board of Directors has adopted a Human Resources and Compensation Committee Charter, which was last amended on April 24, 2013, and is available on our website at <http://www.csi360.com> in the "Investors" section. The functions of the Compensation Committee include, among other things:

- setting annual base compensation and approving incentive compensation for all of our executive officers;
- reviewing corporate goals and objectives relevant to CEO compensation, the CEO's performance in light of those goals and objectives, and recommending to the independent directors of the Board the CEO's compensation;
- administering the Company's stock option plans, restricted stock plan, and incentive compensation plans for our executive officers, including the delegation of routine or ministerial activities to management;
- reviewing and approving employment agreements and severance agreements for our executive officers, except for the CEO, which is subject to input from the Board when appropriate, including change in control provisions, plans or agreements;
- reviewing director compensation and recommending appropriate adjustments for submission for approval to the Board;
- reviewing the Company's processes to recruit, retain and develop management resources, including its executive personnel appraisal, development and selection processes, with a focus on the Company's commitment to diversity;
- reviewing and discussing with management the Compensation Discussion and Analysis and other executive compensation-related disclosures required by the SEC to be included in the Company's annual Form 10-K and annual

proxy statement and recommending to the Board whether the Compensation Discussion and Analysis should be included in the Company's annual Form 10-K and annual proxy statement; and overseeing the preparation and authorizing the filing of the Human Resources and Compensation Committee Report required to be included in the annual proxy statement.

In the beginning of fiscal 2014, the Compensation Committee retained Lyons, Benenson & Company Inc. ("LB&Co."), a third-party compensation consulting firm. In the second half of fiscal 2014, the Compensation Committee retained Towers Watson to provide independent executive compensation consulting services. These consulting firms helped the Compensation Committee determine competitive compensation levels for our executive officers, including base salary, incentive compensation, stock options and restricted stock awards. Specifically, the consultants provided competitive compensation data from comparable

publicly held medical device and pharmaceutical companies, as well as incentive design observations. These consulting firms perform no other work for the Company and receive no payment other than for their work on behalf of the Compensation Committee.

Each of these consulting firms meets the independence standards, as specified by the SEC.

Our Chief Executive Officer may not be present during any Compensation Committee voting or deliberations with respect to his compensation. Our Chief Executive Officer may, however, be present during any other voting or deliberations regarding compensation of our other executive officers, but may not vote on such items of business. In fiscal 2014, the Compensation Committee met without the Chief Executive Officer present to review and determine the compensation of the Chief Executive Officer, with input from him and the Compensation Committee's third-party compensation consultant on his annual salary, equity award compensation and cash incentive compensation for the year. For all other executive officers in fiscal 2014, the Compensation Committee met with the Chief Executive Officer to consider and determine executive compensation, based on recommendations by the Chief Executive Officer and the Compensation Committee's third-party compensation consultant.

Compensation Committee Interlocks and Insider Participation

As indicated above, the Compensation Committee consists of Messrs. Brown and Lawlor and Ms. Trigg. No member of the Compensation Committee has ever been an executive officer or employee of ours. None of our officers currently serves, or has served during the last completed year, on the Compensation Committee or the Board of Directors of any other entity that has one or more officers serving as a member of the Board of Directors or the Compensation Committee.

Governance/Nominating Committee

Our Governance/Nominating Committee consists of three directors: Leslie L. Trigg, Chair, Glen D. Nelson M.D. and Augustine Lawlor. All members of the Company's Governance/Nominating Committee are "outside directors" for purposes of Section 162(m) of the Code, "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act, and "independent," as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards.

The Board of Directors has adopted a Governance/Nominating Committee Charter, which was last amended on July 23, 2014, and is available on our website at <http://www.csi360.com> in the "Investors" section. The functions of the Governance/Nominating Committee include, among other things:

- developing, reviewing and revising as appropriate, for adoption by the Board, the Principles of Corporate Governance by which the Company and the Board shall be governed;
- developing and recommending to the Board policies and processes designed to provide for effective and efficient governance, including but not limited to: policies for evaluation of the Board and the chairperson; the director nomination process, including Board membership criteria, minimum qualifications for directors, and stockholder nomination of directors; stockholder-director communications; stockholder communication regarding stockholder proposals; director attendance at annual meetings; and succession planning for the Board chairperson and other Board leaders;
- annually reviewing the composition of the Board against a matrix of skills and characteristics focused on the governance and business needs and requirements of the Company, and reporting to the Board regarding suggested changes in Board composition which will guide the committee in the selection, recruitment and recommendation of directors;
-

meeting as necessary to consider the nomination and screening of Board member candidates and evaluating the performance of the Board and its members; and

overseeing organization, membership and evaluation of Board committees and committee members, and making appropriate recommendations to the Board with respect to such matters.

The Governance/Nominating Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Governance/Nominating Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company's stockholders. Candidates for director nominees are reviewed in the context of the current composition of the Board of Directors, the operating requirements of the Company and the long-term interests of stockholders. In conducting this assessment, the Governance/Nominating Committee considers diversity, age, skills, and such other factors as it deems appropriate given the current needs of the Board of Directors

and the Company, to maintain a balance of knowledge, experience and capability. The Governance/Nominating Committee does not have a formal diversity policy and does not follow any ratio or formula with respect to diversity in order to determine the appropriate composition of the Board. In the case of incumbent directors whose terms of office are set to expire, the Governance/Nominating Committee reviews these directors' overall service to the Company during their terms, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Governance/Nominating Committee also determines whether the nominee is independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Governance/Nominating Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Governance/Nominating Committee meets to discuss and consider the candidates' qualifications and then selects a nominee by majority vote.

The Governance/Nominating Committee will consider director candidates recommended by stockholders. The Governance/Nominating Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. To nominate a director for the fiscal 2015 Annual Meeting, stockholders must submit such nomination in writing to our Secretary at 651 Campus Drive, St. Paul, Minnesota 55112 not later than the close of business on August 14, 2015, nor earlier than the close of business on July 1, 2015; provided, however, that in the event that the date of the fiscal 2015 annual meeting changes more than 30 days from November 12, 2015, the written proposal must be delivered not earlier than the close of business on the 120th day prior to the date of the fiscal 2015 Annual Meeting and not later than the close of business on the later of the 90th day prior to the date of the fiscal 2015 Annual Meeting or the 10th day following the day on which public announcement of the date of the fiscal 2015 Annual Meeting is first made by the Company. You are advised to review the Company's Bylaws for requirements relating to director nominees.

VOTE REQUIRED

The Board recommends that you vote "FOR" the nominee to the Board set forth in this Proposal 1. Under applicable Delaware law, the election of the nominee requires the affirmative vote by a plurality of the voting power of the shares present and entitled to vote on the election of directors at the Annual Meeting at which a quorum is present.

PROPOSAL 2—APPROVAL OF THE 2014 EQUITY INCENTIVE PLAN

Background

On July 23, 2014, the Board of Directors adopted, subject to stockholder approval, the 2014 Equity Incentive Plan (the “2014 Plan”). The purpose of the 2014 Plan is to aid us in attracting, retaining, motivating and rewarding our key employees to whom our successful operations and strong performance are tied, and to promote the creation of long-term value for stockholders by closely aligning the interests of participants with those of our stockholders.

A copy of the 2014 Plan is attached as Appendix A to this proxy statement. The following summary of the material terms of the 2104 Plan is qualified in its entirety by reference to the full text of the 2014 Plan.

The Compensation Committee believes that equity incentive grants are vital to our interests and our stockholders, as they play an important role in our ability to attract and retain key management, align a significant percentage of our executives’ compensation to her or his performance, as well as ours, and generate in our executives a strategic long-term interest in our performance. As discussed below, the 2014 Plan will allow for the continued use of stock-based compensation and will permit us significant flexibility in determining the types and specific terms of awards made to participants. This flexibility will allow us to make future awards based on the then-current objectives for aligning compensation with stockholder value.

