

CARDIOGENESIS CORP /CA

Form DEF 14A

April 29, 2004

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**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

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

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

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**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

- [X] Fee not required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

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- [ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**CARDIOGENESIS CORPORATION**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held Thursday, June 17, 2004**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of CardioGenesis Corporation (formerly known as Eclipse Surgical Technologies, Inc.), a California corporation ( CardioGenesis ), will be held on Thursday, June 17, 2004, at 1:00 p.m., local time, at CardioGenesis corporate headquarters, located at 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610 for the following purposes:

1. To elect six (6) directors to serve until the next Annual Meeting of Shareholders or until their successors are elected and qualified.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent auditors of CardioGenesis for the fiscal year ending December 31, 2004.
3. To approve an amendment to the Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 1,500,000 shares.
4. To approve an amendment to the Employee Stock Purchase Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 150,000 shares.
5. To approve an amendment to the Director Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 300,000 shares.
6. To transact such other business as may properly come before the meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on April 30, 2004 are entitled to notice of and to vote at the meeting and any subsequent adjournment or postponement of the meeting.

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

Sincerely,

CHRISTINE G. OCAMPO  
*Secretary*

Foothill Ranch, California  
April 30, 2004

**YOUR VOTE IS IMPORTANT.**

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

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**CARDIOGENESIS CORPORATION**

**PROXY STATEMENT FOR 2004  
ANNUAL MEETING OF SHAREHOLDERS**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

This Proxy Statement is furnished to the shareholders of CARDIOGENESIS CORPORATION (formerly known as Eclipse Surgical Technologies, Inc.), a California corporation ( CardioGenesis ), in connection with the solicitation of proxies on behalf of the Board of Directors of CardioGenesis for use at the 2004 Annual Meeting of Shareholders ( 2004 Annual Meeting ) to be held Thursday, June 17, 2004, at 1:00 p.m., local time, and at any subsequent adjournment or postponement of the 2004 Annual Meeting, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The 2004 Annual Meeting will be held at our corporate headquarters, located at 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610. Our telephone number is (714) 649-5000.

Our Annual Report to Shareholders for the year ended December 31, 2003, including financial statements, and these proxy materials were first mailed on or about May 14, 2004 to all shareholders entitled to vote at the meeting.

**Record Date and Voting Securities**

Only shareholders of record at the close of business on April 30, 2004 are entitled to notice of and to vote at the 2004 Annual Meeting. We have one series of Common Stock outstanding, no par value ( Common Stock ). On April 15, 2004, 41,208,672 shares of our Common Stock were issued and outstanding and held of record by 217 registered shareholders.

**Voting**

Each shareholder is entitled to one vote for each share of Common Stock held on the record date of April 30, 2004. Every shareholder voting for the election of directors (Proposal One) may cumulate votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares that the shareholder is entitled to vote, or distribute votes on the same principle among as many candidates as the shareholder may select. However, votes cannot be cast for more than six candidates. No shareholder is entitled to cumulate votes for a particular candidate unless that candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the meeting, before the voting, of his intention to cumulate votes. On all other matters, each share of Common Stock has one vote. A quorum, representing the holders of a majority of the outstanding shares of Common Stock on the record date, must be present or represented by proxy for the transaction of business at the 2004 Annual Meeting. Abstentions and broker nonvotes will be counted in establishing the quorum.

**Proxies**

If the enclosed form of proxy is properly signed and returned, the shares represented thereby will be voted at the 2004 Annual Meeting in accordance with the instructions specified on the form of proxy. If the proxy does not specify how the shares represented thereby are to be voted, the proxy will be voted FOR the election of the directors nominated by the Board of Directors unless the authority to vote for the election of any or all directors is withheld, and if no contrary instructions are given, the proxy will be voted FOR the approval of Proposals 2, 3, 4, and 5. Any proxy given pursuant to this solicitation may be revoked by the person giving it at

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any time before its use by (a) delivering to our corporate Secretary a written notice of revocation or a duly executed proxy bearing a later date or (b) attending the meeting and voting in person.

### **Solicitation Expenses**

This solicitation of proxies is made by us and all related costs will be borne by us. We may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to those beneficial owners. Proxies may also be solicited by certain of our directors, officers and regular employees, without additional compensation, personally, by telephone or by telegram. Except as described above, we do not presently intend to solicit proxies other than by mail.

### **Deadline for Shareholder Proposals**

We currently intend to hold our 2005 Annual Meeting in June 2005 and to mail proxy statements relating to such meeting in May 2005. Shareholders interested in presenting a proposal for consideration at CardioGenesis' 2005 Annual Meeting of Shareholders may do so by following the procedures prescribed by Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and our Bylaws. To be eligible for inclusion in the proxy statement and proxy card mailed to shareholders by CardioGenesis, shareholder proposals must be submitted no later than January 14, 2005 to CardioGenesis Corporation at 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610, Attention: Secretary. Shareholders who intend to present a proposal at the 2005 Annual Meeting, without including such proposal in CardioGenesis' proxy statement, must provide CardioGenesis' corporate Secretary with written notice of such proposal not less than 90 days prior to the 2005 Annual Meeting. However, in the event notice or prior public disclosure of the date of the 2005 Annual Meeting is not provided to our shareholders at least 100 days prior to the 2005 Annual Meeting, such written notice will be timely if received no later than the close of business on the tenth day following the day on which the notice of the 2005 Annual Meeting is mailed or the public disclosure is made. If the shareholder does not also comply with the requirements of Rule 14a-4 under the Securities Exchange Act of 1934, as amended, CardioGenesis may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such shareholder proposal or nomination.

## **PROPOSAL ONE**

### **ELECTION OF DIRECTORS**

#### **Nominees**

We currently have six (6) directors, each of whom will stand for election at the 2004 Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for our six nominees named below, all of whom are presently directors of CardioGenesis. If any of our nominees is unable or declines to serve as a director at the time of the 2004 Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board of Directors to fill the vacancy. We are not aware of any nominee who will be unable or who will decline to serve as a director. If additional individuals are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner (in accordance with cumulative voting) that will assure the election of as many of the nominees listed below as possible. In that event, the specific nominees to be voted for will be determined by the proxy holders. The term of office for each person elected as a director will continue until the 2005 Annual Meeting, or until a successor has been duly elected and qualified.

