

SURMODICS INC
Form DEF 14A
January 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule Pursuant to § 240.14a-12

SURMODICS, INC.

(Name of Registrant as Specified In Its Charter)

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

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- 1) Title of each class of securities to which transaction applies:

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

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SURMODICS, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of SurModics, Inc. (the "Company") will be held on February 17, 2016, at 4:00 p.m. (Minneapolis time), as a virtual meeting at www.virtualshareholdermeeting.com/SRDX. Shareholders will be asked to:

1. Elect two (2) Class II directors;
2. Set the number of directors at six (6);
3. Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal year 2016;
4. Approve, in a non-binding advisory vote, the Company's executive compensation;
5. Approve an amendment to the Company's 2009 Equity Incentive Plan; and
6. Approve an amendment to the Company's 1999 Employee Stock Purchase Plan.

Only shareholders of record at the close of business on December 21, 2015, are entitled to receive notice of and to vote at the meeting or any adjournment of the meeting.

To vote your shares, we ask that you follow the instructions in the notice of internet availability of proxy materials or the proxy card that you received in the mail.

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

Very truly yours,

Susan E. Knight

Chair of the Board

Eden Prairie, Minnesota

January 8, 2016

All shareholders are cordially invited to attend the virtual annual meeting of shareholders at www.virtualshareholdermeeting.com/SRDX. Whether or not you expect to attend, please vote over the Internet at www.proxyvote.com or by telephone at 1-800-690-6903. Alternatively, you may request a paper proxy card, which you may complete, sign and return by

mail.

SURMODICS, INC.

Annual Meeting of Shareholders

February 17, 2016

PROXY STATEMENT

INTRODUCTION

This proxy statement is furnished to shareholders of SurModics, Inc. in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the virtual annual meeting of shareholders to be held on February 17, 2016 (the Annual Meeting), at 4:00 p.m. Central Standard Time, or any adjournments or postponements thereof. This proxy statement and the form of proxy, along with the Annual Report for the fiscal year ended September 30, 2015, is being first sent or given to shareholders on or about January 8, 2016.

The mailing address of the principal executive office of the Company is 9924 West 74th Street, Eden Prairie, Minnesota 55344. The Company expects that the Notice Regarding Availability of Proxy Materials (the Notice) and proxy materials will first be mailed to shareholders on or about January 8, 2016.

Solicitation of Proxies

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

If You Hold Your Shares in Street Name

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

Revocation of a Proxy

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

Requesting Paper Copies and Voting

Pursuant to Securities and Exchange Commission (the SEC) rules related to the availability of proxy materials, we have chosen to make our proxy statement and related materials, including our annual report to shareholders, available online to our shareholders and, as permitted by the rules, paper copies of these materials will only be provided upon request. We are providing to our shareholders (other than those who previously requested electronic or paper delivery) the Notice containing instructions on how to access this proxy statement and related materials online. If

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your shares are held in street name, the Notice will be forwarded to you by your custodian. If you received the Notice by mail, you will not automatically receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the proxy materials. The Notice also instructs you on how you may vote your shares, including via the internet. If you previously requested electronic delivery, you will still receive an e-mail providing you the Notice, and if you previously requested paper delivery, you will still receive a paper copy of the proxy materials by mail.

OUTSTANDING SHARES AND VOTING RIGHTS

The Board of Directors of the Company has fixed December 21, 2015, as the record date for determining shareholders entitled to vote at the Annual Meeting. Persons who were not shareholders on such date will not be allowed to vote at the Annual Meeting. At the close of business on December 21, 2015, 12,996,040 shares of the Company's common stock were issued and outstanding. Common stock is the only outstanding class of capital stock of the Company entitled to vote at the meeting. Each share of common stock is entitled to one vote on each matter to be voted upon at the meeting. Holders of common stock are not entitled to cumulative voting rights. If a shareholder votes, the shares will be counted as part of the quorum.

Vote Required

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

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

Custodians cannot vote on their customers' behalf on non-routine proposals such as Proposal 1, the election of directors, Proposal 2, board size, Proposal 4 related to executive compensation, Proposal 5 related to an amendment to the Company's 2009 Equity Incentive Plan, and Proposal 6 related to an amendment to the Company's 1999 Employee Stock Purchase Plan. Because custodians require their customers' direction to vote on such non-routine matters, it is critical that shareholders provide their custodians with voting instructions. On the other hand, Proposal 3, ratification of the appointment of our independent registered public accounting firm, is a routine matter for which custodians do not need voting instruction in order to vote shares.