Equity Compensation Plan Information

We currently award stock-based compensation, including stock options and restricted stock under the 2007 Equity Incentive Plan (the “2007 Plan”). As of September 15, 2014, there were (i) 847,208 shares subject to outstanding stock options with a weighted average exercise price of \$10.26 and a weighted average remaining term of 2.9 years, (ii) 1,191,994 shares of restricted stock awards subject to forfeiture, and (iii) 336,176 restricted stock units outstanding under all of the Company’s equity plans. As of September 15, 2014, there were 583,372 shares available for future grants under the 2007 Plan and we had 31,490,508 shares issued and outstanding. If the 2014 Plan is approved by our stockholders, no further grants will be made under the 2007 Plan. As of the date hereof, no grants have been made under the 2014 Plan.

The following table indicates the awards granted by us under the 2007 Plan for the fiscal years ended:

	June 30, 2014	June 30, 2013	June 30, 2012
Options Granted	—	—	—
Options Forfeited or Expired	—	97,581	387,987
Options Exercised	816,854	533,954	311,814
Restricted Stock Granted	741,039	880,282	817,878
Restricted Stock Forfeited	106,841	123,494	253,810
Restricted Stock Vested	787,925	571,488	517,445
Restricted Stock Units Granted	45,228	70,883	50,344
Restricted Stock Units Forfeited	—	—	3,596
Restricted Stock Units Converted to Common Stock	61,770	42,677	—
Weighted-Average Common Shares Outstanding for Year	28,295,758	21,685,932	18,035,635

The following table presents the issued but unexercised stock options under the plan:

	Outstanding Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Term
June 30, 2012	2,371,198	\$10.31	4.1 years
June 30, 2013	1,739,663	\$9.79	3.8 years

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June 30, 2014	922,809	\$10.16	3.1 years
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As of June 30, 2014, 2013 and 2012, there were 1,276,403, 1,430,130, and 1,244,830 shares of restricted stock awards subject to forfeiture, respectively, and 296,131, 312,673, and 284,467 restricted stock units outstanding, respectively.

Overhang and Burn Rate

We consider both burn rate and overhang in administering our equity plans. We define “burn rate” as the number of equity awards granted in the year, net of cancellations, divided by the sum of the basic weighted-average common stock outstanding for the year plus the number of options that have been issued and are outstanding as of the end of the year. This “burn rate” measures the potentially dilutive effective of our annual equity grants. Our burn rate for each of fiscal years 2014, 2013 and 2012, as calculated based on the information above, was 2%, 3% and 1%, respectively. Assuming stockholder approval of the 2014 Plan, we intend to have a burn rate of no higher than 4.82% for the fiscal years ended June 30, 2015, 2016 and 2017.

We define “overhang” as the equity awards outstanding but not exercised plus shares of common stock available to be granted pursuant to future equity awards, divided by the total shares of common stock outstanding. As of June 30, 2014, we had 118,766 shares of common stock available to be granted pursuant to future equity awards under our 2007 Plan. Based on this and the information set forth in the table above, our overhang as of June 30, 2014 was approximately 4%. Assuming stockholder approval of our 2014 Plan, our overhang following such stockholder approval will be approximately 12%.

Administration

The Board of Directors of the Company has delegated the administration of the 2014 Plan to the Compensation Committee. The Board and the Compensation Committee are collectively referred to in the Plan as the “Administrator.”

The Administrator may delegate to one or more Committees and/or sub-Committees, or to one or more officers of the Company and/or its Affiliates, or to one or more agents and/or advisors, such administrative duties or powers as it may deem advisable. The Administrator or any Committees or individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility of the Administrator or such Committees or individuals may have under the 2014 Plan. The Administrator may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as the Administrator: (i) designate employees to be recipients of awards under the 2014 Plan and (ii) determine the size of any such awards; provided, however, that the Committee may not delegate such responsibilities to any such officer for awards granted to an employee who is an officer or director of the Company or the beneficial owner of more than 10% of the Company’s common stock; the resolution providing such authorization sets forth the total number of awards such officer(s) may grant; and the officer(s) must report periodically to the Administrator regarding the nature and scope of the awards granted pursuant to the authority delegated.

Except as otherwise provided in the 2014 Plan, the Administrator will have all of the powers vested in it under the provisions of the 2014 Plan, including but not limited to exclusive authority to determine, in its sole discretion, whether an award will be granted; the individuals to whom, and the time or times at which, awards will be granted; the number of shares subject to each award; the exercise price of Options granted hereunder; and the performance criteria, if any, and any other terms and conditions of each Award. The Administrator will have full power and authority to administer and interpret the 2014 Plan, to make and amend rules, regulations and guidelines for administering the 2014 Plan, to prescribe the form and conditions of the respective Agreements evidencing each Award (which may vary from Participant to Participant), to amend or revise Agreements evidencing any award (to the extent the amended terms would be permitted by the 2014 Plan and provided that no such revision or amendment, except as is authorized in Section 15 of the 2014 Plan may impair the terms and conditions of any award that is outstanding on the date of such revision or amendment to the material detriment of the Participant in the absence of the consent of the Participant), and to make all other determinations necessary or advisable for the administration of the 2014 Plan (including to correct any defect, omission or inconsistency in the 2014 Plan or any Agreement, to the extent permitted by law and the 2014 Plan). The Administrator’s interpretation of the 2014 Plan, and all actions taken and

determinations made by the Administrator pursuant to the power vested in it under the 2014 Plan will be conclusive and binding on all parties concerned.

Eligibility

Any employee, director, or consultant may participate in the 2014 Plan; provided, however, that only employees are eligible to receive Incentive Stock Options. As of the date of this proxy statement, approximately 583 employees, 6 non-employee directors, and one consultant are eligible to participate in the 2014 Plan. Additionally, the Company may grant certain performance-based awards to “covered employees” in compliance with Section 162(m) of the Internal Revenue Code. These covered employees include our executive officers. Section 162(m) generally limits the corporate tax deduction for compensation paid to executive officers that is not “performance-based” to \$1,000,000 per executive officer. “Performance-based” compensation meeting certain requirements is not counted against the \$1,000,000 limit and generally remains fully deductible for tax purposes.

Shares Available for Awards

The stock to be awarded or optioned under the Plan (the “share authorization”) will consist of authorized but unissued or reacquired shares of common stock. The maximum aggregate number of shares of common stock reserved and available for awards under the 2014 Plan is 2,030,000 shares; provided, that all shares of stock reserved and available under the 2014 Plan will constitute the maximum aggregate number of shares of stock that may be issued through incentive stock options.

The following shares of common stock will not reduce the share authorization and will continue to be reserved and available for Awards granted pursuant to the 2014 Plan: (i) all or any portion of any outstanding restricted stock award or restricted Stock unit that expires or is forfeited for any reason, or that is terminated prior to the vesting or lapsing of the risks of forfeiture on such Award, and (ii) shares of common stock covered by an award to the extent the award is settled in cash; provided, however, that the full number of shares of common stock subject to a stock appreciation right will reduce the share authorization, whether such stock appreciation right is settled in cash or shares of common stock. Any shares of common stock withheld to satisfy tax withholding obligations on an award, shares of common stock withheld to pay the exercise price of an option, and shares of common stock subject to a broker-assisted cashless exercise of an option will reduce the share authorization.

No person may be granted options or stock appreciation rights under the 2014 Plan for more than 500,000 shares of common stock in any calendar year, and no person may be granted restricted stock awards, restricted stock unit awards or performance awards under the 2014 Plan for more than 300,000 shares of common stock in any calendar year.

The Administrator will adjust the number of shares and share limit described above in the case of a stock dividend, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-off, repurchase or exchange of shares, or other similar corporate transaction where such an adjustment is necessary to prevent dilution or enlargement of the benefits available under the 2014 Plan. Any adjustment determination made by the Administrator will be final, binding and conclusive.