#### **Vote Required**

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

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The names of the nominees and certain information about each of them as of March 31, 2004 is set forth below:

Name	Age	Position
Michael J. Quinn	60	Chairman of the Board, President and Chief Executive Officer
Joseph R. Kletzel, II(1)(2)	54	Director
Robert L. Mortensen(1)(3)	69	Director
Marvin J. Slepian, M.D.(2)(3)	48	Director
Robert C. Strauss(1)(2)	62	Director
Kurt E. Wehberg, M.D.(3)	39	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating Committee

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

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

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

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

*Marvin J. Slepian, M.D.* has served as one of our directors since December 2003. Since 1991, Dr. Slepian has taught medicine at the University of Arizona and currently serves as a Professor of Medicine and Director of Interventional Cardiology at the Sarver Heart Center at the University of Arizona. Dr. Slepian is also the founder and chief executive officer of SynCardia Systems, Inc., a privately-held company that is developing a complete artificial heart for patients with end-stage heart disease. He was also one of the founders of Focal, Inc., a publicly-traded company that developed novel polymer-based therapeutics for surgery and angioplasty, including the world's first synthetic tissue sealant. Focal Inc. was acquired by Genzyme, Inc. in April 2001. Dr. Slepian received a Bachelor of Arts degree from Princeton University in 1977 and a Medical Doctor degree from the University of Cincinnati College of Medicine in 1981. He did his residency in internal



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medicine at NYU School of Medicine/ Bellevue Hospital where he was also chief resident. In addition, Dr. Slepian was a Clinical and Research Fellow in the Cardiology Division of the John Hopkins University School of Medicine and participated in a second fellowship in interventional Cardiology at the Cleveland Clinic Foundation.

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

*Kurt E. Wehberg, M.D.* has served as one of our directors since December 2003. Since 2001, Dr. Wehberg has served as the Director of the Multidisciplinary Thoracic Oncology Center and the TMR Program at Peninsula Regional Medical Center in Salisbury, Maryland. From 1998 to 2001, Dr. Wehberg participated in a fellowship program for cardiothoracic surgery at the University of Maryland Medical System. He did his residency training in general surgery and cardiothoracic surgery at the University of Maryland Medical System in Baltimore. Dr. Wehberg received a Bachelor of Science degree from Loyola College in 1986 and a Medical Doctor degree from Eastern Virginia Medical School in 1992.

### **Attendance at Meetings**

Our Board of Directors held a total of six meetings during 2003. Of the total number of meetings of the Board of Directors held in 2003, all directors attended at least 75% of the meetings held.

Our Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. Of the total number of meetings of the Audit Committee, the Compensation Committee and the Nominating Committee, all directors which were members of those committees during 2003 attended at least 75% of the meetings held.

### **Audit Committee**

Our Audit Committee is composed of three directors: Joseph R. Kletzel, II, Robert L. Mortensen and Robert C. Strauss. Each of the members of the Audit Committee are independent directors as that term is defined by the listing standards of the National Association of Securities Dealers, Inc. Mr. Strauss also qualifies as an audit committee financial expert, as defined by the Securities and Exchange Commission (the SEC).

The Audit Committee is primarily responsible for approving the services performed by our independent auditors and for reviewing and evaluating our accounting principles and our system of internal accounting and control over financial reporting. The Audit Committee met five times in 2003. Our Board of Directors has adopted a written charter for the Audit Committee. For additional information on the Audit Committee, see REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS.

### **Nominating Committee**

Our Nominating Committee identifies and recommends to the Board of Directors nominees for election and reelection to the Board of Directors. In 2003, our Nominating Committee consisted of Robert L. Mortensen, Jack M. Gill and Joseph R. Kletzel, II but did not meet. The nomination of the directors for our 2003 Annual Meeting and the appointment of Marvin J. Slepian, M.D. and Kurt E. Wehberg, M.D. to the Board of Directors in December 2003 was considered and approved by the full Board of Directors. Currently,

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the Nominating Committee consists of Robert L. Mortensen, Marvin J. Slepian, M.D. and Kurt E. Wehberg, M.D. Each of the members of the Nominating Committee are independent directors as that term is defined by the listing standards of the National Association of Securities Dealers, Inc. The Nominating Committee has not adopted a written charter.

Should a vacancy in the Board of Directors occur, the Nominating Committee will seek and nominate qualified individuals. The Nominating Committee will consider nominees for director whose names are timely and properly submitted by shareholders in accordance our Bylaws. To be timely under our Bylaws, a shareholder's nomination must be delivered or mailed to, and received by, our corporate Secretary not less than 90 days prior to the Annual Shareholders Meeting. However, in the event notice or prior public disclosure of the date of the Annual Shareholders Meeting is not provided to our shareholders at least 100 days prior to the Annual Shareholders Meeting, a nomination by the shareholder to be timely must be received no later than the close of business on the tenth day following the day on which the notice of the date of the meeting was mailed or the public disclosure was made. To be in proper form, the shareholder's nomination must set forth (i) the name and address of nominating shareholder; (ii) the name and address of the person or persons to be nominated; (iii) a representation that the nominating shareholder is a shareholder of record entitled to vote at the meeting; (iv) a representation, if applicable, that the nominating shareholder intends to appear in person or by proxy at the Annual Shareholders Meeting to nominate the person or persons so nominated; (v) if applicable, a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and (vi) such other information regarding each nominee as would be required under the rules of the SEC had the nominee be nominated by the Board of Directors.

While the Board has not established any specific or minimum qualifications for director nominees, directors and any potential nominees should be individuals of diverse backgrounds who possess the integrity, judgment, skills, experience and other characteristics necessary or desirable for the Board of Directors to effectively perform its oversight function. Once the Nominating Committee has identified a prospective nominee, the committee will evaluate the nominee in the context of the then current composition of the Board of Directors and will consider among other factors, the nominee's educational background, business and professional experience (whether or not in the medical industry), finance and financial reporting experience and willingness to devote sufficient time to fulfill his or her responsibilities to CardioGenesis and the Board of Directors. The Nominating Committee does not evaluate shareholder nominees differently than any other nominee.