For vote requirement purposes for Proposals 1, 2, 4, 5 and 6 broker non-votes are considered to be shares present by proxy at the Annual Meeting but are not considered to be shares entitled to vote or votes cast on such items at the Annual Meeting.

PRINCIPAL SHAREHOLDERS

The following table provides information concerning persons known to the Company to be the beneficial owners of more than 5% of the Company's outstanding common stock as of December 21, 2015. Unless otherwise indicated, the shareholders listed in the table have sole voting and investment power with respect to the shares indicated.

Name and Address of Beneficial Owner	Amount and Nature of Shares Beneficially Owned	Percent of Class(1)
Blackrock Inc. 40 East 52nd Street New York, NY 10022	1,445,813(2)	11.1%
Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	1,209,145(3)	9.3%
Royce & Associates, LLC 745 Fifth Avenue New York, NY 10151	718,400(4)	5.5%

- (1) In accordance with the requirements of the Securities and Exchange Commission, Percent of Class for a person or entity is calculated based on outstanding shares plus shares deemed beneficially owned by that person or entity by virtue of the right to acquire such shares as of December 21, 2015, or within sixty days of such date.
- (2) Based on Schedule 13G filed on January 9, 2015 by BlackRock, Inc., which reported sole voting power, and sole dispositive power as follows: sole voting power 1,410,124 shares; and sole dispositive power 1,445,813 shares.
- (3) Based on a Schedule 13G filed on February 12, 2015, which reported shared voting power, and shared dispositive power as follows: shared voting power 695,875 shares; and shared dispositive power 1,209,145 shares.
- (4) Based on a Schedule 13G filed on January 28, 2015, which reported sole voting power, and sole dispositive power as follows: sole voting power 718,400 shares; and sole dispositive power 718,400 shares.

MANAGEMENT SHAREHOLDINGS

The following table sets forth the number of shares of common stock beneficially owned as of December 21, 2015, by each executive officer of the Company named in the Summary Compensation Table, by each current director of the Company and by all directors and executive officers (including the named executive officers) as a group. Unless otherwise indicated, the shareholders listed in the table have sole voting and investment power with respect to the shares indicated.

Name of Beneficial Owner or Identity of Group	Current Holdings	Acquirable within 60 days(1)	Aggregate Number of Common Shares Beneficially Owned	Percent of Class(2)
Gary R. Maharaj	93,815	187,857	281,672	2.2%
Joseph J. Stich	25,105	88,841	113,946	*
Charles W. Olson(3)	23,031	90,567	113,598	*
John W. Benson	4,268	70,087	74,355	*
Jose H. Bedoya	70	71,637	71,707	*
Bryan K. Phillips	27,166	41,443	68,609	*
Susan E. Knight	2,000	65,849	67,849	*
Andrew D. C. LaFrence	7,260	27,722	34,982	*
David R. Dantzker, M.D.	500	23,182	23,682	*
Ronald B. Kalich		13,506	13,506	*
Shawn T. McCormick				*
All executive officers and directors as a group (13 persons)	202,702	729,426	932,128	7.2%

* Less than 1%

(1) Includes shares issuable upon the exercise of stock options that are exercisable on December 21, 2015, or within 60 days thereafter, and restricted stock units and deferred stock units that are vested on December 21, 2015, or will become vested within 60 days thereafter.

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

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

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

The Bylaws of the Company provide that the number of directors, which shall not be less than three, shall be determined annually by the shareholders. The Company's Corporate Governance and Nominating Committee and Board of Directors have recommended that the number of directors be set at six (6) at the Annual Meeting. The reduction in the size of the Board from our current seven (7) directors reflects the retirement of John W. Benson which was disclosed on a Current Report on Form 8-K filed on December 23, 2015. Mr. Benson's retirement will become effective at the conclusion of the Annual Meeting. The Corporate Governance and Nominating Committee may seek additional qualified candidates to serve on the Board. In the event that such a qualified candidate is identified, the Board may vote to increase its size and appoint an additional director as permitted by the Bylaws.

The Bylaws also provide for the election of three classes of directors with terms staggered so as to require the election of only one class of directors each year, and further that each class be equal in number, or as nearly as possible. Only directors who are members of Class II will be elected at the Annual Meeting. Each Class II

director will be elected to a three-year term and, therefore, will hold office until the Company's 2019 annual meeting of shareholders and until his or her successor has been duly elected and qualified, or until his or her resignation or removal from office. The terms of Class III and I directors continue until the 2017 and 2018 annual meetings, respectively.