Type of Awards and Terms and Conditions

The 2014 Stock Plan provides that the Administrator may grant awards to eligible participants in any of the following forms, subject to such terms, conditions and provisions as the Administrator may determine to be necessary or desirable:

- stock options, including both incentive stock options (“ISOs”) and non-qualified stock options;
- stock appreciation rights (“SARs”);
- restricted stock;

restricted stock units; and
other stock-based awards.

Options. Options may either be incentive stock options, which are specifically designated as such for purposes of compliance with Section 422 of the Internal Revenue Code, or non-qualified stock options. Options vest as determined by the Administrator, subject to applicable performance objectives and statutory limitations regarding the maximum term of ISOs and the maximum value of ISOs that may vest in one year. The exercise price of each share subject to an ISO will be equal to or greater than the fair market value of a share on the date of the grant of the ISO, except in the case of an ISO grant to a stockholder who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or its parent or any subsidiary, the exercise price will be equal to or greater than 110% of the fair market value of a share on the grant date. Non-qualified stock options vest as determined by the Administrator, subject to applicable performance objectives and statutory limitations regarding the maximum term of non-qualified stock options. The exercise price of each share subject to a non-qualified stock option will be determined by the Administrator at the time of grant but must be equal to or greater than the fair market value of a share on the date of grant. Recipients of options have no rights as stockholders with

respect to any shares covered by the award until the award is exercised and a stock certificate or book entry evidencing such shares is issued or made, respectively.

Restricted Stock Awards. Restricted stock awards consist of shares granted to a participant that are subject to one or more risks of forfeiture. Restricted stock awards may be subject to risk of forfeiture based on the passage of time or the satisfaction of other criteria, such as continued employment or Company performance. Recipients of restricted stock awards are entitled to vote and receive dividends attributable to the shares underlying the awards beginning on the grant date, but have no other rights as stockholders with respect to such shares.

Restricted Stock Units. Restricted stock units consist of a right to receive shares (or cash, in the Administrator's discretion) on one or more vesting dates in the future. The vesting dates may be based on the passage of time or the satisfaction of other criteria, such as continued employment or Company performance. Recipients of restricted stock units have no rights as stockholders with respect to any shares covered by the awards until the date a stock certificate or book entry evidencing such shares is issued or made, respectively.

Performance Awards. Performance awards, which may be denominated in cash or shares, are earned upon achievement of performance objectives during a performance period established by the Administrator. Recipients of performance awards have no rights as stockholders with respect to any shares covered by the awards until the date a stock certificate or book entry evidencing such shares is issued or made, respectively.

Stock Appreciation Rights. A stock appreciation right may be granted independent of or in tandem with a previously or contemporaneously granted stock option, as determined by the Administrator. Generally, upon exercise of a stock appreciation right, the recipient will receive cash, shares of Company stock, or a combination of cash and stock, with a value equal to the excess of: (i) the fair market value of a specified number of shares of Company stock on the date of the exercise, over (ii) a specified exercise price. Stock appreciation rights vest as determined by the Administrator, subject to applicable performance objectives and statutory limitations regarding the maximum term of stock appreciation rights. Recipients of stock appreciation rights have no rights as a stockholder with respect to any shares covered by the award until the date a stock certificate or book entry evidencing such shares is issued or made, respectively.

Performance-Based Compensation. For any of the above awards that are intended to qualify as "Performance-Based Compensation" under Section 162(m) of the Internal Revenue Code, the performance objectives will be limited to any one, or a combination of, (i) revenue or net sales, (ii) operating income, (iii) net income (before or after taxes), (iv) earnings per share, (v) earnings before or after taxes, interest, depreciation, amortization and/or stock compensation expense, (vi) gross profit margin, (vii) return measures (including, but not limited to, return on invested capital, assets, capital, equity, sales), (viii) increase in revenue or net sales, (ix) operating expense ratios, (x) operating expense targets, (xi) productivity ratios, (xii) gross or operating margins, (xiii) cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity and cash flow return on investment), (xiv) working capital targets, (xv) capital expenditures, (xvi) share price (including, but not limited to, growth measures and total shareholder return), (xvii) appreciation in the fair market value or book value of the common stock, (xviii) debt to equity ratio or debt levels, (xix) market share, in all cases including, if selected by the Administrator, threshold, target and maximum levels, and (xx) operational targets including without limitation milestones in clinical trials, research and development, regulatory approvals, new product commercialization and new market expansion.

Amendments of the 2014 Plan

The Board may from time to time, insofar as permitted by law, suspend or discontinue the 2014 Plan or revise or amend it in any respect. However, to the extent required by applicable law or regulation or as except as provided under the 2014 Plan itself, the Board may not, without stockholder approval, revise or amend the 2014 Plan to (i)

materially increase the number of shares subject to the 2014 Plan, (ii) change the designation of participants, including the class of employees, eligible to receive awards, (iii) decrease the price at which options or stock appreciation rights may be granted, (iv) cancel, regrant, repurchase for cash, or replace options or stock appreciation rights that have an exercise price in excess of the fair market value of the common stock with other awards, or amend the terms of outstanding options or stock appreciation rights to reduce their exercise price, (v) materially increase the benefits accruing to participants under the 2014 Plan, or (vi) make any modification that will cause incentive stock options to fail to meet the requirements of Internal Revenue Code Section 422.

Term

The Administrator may grant awards pursuant to the 2014 Plan until it is discontinued or terminated; provided, however, that ISOs may not be granted after July 23, 2024.

Change of Control

Unless otherwise provided in the terms of an award, upon a change of control of the Company, as defined in the 2014 Plan, the Administrator may provide for one or more of the following: (i) the acceleration of the exercisability, vesting, or lapse of the risks of forfeiture of any or all awards (or portions thereof); (ii) the complete termination of the 2014 Plan and the cancellation of any or all awards (or portions thereof) that have not been exercised, have not vested, or remain subject to risks of forfeiture, as applicable in each case as of the effective date of the change of control; (iii) that the entity succeeding the Company by reason of such change of control, or the parent of such entity, must assume or continue any or all awards (or portions thereof) outstanding immediately prior to the change of control or substitute for any or all such awards (or portions thereof) a substantially equivalent award with respect to the securities of such successor entity, as determined in accordance with applicable laws and regulations; or (iv) that participants holding outstanding awards will become entitled to receive, with respect to each share of common stock subject to such award (whether vested or unvested, as determined by the Administrator pursuant to the 2014 Plan) as of the effective date of any such change of control, cash in amount equal to (1) for participants holding options or stock appreciation rights, the excess of the fair market value of such common stock on the date immediately preceding the effective date of such change of control over the exercise price per share of options or stock appreciation rights, or (2) for participants holding awards other than options or stock appreciation rights, the fair market value of such common stock on the date immediately preceding the effective date of such change of control. The Administrator need not take the same action with respect to all awards (or portions thereof) or with respect to all participants.

Payment

Upon exercise of an option granted under the 2014 Plan, and as permitted in the Administrator's discretion, the option holder may pay the exercise price in cash (or cash equivalent), by surrendering previously-acquired unencumbered shares of Company common stock, by withholding shares of Company common stock from the number of shares that would otherwise be issuable upon exercise of the option (e.g., a net share settlement), through broker-assisted cashless exercise (if compliant with applicable securities laws and any insider trading policies of the Company), another form of payment authorized by the Administrator, or a combination of any of the foregoing. If the exercise price is paid, in whole or in part, with Company common stock, the then-current fair market value of the stock delivered or withheld will be used to calculate the number of shares required to be delivered or withheld.

Transfer Restrictions

Unless permitted by law and expressly permitted by the 2014 Plan or underlying award agreement, no award will be transferable, other than by will or by the laws of descent and distribution. The Administrator may permit a recipient of a NSO to transfer the award by gift to his or her "immediate family" or to certain trusts or partnerships (as defined and permitted by applicable federal securities law).