## **Compensation Committee**

In 2003, our Compensation Committee consisted of Robert L. Mortensen, Robert C. Strauss and Joseph R. Kletzel, II and met one time. Currently, our Compensation Committee consists of Robert C. Strauss, Joseph R. Kletzel and Marvin J. Slepian, M.D, each of whom are independent directors as that term is defined by the listing standards of the National Association of Securities Dealers, Inc. This committee reviews and approves our executive compensation policy and plan and administers our equity compensation plans. For additional information on the Compensation Committee, see REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS.

## **Communications with the Board**

Our shareholders may send communications to our Board of Directors. Such communications must be in writing addressed to the individual director, the full Board of Directors or any committee of the Board of Directors care of our corporate Secretary, at our principal business address. All communications will be compiled by our corporate Secretary and forwarded to the director, the full Board of Directors or committee accordingly. Any communications addressed to the independent or outside directors (or words of similar effect) will be forwarded to the chair of our Audit Committee.

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### **Director Attendance at Annual Meetings**

We do not have a formal policy regarding attendance by members of the Board of Directors at the Annual Meeting of Shareholders. However, we encourage our directors to attend the meetings in person or to participate via telephone conference. Two of our directors attended our 2003 Annual Meeting.

### **Code of Conduct and Ethics**

We have adopted a code of conduct and ethics that describes the ethical and legal responsibilities of all our employees and, to the extent applicable, members of our Board of Directors. The code includes (but is not limited to) the requirements of the Sarbanes-Oxley Act of 2002 pertaining to codes of ethics for chief executive and senior financial and accounting officers. Our code of conduct and ethics will be available on our website at *www.cardiogenesis.com* prior to the 2004 Annual Meeting. If we make substantive amendments to the code or grant a waiver, including an implicit waiver, to principal executive, financial or accounting officers, or persons performing similar functions, we will disclose the details of any such amendment or waiver on our website and/or in a report on Form 8-K in accordance with applicable rules and regulations.

### **Compensation Committee Interlocks and Insider Participation**

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

### **Director Compensation**

For serving on the Board of Directors, directors who are not compensated as our employees or as consultants to us receive fees of \$2,500 per board meeting and \$500 per committee meeting, provided such committee meeting does not occur on the same day as a board meeting. We also have a Director Stock Option Plan for non-employee directors. In 2003, directors Joseph R. Kletzel, II, Robert C. Strauss and Robert L. Mortensen were each granted an option to purchase an aggregate of 7,500 shares of Common Stock upon re-election to our Board of Directors in May 2003. In addition, Messrs. Kletzel, Strauss and Mortensen were each granted an option to purchase an aggregate of 30,000 shares of common stock in June 2003. Marvin J. Slepian, M.D. and Kurt E. Wehberg, M.D. were each granted an option to purchase an aggregate of 22,500 shares of Common Stock upon their election to our Board of Directors in December 2003 at an exercise price of \$.80 per share.

## **RECOMMENDATION OF THE BOARD OF DIRECTORS**

**The Board of Directors recommends a vote FOR the approval of the six (6) nominees for the Board of Directors listed above.**

## **PROPOSAL TWO**

### **RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

Our Board of Directors has selected PricewaterhouseCoopers LLP ( PWC ), independent auditors, to audit our consolidated financial statements for the fiscal year ending December 31, 2004, and recommends that the shareholders vote for ratification of that appointment. Notwithstanding this selection, the Board of Directors, in its discretion, may direct the appointment of new independent auditors at any time during the year, if the Board of Directors determines that such a change would be in the best interest of CardioGenesis and our shareholders. If this proposal regarding ratification of PWC as CardioGenesis independent auditors is not approved by our shareholders at the 2004 Annual Meeting, our Board of Directors will reconsider its selection.

PWC has audited our financial statements annually since 1989. Representatives of PWC are expected to be present at the 2004 Annual Meeting with the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions.

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The aggregate fees billed to us for professional services provided by PWC in 2002 and 2003 were as follows:

Type of Fee	2002	2003
Audit(1)	\$ 172,200	\$ 174,480
Audit-related(2)	11,000	0
Tax(3)	55,800	29,400
Other(4)	33,100	4,660
<b>Total</b>	<b>\$ 272,100</b>	<b>\$ 208,540</b>

- (1) Audit fees consisted of professional services rendered for the audit of our financial statements included in our Annual Reports on Form 10-K for such periods and the review of the financial statements included in our Quarterly Reports on Form 10-Q during such periods.
- (2) Audit-related fees consisted of an audit of our 401(k) plan.
- (3) Tax fees consisted of professional services related to tax compliance, tax advice and tax planning.
- (4) Other fees consisted of filing of registration statements and other accounting advice.

**Pre-Approval of Services**

The Audit Committee has established a policy governing our use of PWC for non-audit services. Under the policy, management may use PWC for non-audit services that are permitted under SEC rules and regulations, provided that management obtains the Audit Committee's approval before such services are rendered.

**Vote Required**

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

**RECOMMENDATION OF THE BOARD OF DIRECTORS**

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

**PROPOSAL THREE****AMENDMENT TO THE STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE BY 1,500,000 SHARES****Increase of 1,500,000 Shares of Common Stock**

Our Stock Option Plan, as restated in June 2003 (the "Option Plan"), was approved by our Board of Directors and shareholders in April 1996. A total of 8,600,000 shares of Common Stock are currently reserved for issuance under the Option Plan. In April 2004, our Board of Directors approved a further increase of 1,500,000 shares of Common Stock issuable under the Option Plan, which, if approved by the shareholders, would increase the total shares of Common Stock reserved for issuance under the Option Plan since its inception to 10,100,000 shares. The Option Plan terminates on March 31, 2006. A summary of the principal terms of the Option Plan is located in *Appendix A* to this proxy statement.

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The Board of Directors believes the requested increase in the shares of Common Stock reserved for issuance under the Option Plan is in the best interests of CardioGenesis. The Board of Directors believes that the increase will provide an adequate reserve of shares of Common Stock available for issuance under the

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Option Plan, which is necessary to enable CardioGenesis to compete successfully with other companies in attracting and retaining valuable employees and to expand its operations.