The Corporate Governance and Nominating Committee has recommended, and the Board of Directors selected, Ronald B. Kalich and Shawn T. McCormick as the Board's nominees for election as Class II directors. Each of these nominees has indicated a willingness to serve as a director if elected and has consented to be named in the proxy statement. Neither of these nominees has been previously elected by our shareholders. Mr. Kalich was recommended to our Corporate Governance and Nominating Committee as a potential director candidate by Gary R. Maharaj. Mr. McCormick was recommended to our Corporate Governance and Nominating Committee as a potential director candidate by Andrew D. C. LaFrence. Brief biographical profiles of Messrs. Kalich and McCormick, and each of our other directors whose term will continue after the Annual Meeting are provided below. The Proxy will be voted for any of such nominees unless the Proxy withholds a vote for one or more nominees. If, prior to the meeting, it should become known that either of the nominees will be unable to serve as a director after the meeting by reason of death, incapacity or other unexpected occurrence, the Proxies will be voted for such substitute nominee as is recommended or selected by the Corporate Governance and Nominating Committee and the Board of Directors or, alternatively, not voted for any nominee. The Board of Directors has no reason to believe that any nominee will be unable to serve.

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

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

the length of service and qualifications of the director;

the director's contributions to the Company;

compliance with listing standards;

the purpose and provisions of these principles; and

the best interests of the Company and its shareholders.

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

acceptance of the offer of resignation;

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

rejection of the resignation offer.

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

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The following information is provided with respect to each director whose term will continue after the Annual Meeting and each director nominee:

Name	Age	Position with Company
José H. Bedoya(1)(3)	59	Director
David R. Dantzker, M.D.(1)(3)	72	Director
Ronald B. Kalich(1)(2)	68	Director
Susan E. Knight(2)	61	Chair of the Board
Gary R. Maharaj	52	Director, President and Chief Executive Officer
Shawn T. McCormick(2)(3)	51	Director

(1) Member of the Organization and Compensation Committee, of which Mr. Benson is the Chair. Following Mr. Benson's retirement at the conclusion of the Annual Meeting, Dr. Dantzker will serve as the Chair of the Organization and Compensation Committee.

(2) Member of the Audit Committee, of which Mr. Kalich is the Chair.

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

José H. Bedoya (Class III) has been a director of the Company since 2002. Mr. Bedoya served as President and Chief Executive Officer of Otologics, LLC, a Colorado-based technology company he founded in 1996, until 2015. Otologics filed for Chapter 11 bankruptcy protection in July 2012. From 1986 to 1996, Mr. Bedoya held a number of positions at Storz Instrument Company, then a division of American Cyanamid and later a division of American Home Products, including Director of Operations, Director of Research and Director of Commercial Development. Prior to that, he served as Vice President of Research and Development for Bausch & Lomb's surgical division.

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

David Dantzker, M.D. (Class I) has been a director of the Company since January 2011. Dr. Dantzker has been a Partner at Wheatley MedTech Partners L.P., a venture capital fund, since 2001. He manages Wheatley's Life Science and Healthcare investments. From 1997 to 2000, Dr. Dantzker was President of North Shore-LIJ Health System, a large academic health care system. He also co-founded the North Shore-LIJ Research Institute to direct and coordinate basic science research for the North Shore-LIJ Health System. He is a former Chair of the American Board of Internal Medicine, the largest physician-certifying board in the United States. Dr. Dantzker served on the board of directors of Datascope Corp. from January 2008 until its sale in January 2009. Dr. Dantzker holds a B.A. in Biology from New York University, and received his M.D. from the State University of New York at Buffalo School of Medicine. Dr. Dantzker sits on the boards of several Wheatley MedTech portfolio companies including Oligomerix, Inc., Care Management Technologies and Visionsense, Ltd. (all of which are private companies). He served on the board of Comprehensive Clinical Development, an entity that filed for Chapter 11 bankruptcy protection in March 2013. Dr. Dantzker has also served on the faculty and in leadership positions of four major research-oriented medical schools, has authored or co-authored 130 research papers and five textbooks and is an internationally recognized expert in the area of pulmonary medicine and critical care.

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

Ronald B. Kalich (Class II) has been a director of the Company since February 2014. Mr. Kalich has been a private investor since 2007. Mr. Kalich served as a Director and as President and Chief Executive Officer of FastenTech, Inc. from 2000 to 2007. He was President and Chief Executive Officer of National-Standard

Company from 1999 to 2000 and President and Chief Executive Officer of Getz Bros. & Co., Inc. from 1994 to 1999. He is also a Director of H-E Parts International and past Chairman and Director of Arizant, Inc.

Mr. Kalich qualifications to serve on our Board include more than 40 years of business, operational and management experience. Mr. Kalich's extensive experience in multiple industries together with his management experience in a variety of roles enable him to provide the Board with valuable executive insights.