Federal Income Tax Matters

Options. Under present law, an optionee will not recognize any taxable income on the date an NSO is granted pursuant to the 2014 Plan. Upon exercise of the option, however, the optionee must recognize, in the year of exercise, compensation taxable as ordinary income in an amount equal to the difference between the option price and the fair market value of Company common stock on the date of exercise. Upon the sale of the shares, any resulting gain or loss will be treated as capital gain or loss. The Company will receive an income tax deduction in its fiscal year in which NSOs are exercised equal to the amount of ordinary income recognized by those optionees exercising options, and must comply with applicable tax withholding requirements.

ISOs granted under the 2014 Plan are intended to qualify for favorable tax treatment under Section 422 of the Internal Revenue Code. Under Section 422, an optionee recognizes no compensation that is taxable as ordinary income when the option is granted. Further, the optionee generally will not recognize any compensation that is taxable as ordinary income when the option is exercised if he or she has at all times from the date of the option's grant until three months before the date of exercise been an employee of the Company. The Company generally is not entitled to any income tax deduction upon the grant or exercise of an incentive stock option. Certain other favorable tax consequences may be available to the optionee if he or she does not dispose of the shares acquired upon the exercise of an incentive stock option for a period of two years from the granting of the option and one year from the receipt of the shares.

Restricted Stock Awards. Generally, no income is taxable to the recipient of a restricted stock award in the year that the award is granted. Instead, the recipient will recognize compensation taxable as ordinary income equal to the fair market value of the shares in the year in which the risks of forfeiture restrictions lapse. Alternatively, if a recipient makes an election under Section 83(b) of the Internal Revenue Code, the recipient will, in the year that the restricted stock award is granted, recognize

compensation taxable as ordinary income equal to the fair market value of the shares on the date of the award. The Company normally will receive a corresponding deduction equal to the amount of compensation the recipient is required to recognize as ordinary taxable income, and must comply with applicable tax withholding requirements.

Restricted Stock Units. A recipient of restricted stock units will generally recognize compensation taxable as ordinary income in an amount equal to the fair market value of the shares (or the amount of cash) distributed to settle the restricted stock units on the settlement date(s). The Company normally will receive a corresponding deduction at the time of settlement, equal to the amount of compensation the recipient is required to recognize as ordinary taxable income, and must comply with applicable tax withholding requirements.

Performance Awards. A recipient of performance awards will recognize compensation taxable as ordinary income equal to the value of the shares of Company common stock or the cash received, as the case may be, in the year that the recipient receives payment. The Company normally will receive a deduction equal to the amount of compensation the recipient is required to recognize as ordinary taxable income, and must comply with applicable tax withholding requirements.

Stock Appreciation Rights. Generally, a recipient of a stock appreciation right will recognize compensation taxable as ordinary income equal to the value of the shares of Company common stock or the cash received in the year that the stock appreciation right is exercised. The Company normally will receive a corresponding deduction equal to the amount of compensation the recipient is required to recognize as ordinary taxable income, and must comply with applicable tax withholding requirements.

Section 409A of the Internal Revenue Code. Depending in part on particular award terms and conditions, certain awards under the 2014 Plan may be considered non-qualified deferred compensation subject to the requirements of Section 409A of the Internal Revenue Code. If the terms of such awards do not meet the requirements of Section 409A, the violation of Section 409A may result in an additional 20% tax obligation, plus penalties and interest for such participant.

Section 162(m) of the Internal Revenue Code. Section 162(m) generally limits the corporate tax deduction for compensation paid to executive officers that is not “performance-based” to \$1,000,000 per executive officer. “Performance based” compensation meeting certain requirements is not counted against the \$1,000,000 limit and generally remains fully deductible for tax purposes. One of the requirements for compensation to be considered performance-based under the tax laws is that the Company must obtain stockholder approval every five years of the material terms of performance goals for such compensation. In accordance with Internal Revenue Service rules, the material terms that the stockholders approve constitute the framework for the Company to establish programs and awards under which compensation provided by the Company can qualify as “performance based” compensation for purposes of the tax laws. Stockholder approval of the general performance goals specified in the 2014 Plan and the maximum amounts that may be awarded under the 2014 Plan, even without stockholder approval of specific targeted levels of performance, will qualify the incentive awards under the 2014 Plan as “performance based” compensation. We anticipate that stockholder approval of the 2014 Plan will allow tax deductibility of performance based awards granted under the 2014 Plan for the next five years, at which point Section 162(m) will require further stockholder approval of these goals.

The foregoing is only a summary of the effect of U.S. federal income taxation with respect to the grant and exercise of awards under the 2014 Plan. It does not purport to be complete, and does not discuss the tax consequences of an individual’s death or the provisions of the income tax laws of any municipality, state or foreign country in which any eligible individual may reside.

Other Information

Other than as a result of their right to participate in the 2014 Plan, no person who was a director or executive officer of the Company in the year ended June 30, 2014 or who is a nominee for director at the Annual Meeting, or any associate of theirs, has any substantial interest in this proposal.

VOTE REQUIRED

The Board recommends that you vote “FOR” the approval of the 2014 Equity Incentive Plan. Approval of the 2014 Equity Incentive Plan requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

PROPOSAL 3—RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee has selected PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending June 30, 2015, and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. PricewaterhouseCoopers LLP also served as the Company's independent auditors for the fiscal year ended June 30, 2014. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditors. However, the Audit Committee of the Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board of Directors in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of PricewaterhouseCoopers LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

In connection with the audit of the fiscal 2014 financial statements, the Company entered into an engagement agreement with PricewaterhouseCoopers LLP which sets forth the terms by which PricewaterhouseCoopers LLP will perform audit services for the Company.

The following table represents aggregate fees billed to the Company for the fiscal years ended June 30, 2014, and June 30, 2013, by PricewaterhouseCoopers LLP, the Company's principal accountant. All fees described below were approved by the Audit Committee.

	2014	2013
Audit Fees ⁽¹⁾	\$383,799	\$492,967
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees ⁽²⁾	1,800	1,800
	\$385,599	\$494,767

Audit Fees were principally for services rendered for the audit and/or review of our consolidated financial statements. Audit fees also include fees for services rendered in connection with the filing of registration statements and other documents with the SEC, the issuance of accountant consents and comfort letters and assistance in responding to SEC comment letters.

(2) All Other Fees consist of fees billed in the indicated year for other permissible work performed by PricewaterhouseCoopers LLP that is not included within the above category descriptions.

PRE-APPROVAL POLICIES AND PROCEDURES

Pursuant to its written charter, the Audit Committee is required to pre-approve the audit and non-audit services performed by our independent auditors. The Audit Committee may not approve non-audit services prohibited by

applicable regulations of the Securities and Exchange Commission if such services are to be provided contemporaneously while serving as independent auditors. The Audit Committee has delegated authority to the Chairman of the Audit Committee to approve the commencement of permissible non-audit related services to be performed by the independent auditors and the fees payable for such services, provided that the full Audit Committee subsequently ratifies and approves all such services. For fiscal 2014, all audit and non-audit services performed by our independent auditors were pre-approved in accordance with such pre-approval policies. The Audit Committee has determined that the rendering of the services other than audit services by PricewaterhouseCoopers LLP is compatible with maintaining the principal accountant's independence.

VOTE REQUIRED

The Board recommends that you vote “FOR” the ratification of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the fiscal year ending June 30, 2015. Ratification of PricewaterhouseCoopers LLP requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

our executives should include both cash and stock-based compensation that reward performance as measured against established goals.