As of April 15, 2004, options to purchase 4,072,000 shares of Common Stock were unexercised and outstanding under the Option Plan. As of April 15, 2004, 1,283,000 shares of Common Stock remained available for future option grants under the Option Plan, excluding the additional 1,500,000 shares contemplated by this Proposal. The aggregate market value of the unexercised and outstanding options to purchase 4,072,000 shares of Common Stock under the Option Plan at April 15, 2004 was \$3,257,600 based on a closing price of \$0.80 on the OTC Bulletin Board on that date. See the section entitled "Executive Compensation and Other Matters - Amended and New Plan Benefits" below for certain information with respect to options granted under the Option Plan in 2003.

### **Vote Required**

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2004 Annual Meeting is required for approval of this Proposal.

## **RECOMMENDATION OF THE BOARD OF DIRECTORS**

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

## **PROPOSAL FOUR**

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

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

Our 1996 Employee Stock Purchase, as restated in June 2003 (the "Purchase Plan"), was approved by our Board of Directors and shareholders in April 1996. A total of 850,000 shares of Common Stock are currently reserved for issuance under the Purchase Plan. In April 2004, the Board of Directors approved a further increase of 150,000 shares of Common Stock issuable under the Purchase Plan, which, if approved by the shareholders, would increase the total shares reserved for issuance under the Purchase Plan since its inception to 1,000,000 shares. The Purchase Plan terminates in accordance with its terms in April 2006. A summary of the principal terms of the Purchase Plan is located in *Appendix B* to this proxy statement.

The Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code, permits eligible employees to purchase Common Stock through payroll deductions at a price equal to 85% of the fair market value of the Common Stock at the beginning or at the end of each offering period, whichever is lower. Qualified employees are eligible to participate at the beginning of the first day of an offering period after their first full calendar month of full time employment. As of April 15, 2004, a total of 677,999 shares of Common Stock had been purchased under the Purchase Plan and 172,001 shares remained available for future purchase under the Purchase Plan. See "Executive Compensation and Other Matters - Amended and New Plan Benefits" below for certain information with respect to participation in the Purchase Plan in 2003.

The Purchase Plan is voluntary and is designed to encourage and motivate employees to participate in CardioGenesis' future through direct stock ownership. The Board of Directors believes that the availability of a sufficient number of shares for issuance under the Purchase Plan is integral to attract, retain and motivate qualified employees fundamental to the success of CardioGenesis.

### **Vote Required**

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2004 Annual Meeting is required for approval of this Proposal.

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**RECOMMENDATION OF THE BOARD OF DIRECTORS**

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

**PROPOSAL FIVE**

**AMENDMENT TO THE DIRECTOR STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK RESERVED FOR ISSUANCE BY 300,000 SHARES**

**Increase of 300,000 Shares of Common Stock**

Our Director Stock Option Plan, as restated June 2003 (the Director Plan), was approved by our Board of Directors and shareholders in April 1996. A total of 575,000 shares of Common Stock are currently reserved for issuance under the Director Plan. In April 2004, the Board of Directors approved a further increase of 300,000 shares of Common Stock issuable under the Director Plan, which, if approved by the shareholders, would increase the total shares reserved for issuance under the Director Plan since its inception to 875,000 shares. The Director Plan terminates in accordance with its terms in April 2006. A summary of the principal terms of the Director Plan is located in *Appendix B* to this proxy statement.

The Board of Directors believes that the availability of an adequate number of shares reserved for issuance under the Director Plan is an important factor in attracting and retaining experienced and qualified persons to serve on the Board of Directors. The Board of Directors also believes that the Director Plan works to align the financial interests of our Board members with those of our shareholders.

Under the Director Plan, each new nonemployee director automatically receives a nonstatutory stock option to purchase 22,500 shares of Common Stock upon becoming a nonemployee director (a First Option). Each nonemployee director is also automatically granted a nonstatutory option to purchase 7,500 shares of Common Stock upon reelection annually to the Board of Directors (a Subsequent Option). Under the Director Plan, unless otherwise specified by the Board, shares subject to the First Option shall become exercisable on a monthly basis for a period of thirty-six months from the date of grant and shares subject to the Subsequent Option shall become exercisable on a monthly basis for a period of twelve months from the date of grant.

As of April 15, 2004, under the Director Plan, options to purchase 472,500 shares of Common Stock were outstanding and no options had been exercised. The aggregate market value of the unexercised and outstanding options to purchase 472,500 shares of Common Stock under the Director Plan was \$378,000 based on a closing price of \$0.80 on the OTC Bulletin Board on April 15, 2004. See Executive Compensation and Other Matters Amended and New Plan Benefits below for certain information with respect to options granted under the Director Plan in 2003.

**Vote Required**

The affirmative vote of a majority of the shares of the Common Stock present or represented and entitled to vote at the 2004 Annual Meeting is required for approval of this Proposal.

**RECOMMENDATION OF THE BOARD OF DIRECTORS**

**The Board of Directors recommends a vote FOR the approval of the amendment to the Director Stock Option Plan to increase the number of shares of Common Stock reserved for issuance by 300,000 shares.**

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

The table below sets forth information known to us regarding the beneficial ownership of our Common Stock as of April 15, 2004 by the following:

each person known to us to be the beneficial owner of more than 5% of our outstanding Common Stock;

each named executive officer;

each of our directors; and

all executive officers and directors as a group.