Susan E. Knight (Class III) has been a director of the Company since 2008. From 2001 until 2014, she served in a variety of senior leadership positions at MTS Systems Corporation (MTS), a leading global supplier of test systems and industrial position sensors. From 2011 to 2014, she served as Senior Vice President and Chief Financial Officer of MTS. From 2001 to 2011, she served as Vice President and Chief Financial Officer of MTS. Prior to her positions with MTS, from 1977 to 2001, Ms. Knight served in various executive and management positions with Honeywell Inc., last serving as the Chief Financial Officer of the global Home and Building Controls division. Ms. Knight also serves on the board of the Greater Metropolitan Housing Corporation. Ms. Knight also served on the board of Plato Learning, Inc., from 2006 to 2010, where she served on the Audit Committee, including as Chair from 2009 to 2010, and on the Governance and Nominating and a Special Committee from 2009 to 2010.

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

Gary R. Maharaj (Class I) has served as a director and our President and Chief Executive Officer since December 2010. Prior to joining SurModics, Mr. Maharaj served as President and Chief Executive Officer of Arizant Inc., a provider of patient temperature management systems in hospital operating rooms, from 2006 to 2010. Previously, Mr. Maharaj served in several senior level management positions for Augustine Medical, Inc. (predecessor to Arizant Inc.) from 1996 to 2006, including Vice President of Marketing, and Vice President of Research and Development. During his over 28 years in the medical device industry, Mr. Maharaj has also served in various management and research positions for the orthopedic implant and rehabilitation divisions of Smith & Nephew, PLC. He has been a director of NVE Corporation, a public technology company since 2014, and serves as a member of the audit committee and as a member of the nominating and corporate governance committee. Mr. Maharaj holds an M.B.A. from the University of Minnesota's Carlson School of Management, an M.S. in biomedical engineering from the University of Texas at Arlington and the University of Texas Southwestern Medical Center at Dallas, and a B.Sc. in Physics from the University of the West Indies.

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

Shawn T. McCormick (Class II) has been a director of the Company since December 2015. From 2012 to 2015, Mr. McCormick served as Chief Financial Officer of Tornier N.V., a public medical device company acquired by Wright Medical Group, Inc. From 2011 to 2012, Mr. McCormick was Chief Operating Officer of Lutonix, Inc., a medical device company acquired by C. R. Bard, Inc. From 2009 to 2010, Mr. McCormick served as Senior Vice President and Chief Financial Officer of ev3 Inc., a public endovascular device company acquired by Covidien plc in 2010. From 2008 to 2009, Mr. McCormick served as Vice President, Corporate Development at Medtronic, Inc., a public medical device company, where he was responsible for leading Medtronic's worldwide business development activities. From 2007 to 2008, Mr. McCormick served as Vice President, Corporate Technology and New Ventures of Medtronic. From 2002 to 2007, Mr. McCormick was Vice President, Finance for Medtronic's Spinal, Biologics and Navigation business. Prior to that, Mr. McCormick held various other positions with Medtronic. Prior to joining Medtronic, he spent four years with the public accounting firm KPMG Peat Marwick. He has been a director of Entellus Medical, Inc., a public medical device company, since 2014, and serves as the chairman of its audit committee and as a member of its

nominating and corporate governance committee. He also serves as a director of Nevro Corp., a public medical device company, since 2014, and serves as the chairman of its audit committee. Mr. McCormick earned his M.B.A. from the University of Minnesota's Carlson School of Management and his B.S. in Accounting from Arizona State University. He is a Certified Public Accountant.

We believe that Mr. McCormick is qualified to serve on our Board due to his financial expertise and extensive management experience in a variety of roles at companies in the medical device industry. He also brings to the Board experience as a director and member of the audit committee of other public companies in the medical device industry. Mr. McCormick qualifies as an audit committee financial expert as defined by SEC rules.

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

DIRECTOR COMPENSATION

The Company's Board Compensation Policy (the Policy) provides cash and equity compensation to our non-employee directors for their service on the Board and its committees as discussed below. On a periodic basis, the Organization and Compensation Committee reviews the Policy to ensure that the level of compensation is appropriate to attract and retain a diverse group of directors with the breadth of experience necessary to perform our Board's duties and to compensate our directors fairly for their services. The review includes the consideration of qualitative and comparative factors. To ensure directors are compensated relative to the scope of their responsibilities, the Organization and Compensation Committee considers: (1) the time and effort involved in preparing for Board and committee meetings and the additional duties assumed by committee chairs and our Chair; (2) the risks associated with fulfilling fiduciary duties; and (3) the compensation paid to directors at the same peer group of companies used to assess the competitiveness of our executive compensation programs (as discussed below). The Policy was last reviewed and amended in April 2015.