2013 Say on Pay Results and Stockholder Engagement

At our Annual Meeting held November 12, 2013, our stockholders had the opportunity to cast a non-binding advisory vote on the compensation of the Named Executive Officers. Approximately 97% of the shares voted at the meeting approved the Named Executive Officers' compensation. The Compensation Committee welcomed this feedback and intends to continue its practice of linking Company performance with executive compensation decisions. In addition to this vote result, the Compensation Committee and management routinely gather direct input and feedback from our stockholders. In fiscal 2014, we noted the following themes:

- Significant portion of compensation should be tied to variable, performance-based pay;
- Long-term stockholder value creation through equity opportunities and stock ownership should be emphasized most significantly; and
- Performance expectations should emphasize revenue growth but also consider profitability and a competitive return on investment.

Overview of Compensation and Process

The Compensation Committee worked with management and with the third-party compensation consulting firms noted above, to design the executive compensation programs for fiscal 2014, following the belief that compensation should reflect the value created for the stockholders while furthering the company's strategic goals. In doing so, we instituted our compensation programs to achieve the following goals:

- align the interests of management with those of stockholders;
- provide fair and competitive compensation;
- integrate compensation with our business plans;
- reward both business and individual performance; and
- attract and retain key executives that are critical to our success.

These objectives emphasize pay for performance by providing an incentive opportunity for at or above average performance. The compensation package for each executive officer is comprised of three elements: (i) base salary that reflects individual performance and is designed primarily to be competitive with salary levels in the industry; (ii) annual incentive contingent upon specific corporate and "management by objective" goals; and (iii) long-term, stock-based incentive awards that strengthen the alignment of interests between the executive officers and our stockholders.

Our Compensation Committee, in consultation with its independent compensation consultants, administers the company's compensation program for the Named Executive Officers. The Compensation Committee regularly invites a representative of its independent compensation consultants to participate in Compensation Committee meetings and consults with those consultants regarding various compensation related issues. In connection with the annual review of executive officer and director compensation, at the request of the Compensation Committee, the compensation consultants provide the Committee with data regarding the compensation paid to executive officers and directors of companies deemed to be comparable to us (the "Compensation Peer Group").

For fiscal 2014, the Compensation Peer Group consisted of the following companies:

ABIOMED, Inc.	Hansen Medical, Inc.	NxStage Medical, Inc.
Align Technology, Inc.	ICU Medical, Inc.	Spectranetics Corporation
ArthroCare Corporation	Insulet Corporation	Thoratec Corporation
Conceptus, Inc.	Mako Surgical Corporation	Vascular Solutions, Inc.
Endologix, Inc.	Natus Medical Incorporated	Volcano Corporation

In setting fiscal 2014 compensation, the Compensation Committee used the data assembled by LB&Co. from the Compensation Peer Group set forth above in determining base salaries, incentive compensation under the Fiscal 2014 Executive Officer Bonus Plan, and reviewing previously granted equity awards and recommendations for future awards.

In making compensation decisions, the Compensation Committee compares all elements of total compensation against the companies in the Compensation Peer Group. The Compensation Committee reviews the compensation paid to executives in the Compensation Peer Group and performance evaluations presented by management in determining the appropriate aggregate and individual compensation levels for the performance year. In conducting its review, the Compensation Committee considers quantitative performance results of the Company and the overall need of the Company to attract, retain and motivate the executive team.

Base Salaries

Base salary is an important element of our executive compensation program as it provides executives with a competitive, fixed, non-contingent earnings stream to support annual living and other expenses. As a component of total compensation, we generally target base salaries at the median of peer group salaries for comparable positions, a level that we believe is sufficient to attract and retain an experienced management team that will successfully grow our business and create stockholder value. Base salaries are reviewed regularly and adjusted to reward individual performance and contributions to our overall business objectives. We seek to do so in a manner that does not detract from the executives' incentive to realize additional compensation through our performance-based compensation programs.

The Compensation Committee reviews the Chief Executive Officer's salary annually at the end of each fiscal year. The Compensation Committee may recommend adjustments to the Chief Executive Officer's base salary based upon the Compensation Committee's review of his current base salary, incentive cash compensation and equity-based compensation, as well as his performance and comparative market data. The Compensation Committee reviews other executives' salaries throughout the year, with input from the Chief Executive Officer. The Compensation Committee may recommend adjustments to other executives' base salary based upon the Chief Executive Officer's recommendation and the reviewed executive's responsibilities, experience and performance, as well as comparative market data.

In utilizing comparative data, the Compensation Committee seeks to recommend salaries for each executive at a level that is appropriate after giving consideration to experience for the relevant position and the executive's performance. The Compensation Committee reviews performance for both our company (based upon achievement of strategic initiatives) and each individual executive. Based upon these factors, the Compensation Committee may recommend adjustments to base salaries to better align individual compensation with comparative market compensation, to provide merit-based increases based upon individual or company achievement, or to account for changes in roles and responsibilities.

For fiscal 2014, the Named Executive Officers received base salary increases ranging from 3% to 8%. The Compensation Committee approved the following base salaries for each of the Named Executive Officers for the fiscal years ended June 30 2014 and 2013:

Name	2014 Base Salary	2013 Base Salary	Percentage Increase	
David L. Martin	\$540,000	\$500,000	8.0	%
Laurence L. Betterley	\$330,723	\$321,090	3.0	%
Robert J. Thatcher	\$318,347	\$303,188	5.0	%
James E. Flaherty	\$295,250	\$286,650	3.0	%
Kevin J. Kenny	\$297,413	\$288,750	3.0	%

Annual Incentive

Each Named Executive Officer has a target incentive that is a fixed percentage of his or her salary. In fiscal 2014, target bonus levels as a percentage of base salary were 100% for the President and Chief Executive Officer, 60% for the Chief Financial Officer and 50% for the other Named Executive Officers.

The Compensation Committee structures the Company's annual incentive program to reward its Named Executive Officers based on the Company's fiscal year performance. Each year, after the Company's annual financial planning process, the Compensation Committee and the Board of Directors establish the financial objectives that need to be achieved by the Company for the Named Executive Officers to earn the portion of the target bonus that relates to financial objectives. These financial objectives vary from year to year, depending on the Company's business goals. As in fiscal 2013, receipt of cash incentive compensation for fiscal 2014 was based on the Company's achievement of revenue and adjusted EBITDA financial goals.

Target bonus amounts were split two-thirds for achievement of revenue targets and one-third for achievement of adjusted EBITDA targets. For the purposes of the performance goal measurement, adjusted EBITDA is defined as EBITDA with stock compensation, added back into the calculation and an adjustment for cash incentive compensation paid to management above or below 100% target levels for that particular fiscal year.

The plan also provided MBO targets for fiscal 2014 related to obtaining pre-market approval (“PMA”) from the FDA to market the Diamondback 360[®] Coronary Orbital Atherectomy System, the launch of the pedal access product, enrollment metrics in the Liberty 360 clinical study and sales professional productivity. Achievement of the MBO targets could result in additional cash bonuses to executive officers for each target achieved of 3.75% of their annual base salaries. In addition, the Compensation Committee had discretion under the plan to award a discretionary bonus of up to 20% of each Named Executive Officer’s base salary under the plan.

The fiscal 2014 performance goals and resulting payouts were structured to encourage significant growth:

	Revenue (in millions)	Adjusted EBITDA (in millions)	Payout as a % of Target
Threshold	\$114.4	\$(34.6)	50%
Target	\$120.0	\$(31.2)	100%
Maximum	\$131.0	\$(24.6)	200%
Actual	\$136.6	\$(21.2)	200%

The achievement of the goals resulted in an award of 134% (for revenue performance) and 66% (for adjusted EBITDA performance) of each Named Executive Officer’s bonus opportunity. In addition, achievement of MBOs for obtaining PMA from the FDA, the launch of the pedal access product, and sales professional productivity for the fiscal 2014 resulted in an award of 11.25% of each Named Executive Officer’s annual base salary.

On July 23, 2014, the Compensation Committee recommended and the Board of Directors approved an additional discretionary bonus of \$500,000 to David L. Martin, the Company’s Chief Executive Officer, in recognition of his significant role in achieving substantially increased value for our stockholders during fiscal 2014 and because his total compensation without this bonus was lower than market benchmarks.