Beneficial ownership is determined in accordance with rules of the Securities and Exchange Commission, and generally includes voting power and/or investment power with respect to securities. Shares of common stock subject to options currently exercisable or exercisable within sixty days of the date of this proxy statement are deemed outstanding for purposes of computing the beneficial ownership by the person holding such options, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as otherwise noted, the persons or entities named have sole voting and investment power with respect to all shares shown as beneficially owned by them. Unless otherwise indicated, the principal address of each of the shareholders below is CardioGenesis Corporation, 26632 Towne Center Drive, Suite 320, Foothill Ranch, California, 92610.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	
	Number	Percentage Ownership
<b>5% Shareholders:</b>		
Perkins Capital Management, Inc.(2) 730 East Lake Street Wayzata, MN 55391	5,507,600	13.4%
<b>Directors:</b>		
Joseph R. Kletzel, II(3)	114,375	*
Robert L. Mortensen(4)	217,071	*
Marvin J. Slepian, M.D.(5)	11,250	*
Robert C. Strauss(6)	144,375	*
Kurt E. Wehberg, M.D.(7)	11,250	*
<b>Named Executive Officers:</b>		
Michael J. Quinn(8)(9)	1,495,754	3.6%
Christine G. Ocampo(10)	77,054	*
Richard P. Lanigan(11)	397,633	1.0%
Henry R. Rossell(12)	92,361	*
Darrell F. Eckstein(13)		*
Michael A. Tuckerman(14)		*
All directors and officers as a group (12 persons)(15)	2,837,386	6.9%

\* Less than 1%.

(1) Percentage ownership is based on 41,208,672 shares of Common Stock outstanding as of April 15, 2004.

(2) The number of shares of Common Stock beneficially owned or of record has been determined solely from information reported on a Schedule 13G as of February 2, 2004.



- (3) Includes 114,375 shares of Common Stock subject to stock options held by Mr. Kletzel that are exercisable within 60 days of April 15, 2004.

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- (4) Includes 190,875 shares of Common Stock subject to stock options held by Mr. Mortensen that are exercisable within 60 days of April 15, 2004.
- (5) Includes 11,250 shares of Common Stock subject to stock options held by Dr. Slepian that are exercisable within 60 days of April 15, 2004.
- (6) Includes 144,375 shares of Common Stock subject to stock options held by Mr. Strauss that are exercisable within 60 days of April 15, 2004.
- (7) Includes 11,250 shares of Common Stock subject to stock options held by Dr. Wehberg that are exercisable within 60 days of April 15, 2004.
- (8) Michael J. Quinn is both a member of the Board of Directors and a Named Executive Officer in his positions as CardioGenesis Chief Executive Officer, President and Chairman of the Board.
- (9) Includes 1,318,104 shares of Common Stock subject to stock options held by Mr. Quinn that are exercisable within 60 days of April 15, 2004.
- (10) Includes 77,054 shares of Common Stock subject to stock options held by Ms. Ocampo that are exercisable within 60 days of April 15, 2004.
- (11) Includes 362,050 shares of Common Stock subject to stock options held by Mr. Lanigan that are exercisable within 60 days of April 15, 2004.
- (12) Includes 92,361 shares of Common Stock subject to stock options held by Mr. Rossell that are exercisable within 60 days of April 15, 2004.
- (13) Mr. Eckstein's employment with CardioGenesis was terminated in November 2003.
- (14) Mr. Tuckerman's employment with CardioGenesis was terminated in April 2003.
- (15) Includes options to purchase an aggregate of 2,597,957 shares of Common Stock held by all current officers and directors as a group exercisable within 60 days of April 15, 2004.

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

The following table and discussion sets forth information with regards to CardioGenesis' current executive officers, including their ages as of April 15, 2004 (the "Current Executive Officers").

Name	Age	Position
Michael J. Quinn	60	Chairman of the Board, President and Chief Executive Officer
Gerard A. Arthur	45	Vice President and General Manager of Worldwide Services
Janet M. Fauls	41	Vice President of Regulatory, Quality and Clinical Affairs
Richard P. Lanigan	45	Senior Vice President of Marketing
Christine G. Ocampo	31	Vice President, Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary
Lorrie L. Orton	39	Vice President, General Manager, Pacific Division
Henry R. Rossell, Jr.	48	Senior Vice President, General Manager, Atlantic Division

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

*Gerard A. Arthur* has served as our Vice President, General Manager of the Worldwide Service Division since December 2003. From 1993 to December 2003, Mr. Arthur was our Director of Worldwide Service. Prior to joining us, from 1991 to 1993, Mr. Arthur served as Service Manager at Intelligent Surgical Lasers, Inc. From 1990 to 1991, he served as Manager, Laser Services at National Instrument Service Corporation. From 1986 to 1990, he served as Service Manager, Medical Lasers at Carl Zeiss, Inc. Mr. Arthur has worked in the medical laser field for over twenty years. He is a graduate of the School of Marine Radio & Radar, Limerick, Ireland.

*Janet M. Fauls* has served as our Vice President of Regulatory, Quality and Clinical Affairs since November 2001. Prior to joining CardioGenesis, Ms. Fauls held various management positions, most recently Director of Worldwide Regulatory Affairs, Biologics at Allergan. In the preceding 15 years, she held increasingly responsible management positions in Regulatory Affairs at Edwards Lifesciences, Alliance Pharmaceutical Corporation, and Allergan. From 1984 to 1987, she served as a chemist in the aerospace industry. Ms. Fauls holds a Bachelor of Science degree in Chemistry from the University of California, Santa Barbara.

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

*Christine G. Ocampo* has served as our Vice President and Chief Financial Officer, Chief Accounting Officer, Treasurer and Secretary since November 2003. From 2001 to November 2003, Ms. Ocampo served as our Vice President and Corporate Controller. She first joined CardioGenesis in April 1997 and spent four years as our Accounting Manager. Prior to joining us, Ms. Ocampo held a management position in Finance at Mills-Peninsula Health Systems in Burlingame, CA, and spent three years as an Audit Senior for Ernst &

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Young LLP. She graduated with a Bachelors of Science in Accounting from Seattle University and became a licensed Certified Public Accountant in 1996.

*Lorrie L. Orton* has served as our Vice President, General Manager of the Pacific Business Unit since December 2003. From November 2001 to December 2003, she was the Region Manager for the Dallas region. Prior to CardioGenesis, from 1999 to 2001 Ms. Orton held various management positions in the Marketing Department at Carbomedics. From 1992 to 1999, she also held various management positions in the Sales Department at Boston Scientific. From 1987 to 1992, she held various management positions at Nestle Foods USA. Ms. Orton has a Bachelor of Arts degree from the University of Texas.