Cash Compensation. During fiscal 2015, each of our non-employee directors was paid an annual retainer of \$35,000. Our non-employee directors are also eligible to receive additional annual retainers as follows:

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

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

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

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

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

In April 2015, the Board approved increases to the annual cash retainers paid for committee service as follows, which increases became effective at the beginning of our fiscal 2016: (a) the annual cash retainer paid to the chair of the Audit Committee will be \$16,000, and the annual cash retainer paid to non-chair members of that committee will be \$6,500; (b) the annual cash retainer paid to the chair of the Organization and Compensation Committee will be \$12,000, and the annual cash retainer paid to non-chair members of that committee will be \$5,000; and (c) the annual cash retainer paid to the chair of the Corporate Governance and Nominating Committee will be \$8,000, and the annual cash retainer paid to non-chair members of that committee will be \$4,000.

Equity Compensation. In addition to the cash compensation described above, each of our non-employee directors also receive stock awards as compensation for their service on the Board. Upon a director's initial election or appointment to the Board, such director will be awarded an equity grant having a value of \$60,000, one-half of such award will be in the form of a nonqualified stock option to purchase shares of the Company's common stock (as estimated using the black-scholes option pricing model as of the date of the grant) and the other half will be in the form of restricted stock units (RSUs). Additionally, on the date of the Board's first regularly scheduled meeting during each fiscal year, each non-employee director will be awarded an equity grant having a value of \$60,000 (on a pro-rata basis for directors who served on the Board for less than the entire preceding fiscal year), one-half of such award will be in the form of stock options and the other half will be in the form of RSUs. Stock options granted under the Policy (a) have a seven-year term, (b) vest ratably on a monthly basis and become fully vested on the first anniversary of the date of grant, and (c) have an exercise price equal to the fair market value of the Company's common stock on the date of grant. RSUs granted under the Policy vest ratably on a monthly basis and become fully vested on the first anniversary of the date of grant.

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

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

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

Other Compensation. All non-employee directors are reimbursed for their reasonable travel-related expenses incurred in attending board and committee meetings. Additionally, in connection with his service as the Chair of our Board, the Company provided Mr. Ward with a part-time administrative assistant which, during fiscal 2015, had a value of \$19,701.

Summary of Fiscal 2015 Director Compensation

The Director Compensation table below reflects all compensation awarded to, earned by or paid to the Company's non-employee directors during fiscal 2015. Compensation for Gary R. Maharaj, our President and Chief Executive Officer, is set forth below under the heading Executive Compensation and Other Information.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)(4)	Option Awards \$(3)(4)	All Other Compensation\$(5)	Total Compensation (\$)
Susan E. Knight	66,029	30,000	30,000		126,029
Scott R. Ward(6)	29,575	30,000	30,000	19,701	109,276
José H. Bedoya		77,500	30,000		107,500
John W. Benson	35,250	41,750	30,000		107,000
David R. Dantzker, M.D		73,000	30,000		103,000
Ronald B. Kalich(6)	11,375	63,159	23,836		98,370
Gerald B. Fischer(6)	15,464	30,000	30,000		75,464
Timothy S. Nelson(6)	19,224	23,836	23,836		66,896

- (1) Represents the amount of cash retainers earned by or paid to directors in fiscal 2015 for Board and committee service. Pursuant to our Board Compensation Policy, Messrs. Bedoya, Benson, Kalich and Dr. Dantzker each elected to receive all or a portion of their respective cash compensation in the form of DSUs. The portion of the cash retainers paid to each such director in the form of RSUs is included in the column entitled, Stock Awards.
- (2) Reflects the aggregate grant date fair value dollar amount of restricted stock units granted in fiscal 2015 computed in accordance with Accounting Standards Codification Topic 718, Compensation - Stock Compensation (ASC 718). Messrs. Bedoya, Benson, Kalich and Dr. Dantzker each elected to receive all or a portion of their respective cash compensation in the form of DSUs, which election resulted in the following number of fully vested DSUs being granted during fiscal 2015: Mr. Bedoya, 2,043; Mr. Benson, 531, Dr. Dantzker, 1,849; and Mr. Kalich, 1,667.
- (3) Reflects the aggregate grant date fair value dollar amount of stock option awards granted in fiscal 2015 computed in accordance with ASC 718, but excludes any impact of assumed forfeiture rates.
- (4) The aggregate number of stock options, restricted stock units and deferred stock units held by each of our continuing non-employee directors as of September 30, 2015, was as follows:

Name	Stock Options	Restricted Stock Units	Deferred Stock Units
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