Bonus amounts based on performance and MBO-based incentives of Named Executive Officers for fiscal 2014 versus fiscal 2013 were as follows:

	2014		2013		
	Total \$	As a % of Base Salary	Total \$	As a % of Base Salary	
David L. Martin	\$1,640,750	303.8	% \$866,306	170.0	%
Laurence L. Betterley	\$434,074	131.3	% \$343,428	103.2	%
Robert J. Thatcher	\$354,161	111.3	% \$274,024	86.6	%
James E. Flaherty	\$328,466	111.3	% \$259,077	86.6	%
Kevin J. Kenny	\$330,872	111.3	% \$260,975	86.6	%

Long-Term Incentives

We provide long-term incentives to the Named Executive Officers through the grant of equity. Under our 2007 Equity Incentive Plan, we may make grants of restricted stock awards, stock options, restricted stock units, performance share awards, performance unit awards and stock appreciation rights to officers and other employees. We adopted this plan to give us flexibility in the types of awards that we could grant to our executive officers and other employees. In fiscal 2014 we used equity vehicles to emphasize performance, stockholder alignment and retention.

In fiscal 2014, the Compensation Committee reviewed and recommended to the Board of Directors for approval equity grants to the Named Executive Officers. On September 4, 2013 the Board of Directors approved an aggregate dollar amount of equity for each Named Executive Officer, which awards were granted in the share amounts set forth in the table below based on the grant date closing price of our common stock on August 12, 2013 (the third business day following the August 7, 2013 release of the year-end earnings announcement).

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For the awards with vesting based on revenue growth and total stockholder return, the Company's performance was compared to the median performance of the Compensation Peer Group. The relationship between relative performance and vesting is set forth in the table below:

	Annual Revenue Growth	Total Stockholder Return	Vesting
Threshold	90%	90%	50%
Target	100%	100%	100%
Maximum	150%	200%	130%

The number of shares subject to each type of award is set forth in the table below:

Name	2014 Restricted Stock Awards				
	Time ⁽¹⁾	Revenue Growth ⁽²⁾	150% RG	Stockholder Return ⁽³⁾	200% TSR
David L. Martin	24,737	12,368	7,420	12,368	7,420
Laurence L. Betterley	11,362	5,681	3,408	5,681	3,408
Robert J. Thatcher	7,292	3,646	2,188	3,646	2,188
James E. Flaherty	8,115	4,057	2,434	4,057	2,434
Kevin J. Kenny	8,515	4,258	2,554	4,258	2,554

(1) The award vests 1/3 at each one-year anniversary of the date of the grant.

The award provides that if the Company's annual revenue growth for fiscal 2014 is less than 90% of the median annual revenue growth of the peer group, the Named Executive Officer shall forfeit all shares of stock subject to the award, and if the Company's annual revenue growth is at least 90% of the median annual revenue growth of the peer group, the risks of forfeiture shall lapse with respect to 50% of the shares of stock subject to the award plus a pro rata portion of the remaining shares for each percentage point from 90% to 100% such that the risks of

(2) forfeiture shall lapse with respect to 100% of the shares subject to the award if the Company's annual revenue growth is equal to or greater than the median annual revenue growth of the peer group. The Company's total revenue growth for fiscal 2014 exceeded 150% of the median total stockholder return of the peer group, and so the risks of forfeiture for all of these awards have lapsed. In addition, this performance resulted in the vesting of shares set forth in the column titled "150% RG."

The award provides that if the Company's total stockholder return for fiscal 2014 is less than 90% of the median total stockholder return of the peer group, the Named Executive Officer shall forfeit all shares of Stock subject to this award, and if the Company's total stockholder return is at least 90% of the median total stockholder return of the peer group, the risks of forfeiture shall lapse with respect to 50% of the shares of stock subject to the award plus a pro rata portion of the remaining shares for each percentage point from 90% to 100% such that the risks of

(3) forfeiture shall lapse with respect to 100% of the shares subject to the award if the Company's total stockholder return is equal to or greater than the median total stockholder return of the peer group. The Company's total stockholder return for fiscal 2014 exceeded 200% of the median total stockholder return of the peer group, and so the risks of forfeiture for all of these awards have lapsed. In addition, this performance resulted in the vesting of the shares set forth in the column titled "200% TSR."

All of the restricted stock awards in the table above are further conditioned on continued employment with the Company. If an executive officer holds restricted stock with time based vesting, and his employment is terminated for any reason (other than change of control), including death or disability, prior to restrictions lapsing, all of the executive officer's rights to all of the shares subject to forfeiture are immediately and irrevocably forfeited. If an executive officer holds restricted stock with revenue growth or stockholder return conditions on vesting, and his employment is terminated for any reason (other than change of control), including death or disability, prior to the revenue growth or stockholder return criteria being satisfied, he will forfeit a pro rata portion of the shares subject to the award based on the number of months of the fiscal year remaining following his termination.

The general policy of the Company is to grant restricted stock to executives at the first Board of Directors meeting of the fiscal year, with the effective date of the grant being the third business day following the Company's fiscal year-end earnings release. The number of shares granted is based on a formula that sets an incentive compensation amount as the percentage of base salary for each executive officer, divided by the closing price of our common stock on the third business day following the Company's fiscal year-end earnings release.

Prior to July and August, 2014, we did not have any detailed stock retention or ownership guidelines for our directors or executive officers. As of July 23, 2014, the Board and the Compensation Committee have established minimum stock ownership guidelines for non-employee directors that require each director to own Company common stock having a value of at least five times his or her annual cash retainer of \$40,000. Each current director has five years from the adoption of this guideline to reach this level of ownership and any new director shall have five years from the date of election to reach this ownership level.

On August 18, 2014, the Board of Directors established minimum stock ownership guidelines for our executive officers. These guidelines require executive officers to hold the following amounts of the Company's common stock:

- Chief Executive Officer: five times base salary;
- Executive Vice Presidents, Chief Officers, and Senior Vice Presidents: three times base salary; and
- Vice Presidents: two times base salary.

New officers will have five years from the date of their appointment to reach this ownership level. The Compensation Committee is authorized to administer such guidelines, including the authority to make such guidelines applicable to other officers of the Company and resolve any questions of interpretation or application. The Board believes that stock ownership by directors and executive officers is important to align their interests more closely with those of stockholders

Limited Perquisites; Other Benefits

It is generally our policy not to extend significant perquisites to our executives beyond the benefits that are available to our employees generally, such as our 401(k) plan and health, dental and life insurance benefits. We have given a car allowance to one executive officer as well as moving allowances for executive officers who have relocated. We also pay our Chief Executive Officer's commuting expenses from his home state to our headquarters in Minnesota and his housing, automobile and related expenses in Minnesota. We offered these perquisites to our Chief Executive Officer as part of a package of compensation sufficient to induce him to join the Company.

Nonqualified Deferred Compensation Plans

On December 13, 2013, the Board, based upon the recommendation of its Human Resources and Compensation Committee, adopted the Cardiovascular Systems, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") to provide benefits to a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of the Company, including the Named Executive Officers. The Human Resources and Compensation Committee is authorized and directed to administer the Deferred Compensation Plan. In addition, any employee of the Company that is subsequently hired as a Vice President or promoted to the position of Vice President shall become eligible to participate in the Deferred Compensation Plan.

Under the Deferred Compensation Plan participants may elect to defer up to 100% of their base salary (after 401(k), payroll tax and other deductions), performance bonus and discretionary bonus and elect to receive the deferred compensation at a fixed future date of participant's choosing. Participants may also elect to receive the deferred compensation in equal annual or monthly installments over a period of years designated by participant not exceeding 15 years, commencing at a fixed future date of participant's choosing. If the participant does not specify a fixed date, payment will be made (or installment payments will commence) upon a participant's termination from employment, excluding death or disability. If a participant dies or becomes disabled before the date on which payment was otherwise elected to be made or to commence, the Company will pay the balance of the deferred compensation in a lump sum to the participant, or in the case of the participant's death, to such participant's beneficiary.