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

**EXECUTIVE COMPENSATION AND OTHER MATTERS**

**Employment Contracts of Executive Officers**

Michael J. Quinn entered into an employment agreement with us on September 27, 2001 which was amended on July 3, 2002. Mr. Quinn's employment agreement provides for an annual salary of \$369,930, subject to annual review and increase at the discretion of the Board of Directors. Mr. Quinn may also be entitled to receive (i) an annual bonus, the amount of which shall be determined by the Board of Directors, not to exceed 50% of Mr. Quinn's annual salary, and (ii) options or other rights to acquire our common stock, under terms and conditions determined by the Compensation Committee of the Board of Directors. Mr. Quinn's employment agreement provides that his employment is for an initial term of three years, which automatically renews for one year terms after the initial term unless terminated in writing thirty days prior to the commencement of a new one year term. Mr. Quinn may be terminated at any time with or without cause subject to certain termination provisions.

In November 2003, our employment relationship with Darrell Eckstein was terminated. In connection with his departure from the Company, Mr. Eckstein has made certain breach of contract claims arising out his employment agreement with us, as well as certain tort claims. Pursuant to the terms of Mr. Eckstein's employment agreement, we have agreed to submit the matter to binding arbitration. We believe Mr. Eckstein's claims are without merit and we intend to vigorously defend against these claims.

**Executive Officer Compensation**

The following table sets forth certain information concerning the annual and long-term compensation for services rendered in all capacities to us for the fiscal year 2003 by (i) our Chief Executive Officer, (ii) the four most highly compensated executive officers having compensation of at least \$100,000 or more serving at the end of the fiscal year 2003, and (iii) two additional individuals who served as executive officers for us during

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the fiscal year 2003 but were not employed as executive officers at the end of the fiscal year 2003 (the Named Executive Officers ).

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Annual Compensation		Other Annual Compensation (\$)	Long Term Compensation Awards
		Salary (\$)	Bonus (\$)		Securities Underlying Options/SARs (#)
Michael J. Quinn	2003	388,400	80,000		439,008
Chief Executive Officer,	2002	369,930			75,000
President	2001	330,000		36,258(1)	200,000
and Chairman of the Board					
Christine G. Ocampo	2003	136,000(2)	20,000		94,138
Vice President and Chief	2002	121,000	11,000		17,000
Financial Officer	2001	95,000		20,000(3)	45,000
Richard P. Lanigan	2003	223,650	30,000		233,134
Senior Vice President of	2002	222,555			37,500
Marketing	2001	175,000			50,000
Henry R. Rossell	2003	200,000			150,000
Senior Vice President, GM,	2002				
Atlantic Division	2001				
Darrell F. Eckstein(5)	2003	259,200	40,000		298,578
Former President, Chief					
Operating	2002	266,148			50,000
Officer and Chief Financial					
Officer	2001	227,596		26,487(4)	50,000
Michael A. Tuckerman(6)	2003	95,967			
Former Vice President of Sales	2002	301,921			75,000
	2001	174,470			50,000

(1) Housing allowance and health insurance premiums.

(2) Upon her appointment as Chief Financial Officer, Secretary and Treasurer, Ms. Ocampo's annual base salary was increased to \$160,000.

(3) Relocation allowance.

(4) Housing allowance.

(5) Mr. Eckstein's employment with CardioGenesis was terminated in November 2003.

(6) Mr. Tuckerman's employment with CardioGenesis was terminated in April 2003.

**Table of Contents****Option Grants in Fiscal Year 2003**

The following table sets forth information regarding grants of stock options to purchase shares of our common stock made to the executive officers in the Summary Compensation Table above during the year ended December 31, 2003.

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

Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price per Share	Expiration Date	Potential Realizable Value at Annual Rates of Stock Price Appreciation for Option Term (2)	
					5%	10%
Michael J. Quinn	289,008	15%	\$0.32	1/07/2013	\$58,162	\$147,393
Michael J. Quinn	150,000	8%	\$0.70	6/24/2013	\$66,034	\$167,343
Christine G. Ocampo	82,138	4%	\$0.32	1/07/2013	\$16,530	\$41,890
Christine G. Ocampo	12,000	1%	\$0.70	6/24/2013	\$5,283	\$13,387
Richard P. Lanigan	133,134	7%	\$0.32	1/07/2013	\$26,793	\$67,898
Richard P. Lanigan	100,000	5%	\$0.70	6/24/2013	\$44,023	\$111,562
Henry R. Rossell	100,000	5%	\$0.32	1/07/2013	\$44,023	\$111,562
Henry R. Rossell	50,000	3%	\$0.70	6/24/2013	\$22,011	\$55,781
Darrell F. Eckstein	173,578	9%	\$0.32	1/07/2013	\$34,932	\$88,524
Darrell F. Eckstein	125,000	7%	\$0.70	6/24/2013	\$55,028	\$139,452
Michael A. Tuckerman						

- (1) Each of these options was granted pursuant to our Stock Option Plan. 1,876,500 shares of Common Stock issuable upon exercise of options were granted to our employees during the year ended December 31, 2003.
- (2) In accordance with the rules of the SEC, shown are the hypothetical gains or option spreads that would exist for the respective options. These gains are based on assumed rates of annual compounded stock price appreciation of 5% and 10% from the date the option was granted over the full option term. The 5% and 10% assumed rates of appreciation are mandated by the rules of the SEC and do not represent our estimate or projection of future increases in the price of our Common Stock.

**Options Outstanding in Fiscal Year 2003**

The following table sets forth certain information for the year ended December 31, 2003 concerning exercised, exercisable and unexercisable stock options held by each of the Named Executive Officers.

**Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#):		Value of Unexercised In-the-Money Options at Fiscal Year-End \$(1):	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael J. Quinn			1,244,564	169,444	147,504	15,000
Christine G. Ocampo	82,138	49,746	63,028	18,889	840	1,200
Richard P. Lanigan			334,272	92,362	68,567	10,000
Henry R. Rossell			54,166	95,834	23,916	32,084
Darrell F. Eckstein	127,092	106,786	239,540		49,182	

Michael A. Tuckerman

58,332

66,732

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- (1) The value for an in the money option represents the difference between the exercise price of such option and \$0.82, the closing price of our Common Stock on December 31, 2003, multiplied by the total number of shares subject to the option.