For deferrals of base salary, participants must make their elections by the end of the calendar year that precedes the calendar year within which the base salary will be earned. For deferrals of performance bonus, subject to certain exceptions, participants must make their elections by the end of the calendar year prior to the year in which the performance bonus is earned. For deferrals of discretionary bonus, participants must make their elections by the end of the calendar year preceding the fiscal year in which the performance period commences.

Each participant may, at the time of his or her deferral election, choose to allocate the deferred compensation into certain categories of hypothetical investments as determined by the Human Resources and Compensation Committee. The Human Resources and Compensation Committee offers two alternatives, the first with a fixed income and the second with a return equal to that of the equal-weighted Standard & Poor's 500 stock index. The amount payable to each participant under the Plan will change in value based upon the hypothetical investment selected by that participant.

Each participant, in connection with his or her commencement of participation in the Deferred Compensation Plan, is required to irrevocably elect whether to (i) accelerate the payment of his or her deferred compensation in the event of a change in control of the Company or (ii) have his or her deferred compensation remain in the Deferred Compensation Plan and paid pursuant to the terms and conditions of the Deferred Compensation Plan in the event of a change in control.

In the event of an unforeseen emergency, participants may apply to accelerate payment of the deferred compensation to the extent reasonably needed to satisfy the financial hardship resulting from the emergency.

The accounts established for participants in the Deferred Compensation Plan will be unfunded and the right of any participant to receive a distribution under the Deferred Compensation Plan will be an unsecured claim against the general assets of the Company. No participant in the Deferred Compensation Plan will have any rights in or against any specific assets, fund, trust or account of the Company.

Compensation Consultant

In preparation for fiscal 2014, the Compensation Committee worked with LB&Co., a third-party compensation consulting firm, to advise the Committee in connection with its determination of competitive compensation levels for our executive officers, including base salary, incentive compensation, stock options and restricted stock awards. LB&Co. reported exclusively to the Compensation Committee. On January 16, 2014, the Compensation Committee replaced LB&Co. with Towers Watson, another third-party compensation consulting firm.

Termination or Change of Control Plans and Agreements

Stock Options and Other Equity Awards

The majority of our equity incentive agreements provide that in the event of a change of control (defined in such agreements as the sale by us of substantially all of our assets and the consequent discontinuation of our business, or in the event of a merger, exchange or liquidation), the vesting of all equity grants will accelerate. Options become immediately exercisable and our restricted stock becomes vested as of the effective date of the change of control.

Employment Agreements

Under the terms of the employment agreements with Messrs. Martin, Betterley and Kenny, we will pay such officers an amount equal to 12 months of each officer's then current base salary and 12 months of our share of health insurance costs if the officer is terminated by us without cause, or if the officer terminates his employment for good reason, as defined in the agreement. "Good reason" is generally defined as the assignment of job responsibilities to the officer that are not comparable in status or responsibility to those job responsibilities set forth in the agreement, a reduction in the officer's base salary without his consent, or our failure to provide the officer the benefits promised under his employment agreement. As a condition to receiving his severance benefits, each officer is required to execute a release of claims agreement in favor of us. In the event of termination without cause, Messrs. Martin and Betterley would receive the severance benefits to which they are entitled under the Executive Officer Severance Plan described below rather than under their respective employment agreements, as that Plan provides severance benefits in excess of those provided under their respective employment agreements.

We agreed to the payment of severance benefits in the employment agreements with Messrs. Martin, Betterley and Kenny because they each requested these severance benefits, and we believed it was necessary to provide such benefits in order to obtain the agreements with them. We believe that other medical device manufacturers provide substantially similar severance benefits to their senior officers and that providing severance benefits to our Chief

Executive Officer, Chief Financial Officer, and Executive Vice President of Sales and Marketing is therefore consistent with market practices. We believe that such benefits are reasonable to protect the Chief Executive Officer, Chief Financial Officer and Executive Vice President of Sales and Marketing against the risk of having no compensation while they seek alternative employment following a termination of their employment with us.

Executive Officer Severance Plan

Effective June 28, 2010, we adopted the Cardiovascular Systems, Inc. Executive Officer Severance Plan (the “Severance Plan”), which Severance Plan was amended on December 31, 2012 to reflect Internal Revenue Service guidance and best practices related to Section 409A of the Internal Revenue Code compliance. Each of our Named Executive Officers is covered by this Severance Plan. Under the Severance Plan, if we terminate an executive officer other than for cause, as defined in the plan, the executive will receive certain severance benefits during the severance period. The severance period is 18 months for

the Chief Executive Officer, 15 months for the Chief Financial Officer, and 12 months for all other executive officers. For purposes of the Severance Plan, “cause” is generally defined as the executive’s (i) failure to perform his material duties; (ii) willful or deliberate misconduct; (iii) false or materially misleading representation made to the Board; or (iv) commission of any felony. The severance benefits generally consist of the continued payment of (i) the executive’s then-current base salary; and (ii) our share of the costs of the executive’s coverage under our medical, dental, and life insurance plans. As a condition to receiving these severance benefits, the executive is required to execute a release of claims agreement in favor of us. The executive is not entitled to severance benefits if his termination is due to death or disability; if the executive is on military leave, sick leave, or another bona fide leave of absence generally not exceeding six months; or if the executive continues to provide services to us in excess of 20% of the average level of services he performed over the immediately preceding 36-month period.

The Severance Plan does not affect any other rights our executives may have to severance benefits in their employment agreements. However, an executive will be eligible for severance benefits under the Severance Plan only to the extent the severance is not duplicative of the benefits received by the executive under his employment agreement. The executive will receive benefits under his employment agreement first, and then will be eligible for severance benefits under the Severance Plan; provided, however, that the combined benefit will not exceed the maximum benefit available under the Severance Plan.

Although we have the right to amend or terminate the Severance Plan, we may not do so in any manner that diminishes the severance benefits (i) within 12 months of a change of control (the sale by us of substantially all of our assets and the consequent discontinuance of our business; a merger, exchange, liquidation or certain acquisitions; certain changes in the composition of the Board; or a definitive agreement relating to any of these); (ii) if such amendment or termination was requested by a party other than the Board, that had previously taken other steps reasonably calculated to result in a change of control and that ultimately resulted in a change of control; or (iii) if such amendment or termination arose in connection with or in anticipation of a change of control that ultimately occurs.

Flaherty Transition Agreement

On May 5, 2014, we reached an agreement with James Flaherty, the Company’s Chief Administrative Officer, that Mr. Flaherty will retire from employment with the Company effective September 30, 2014.

Pursuant to the Transition Agreement, Mr. Flaherty remained the Chief Administrative Officer through the close of business on June 30, 2014, at which time he was no longer eligible for the Company’s Executive Officer Severance Plan dated June 28, 2010 or other officer benefits. Effective July 1, 2014, Mr. Flaherty assumed the position of Development Director and continues to receive his current base pay and other non-officer employee benefits, including eligibility for a quarterly bonus.

As of September 30, 2014, Mr. Flaherty received a severance package consisting of (1) 12 months base salary, (2) in lieu of COBRA coverage, executive retiree medical and dental benefits for Mr. Flaherty and covered dependents, if applicable, through the earlier of (a) Mr. Flaherty’s 65th birthday or (b) his eligibility for Medicare, and (3) acceleration of 8,964 shares of equity awards previously granted to Mr. Flaherty that would have vested within the 12 month period following September 30, 2014 had Mr. Flaherty remained employed during such period. In exchange, Mr. Flaherty executed a release of claims agreement, will continue to be bound by the terms of any restrictive covenant agreements he had with the Company, and will provide consulting services as mutually agreed by Mr. Flaherty and the Company through December 31, 2015.