**Amended and New Plan Benefits**

The granting of awards under the Option Plan and the Purchase Plan is discretionary, and we cannot now determine the number or type of awards to be granted in the future to any particular group or person. The following table sets forth, as to the executive officers named under Summary Compensation Table above as well as each of the Current Executive Officers individually, all Current Executive Officers as of April 15, 2004 as a group, all directors as of April 15, 2004 who are not executive officers as a group and all other employees as of April 15, 2004 as a group the following information regarding benefits received or allocated to the persons and groups set forth below for the last completed fiscal year: (a) with respect to the Option Plan: (i) the market value of the shares of Common Stock underlying such options as of April 15, 2004 based on a closing price of \$0.80 on the OTC Bulletin Board on that date, minus the exercise price of such shares; and (ii) the number of shares of Common Stock subject to options granted during the fiscal year ended December 31, 2003 under the Option Plan; and (b) with respect to the Purchase Plan: (i) the market value of the shares of Common Stock issued as of April 15, 2004 based on a closing price of \$0.80 on the OTC Bulletin Board on that date, minus the purchase price of such shares; and (ii) the number of shares of Common Stock issued under the Purchase Plan during the fiscal year ended December 31, 2003.

Name of Individual or Identity of Group or Position	Stock Option Plan		1996 Employee Stock Purchase Plan		Directors Stock Option Plan	
	Dollar Value\$(1)	Number of Shares Subject To Options Granted (#)	Dollar Value\$(1)	Number of Shares Issued(#)	Dollar Value\$(1)	Number of Shares Subject to Options Granted(#)
Michael J. Quinn President, Chief Executive Officer and Chairman of the Board	153,724	439,008				
Gerard A. Arthur Vice President of Worldwide Service	32,607	75,849	683	5,154		
Janet M. Fauls Vice President of Regulatory, Quality and Clinical Affairs	28,200	68,250	311	2,346		
Richard P. Lanigan Senior Vice President of Marketing	73,904	233,134				
Christine G. Ocampo Vice President, Secretary and Chief Financial Officer	40,626	94,138	1,886	14,678		
Lorrie L. Orton Senior Vice President, General Manager, Pacific Division		25,000				
Henry R. Rossell, Jr. Senior Vice President, General Manager, Atlantic Division	53,000	150,000				
Darrell F. Eckstein(2)(3) Former President, Chief Operating Officer and Acting Chief Financial Officer	95,817	298,578				
Michael A. Tuckerman(2)(3) Former Vice President of Sales						
Joseph R. Kletzel Director					750	37,500
Robert L. Mortensen Director					750	37,500
Marvin J. Slepian, M.D. Director						22,500
Robert C. Strauss Director					750	37,500
Kurt E. Wehberg, M.D. Director						22,500





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Name of Individual or Identity of Group or Position	Stock Option Plan		1996 Employee Stock Purchase Plan		Directors Stock Option Plan	
	Dollar Value(\$)(1)	Number of Shares Subject To Options Granted (#)	Dollar Value(\$)(1)	Number of Shares Issued(#)	Dollar Value(\$)(1)	Number of Shares Subject to Options Granted(#)
All Current Executive Officers as a group	382,061	1,085,379	2,880	22,178		
All Named Executive Officers as a group	417,071	1,214,858	1,886	14,678		
All current directors who are not executive officers as a group					2,250	157,500
All other employees as a group	138,260	442,980	14,181	108,710		

- (1) Dollar values for options are based upon the difference between the closing price of one share of Common Stock on the OTC Bulletin Board on April 15, 2004 and the exercise price of the option. Dollar values for shares issued under the Purchase Plan are based upon the closing price of our Common Stock on the OTC Bulletin Board on April 15, 2004. If no value is listed, stock options granted under the Stock Option Plan are of no value due to an exercise price above the then-current trading price of our Common Stock based on a closing price of \$0.80 on the OTC Bulletin Board on April 15, 2004.
- (2) No longer an officer as of April 15, 2004 and not included in Current Executive Officers.
- (3) No longer an employee as of April 15, 2004 and not included in Current Executive Officers.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2003, including the 1996 Stock Option Plan, as restated in June 2003 and the 1996 Director Stock Option Plan, as restated in June 2003.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Columns (a))	(d) Total of Securities Reflected in Columns (a) and (c)
Equity Compensation Plans Approved by Shareholders	4,070,000	\$ 1.37	1,620,000	5,690,000
Equity Compensation Plans Not Approved by Shareholders		N/A		

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than ten percent of our Common Stock to file reports of ownership and changes in ownership with the SEC and any exchange upon which our Common Stock is listed. Executive officers, directors and greater-than-ten-percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received by us or written representations from certain reporting persons, we believe that, with respect to our 2003 fiscal year, all of our executive officers, directors and ten percent shareholders complied with all applicable filing requirements.



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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee reviews our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the system of internal controls and procedures. Our independent auditors are responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles.

In this context, the Audit Committee has met, reviewed and discussed with management and the independent auditors the audited financial statements. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee also received from the independent auditors the written disclosures required by Independence Standards Board No. 1 (Independence Discussions with Audit Committees) and discussed with the independent auditors their independence from CardioGenesis and its management. Additionally, the Audit Committee did consider whether the independent auditors' provision of non-audit related services were compatible with the independent auditors' independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements for the fiscal year ended December 31, 2003 be included in our Annual Report on Form 10-K for filing with the SEC.

AUDIT COMMITTEE OF CARDIOGENESIS  
CORPORATION

Robert C. Strauss, Chairman  
Joseph R. Kletzel, II  
Robert L. Mortensen

The above report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference, and shall not be deemed filed under such Acts.

**REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

The following is the Report of the CardioGenesis Compensation Committee describing the compensation policies and rationale applicable to our executive officers with respect to the compensation paid to our executive officers for the year ended December 31, 2003. The information contained in the report shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into such filing.

**To: Board of Directors**

The Compensation Committee of the Board of Directors reviews and approves CardioGenesis' executive compensation policies. The Committee administers CardioGenesis' various incentive plans, including the Stock Option Plan and the Employee Stock Purchase Plan, sets compensation policies applicable to CardioGenesis' executive officers and evaluates the performance of CardioGenesis' executive officers. The following is a report of the Committee describing compensation policies and rationale applicable with respect to the compensation paid to CardioGenesis' executive officers for the fiscal year ended December 31, 2003.