Nonqualified Deferred Compensation Plan

As noted above, participants in the Deferred Compensation Plan are required to irrevocably elect whether to (i) accelerate the payment of his or her deferred compensation in the event of a change in control of the Company or (ii) have his or her deferred compensation remain in the Deferred Compensation Plan and paid pursuant to the terms and conditions of the Deferred Compensation Plan in the event of a change in control. Of our Named Executive Officers, none have elected to accelerate the payment of their deferred compensation in the event of a change in control of the Company and four have elected to have their deferred compensation remain in the Deferred Compensation Plan and paid pursuant to the terms and conditions of the Deferred Compensation Plan in the event of a change in control.

Compliance with Internal Revenue Code Section 162(m)

As a result of Section 162(m) of the Internal Revenue Code of 1986, as amended, we will not be allowed a federal income tax deduction for compensation paid to certain executive officers to the extent that compensation exceeds \$1 million per officer in any one year. This limitation will apply to all compensation paid to the Named Executive Officers that is not considered to be performance-based. Compensation which does qualify as performance-based compensation will not have to be taken into account for purposes of this limitation.

Section 162(m) did not affect the deductibility of compensation paid to our Named Executive Officers in fiscal 2014 and is not anticipated to materially affect the deductibility of such compensation expected to be paid. The Compensation Committee will continue to monitor this matter and may propose additional changes to the executive compensation program if the Compensation Committee determines it to be warranted and in line with our compensation objectives.

Human Resources and Compensation Committee Report

The Human Resources and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based upon this review and discussion, the Human Resources and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

Human Resources and Compensation Committee of the Board of Directors:

Edward Brown, Chairman
Leslie Trigg
Augustine Lawlor

Summary Compensation Table for Fiscal 2014

The following table provides information regarding the compensation earned during the fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012 by each of the Named Executive Officers for each year in which each was a Named Executive Officer.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock awards (\$) ⁽¹⁾	Option awards (\$) ⁽¹⁾	Nonequity incentive plan compensation (\$) ⁽²⁾	All other compensation (\$)	Total (\$)
David L. Martin	2014	550,440	500,000	1,613,206	—	1,140,750	56,091	3,860,487
President and Chief Executive Officer ⁽³⁾	2013	500,000	—	1,289,020	—	866,306	90,805	2,746,131
	2012	484,009	70,125	935,000	—	60,236	85,757	1,635,127
Laurence L. Betterley	2014	330,723	—	761,512	—	434,074	—	1,526,309
Chief Financial Officer	2013	321,090	—	620,828	—	343,428	—	1,285,346
	2012	316,599	30,580	458,698	—	28,179	—	834,056
Robert J. Thatcher	2014	318,736	—	476,326	—	354,161	—	1,149,223
Chief Healthcare Officer	2013	303,188	—	293,130	—	274,024	423	870,765
	2012	299,380	28,875	216,556	—	26,608	—	571,419
James E. Flaherty	2014	296,398	—	493,879	—	328,466	—	1,118,743
Chief Administrative Officer and Secretary	2013	286,650	—	443,396	—	259,077	164	989,287
	2012	283,050	27,300	327,602	—	25,157	—	663,109
Kevin J. Kenny	2014	305,389	—	518,409	—	627,713	—	1,451,511
Executive Vice President of Sales and Marketing	2013	288,750	—	279,169	—	636,473	10,296	1,214,688
	2012	285,577	27,500	553,878	—	301,129	7,800	1,175,884

The value of stock awards and options in this table represent the fair value of such awards granted or modified during the fiscal year, as computed in accordance with FASB ASC 718. The assumptions used to determine the valuation of the awards are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 7 to our consolidated financial statements, each included in the Company's Annual Report on Form 10-K for the 2014 fiscal year, filed with the Securities and Exchange Commission on August 28, 2014.

(1) The amount under "Non-Equity Incentive Plan Compensation" consists of incentive compensation paid to each Named Executive Officer for company performance through June 30, 2014 under our cash incentive plan for fiscal 2014. The amount for Mr. Kenny includes \$330,872 paid under our cash incentive plan for fiscal 2014 and \$296,841 paid under the quarterly variable incentive compensation plan for Mr. Kenny.

(2) The amounts under "All Other Compensation" for Mr. Martin for fiscal 2014 consists of payments for housing, furniture rental, cleaning and related expenses.

Grants of Plan-Based Awards for Fiscal 2014

The following table sets forth certain information regarding grants of plan-based awards during the fiscal year ended June 30, 2014.

Name	Type of Grant	Grant date	Estimated future payouts under non-equity incentive plan awards			Estimated future payouts under equity incentive plan awards			All other stock awards: Number of stock or units (#)	Grant date fair value of stock and option awards (\$) (#)
			Threshold (\$)	Target (\$)	Maximum (\$) ⁽³⁾	Threshold (#)	Target (#)	Maximum (#)		
David L. Martin	Performance ⁽¹⁾	N/A	—	540,000	1,080,000					
	MBO ⁽²⁾	N/A	—	81,000	81,000					
	RSA ⁽³⁾	7/24/2013						6,823	143,761	
	RSA ⁽⁴⁾	9/4/2013						24,736	539,987	
	PBRSA(SR) ⁽⁵⁾	9/4/2013				6,184	12,368	12,368	254,657	
	PBRSA(SR) ⁽⁵⁾	9/4/2013				3,710	7,420	7,420	152,778	
	PBRSA(RG) ⁽⁶⁾	9/4/2013				6,184	12,368	12,368	254,657	
	PBRSA(RG) ⁽⁶⁾	9/4/2013				3,710	7,420	7,420	152,778	
	RSA ⁽³⁾	9/11/2013							6,823	145,262
Laurence L. Betterley	Performance ⁽¹⁾	N/A	—	198,434	396,868					
	MBO ⁽²⁾	N/A	—	49,608	49,608					
	RSA ⁽³⁾	7/24/2013						3,286	69,236	
	RSA ⁽⁴⁾	9/4/2013						11,362	248,033	
	PBRSA(SR) ⁽⁵⁾	9/4/2013				2,840	5,681	5,681	116,972	
	PBRSA(SR) ⁽⁵⁾	9/4/2013				1,704	3,408	3,408	70,171	
	PBRSA(RG) ⁽⁶⁾	9/4/2013				2,840	5,681	5,681	116,972	
	PBRSA(RG) ⁽⁶⁾	9/4/2013				1,704	3,408	3,408	70,171	
	RSA ⁽³⁾	9/11/2013							3,286	69,959
Robert J. Thatcher	Performance ⁽¹⁾	N/A	—	159,174	318,347					
	MBO ⁽²⁾	N/A	—	47,752	47,752					
	RSA ⁽³⁾	7/24/2013						1,552	32,701	
	RSA ⁽⁴⁾	9/4/2013						7,291	159,163	
	PBRSA(SR) ⁽⁵⁾	9/4/2013				1,822	3,645	3,645	75,051	
	PBRSA(SR) ⁽⁵⁾	9/4/2013				1,094	2,188	2,188	45,051	
	PBRSA(RG) ⁽⁶⁾	9/4/2013				1,822	3,645	3,645	75,051	
	PBRSA(RG) ⁽⁶⁾	9/4/2013				1,094	2,188	2,188	45,051	
	RSA ⁽³⁾	9/11/2013							1,552	33,042
RSA ⁽⁴⁾	2/28/2014							580	20,300	
James E. Flaherty	Performance ⁽¹⁾	N/A	—	147,625	295,250					
	MBO ⁽²⁾	N/A	—	44,288	44,288					
	RSA ⁽³⁾	7/24/2013						2,347	49,451	
	RSA ⁽⁴⁾	9/4/2013						8,114	177,129	

PBRSA(SR)⁽⁵⁾ 9/4/2013