Three non-employee members of CardioGenesis' Board of Directors, Robert L. Mortensen, Joseph R. Kletzel, II and Robert C. Strauss, served as the Compensation Committee of the Board of Directors during 2003.

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### **Compensation Philosophy**

CardioGenesis executive compensation programs are designed to attract, motivate and retain executives who will contribute significantly to the long-term success of CardioGenesis and the enhancement of shareholder value. In addition to base salary, certain elements of total compensation are payable in the form of variable incentive plans tied to the performance of CardioGenesis and the individual, and in the equity-based plans designed to closely align executive and shareholder interests.

### **Base Salary**

Base salary for executives, including that of the chief executive officer, is set according to the responsibilities of the position, the specific skills and experience of the individual and the competitive market for executive talent. In order to evaluate the competitive position of CardioGenesis salary structure, the Committee makes reference to publicly available compensation information and informal compensation surveys obtained by management with respect to cash compensation and stock option grants to officers of comparable companies in the high-technology sector, CardioGenesis industry and its geographic location. Executive salary levels are set to approximate average rates, with the intent that superior performance under incentive bonus plans will enable the executive to elevate his total cash compensation levels that are above average of comparable companies. The Committee reviews salaries annually and adjusts them as appropriate to reflect changes in market conditions and individual performance and responsibilities.

### **Compensation of the Chief Executive Officer in 2003**

Pursuant to an employment agreement effective September 27, 2001 and amended on July 3, 2002, which superceded an earlier letter employment agreement effective October 16, 2000, Mr. Michael Quinn, CardioGenesis Chief Executive Officer, received base compensation of \$388,400 and bonus compensation of \$80,000 during 2003.

Mr. Quinn's base salary was initially established by the Board of Directors. It was based on the Board's assessment that Mr. Quinn was uniquely qualified to lead CardioGenesis with his strong operational experience and history of accomplishments in the marketing and sales of products. The Board determined that his vision for CardioGenesis and his proven record of successful team building, would be pivotal to realizing the full potential of CardioGenesis. Under his employment agreement, the Board of Directors may grant Mr. Quinn a bonus of up to 50% of his base salary. Mr. Quinn's bonus for 2003 was based upon Mr. Quinn's individual performance, and the Company's performance and financial condition.

### **Stock Option Plan, Stock Purchase Plan and Certain Other Compensation**

The Compensation Committee believes that CardioGenesis Stock Option Plan is an essential tool to link the long-term interests of shareholders and employees, especially executive management, and serves to motivate executives to make decisions that will, in the long run, give the best returns to shareholders. Stock options are generally granted when an executive joins CardioGenesis, with subsequent grants also taking into account the individual's performance and the vesting status of previously granted options. These options typically vest over a three year period and are granted at an exercise price equal to the fair market value of CardioGenesis Common Stock at the date of grant. The sizes of initial option grants are based upon the position, responsibilities and expected contribution of the individual. This approach is designed to maximize shareholder value over a long term, as no benefit is realized from the option grant unless the price of CardioGenesis Common Stock has increased over a number of years.

In addition to the Stock Option Plan, executive officers are eligible to participate in CardioGenesis Employee Stock Purchase Plan. This plan allows employees to purchase CardioGenesis Common Stock at a price equal to 85% of the lower of the fair market value at the beginning of the offering period or the fair market value at the end of the purchase period.

Other elements of executive benefits include life and long-term disability insurance, medical benefits and a 401(k) plan with an employer matching contribution for the fiscal year ended December 31, 2003. All such

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benefits are available to all regular, full-time employees of CardioGenesis. CardioGenesis also maintains a Management Incentive Compensation Program for officers and certain other management positions, pursuant to which bonuses are paid out if CardioGenesis attains certain bonus targets.

The foregoing report has been furnished by the Compensation Committee of the Board of Directors of CardioGenesis.

COMPENSATION COMMITTEE OF CARDIOGENESIS CORPORATION

Joseph R. Kletzel, II, Chairman

Robert L. Mortensen,

Robert C. Strauss

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**Table of Contents****STOCK PERFORMANCE GRAPH**

The Stock Performance Graph below shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference in any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference. The following graph and accompanying table sets forth CardioGenesis' total cumulative shareholder return as compared to the Nasdaq Stock Market Total Return Index (the Nasdaq Total Return Index) and the Nasdaq Stock Market Medical Devices, Instruments and Supplies, Manufacturers and Distributors Total Return Index (the Nasdaq Medical Devices Index) from December 31, 1998 through December 31, 2003. Total shareholder return assumes \$100 was invested at the beginning of the period in the Common Stock of CardioGenesis, the stocks represented in the Nasdaq Total Return Index and the stocks represented in the Nasdaq Medical Devices Index, respectively. Total return also assumes reinvestment of dividends. CardioGenesis has paid no dividends on its Common Stock. Historical stock price performance should not be relied upon as indicative of future stock price performance.

**ASSUMES \$100 INVESTED ON JAN. 1, 1999****ASSUMES DIVIDEND REINVESTED  
FISCAL YEAR ENDING DEC. 31, 2003**

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
CardioGenesis Corporation	100.00	100.85	11.54	16.00	5.20	11.21
NASDAQ Medical Devices Index	100.00	109.64	120.96	147.20	119.04	175.11
NASDAQ Market Index	100.00	176.37	110.86	88.37	61.64	92.68

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**OTHER MATTERS**

We know of no other matters to be submitted at the 2004 Annual Meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as the Board of Directors may recommend.

BY ORDER OF THE BOARD OF DIRECTORS

CHRISTINE G. OCAMPO  
*Secretary*

Dated: April 30, 2004

**Our Annual Report on Form 10-K for the year ended December 31, 2003 as filed with the SEC is available without charge upon written request to: Corporate Secretary, CardioGenesis Corporation, 26632 Towne Centre Drive, Suite 320, Foothill Ranch, California 92610.**



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**APPENDIX A**

**DESCRIPTION OF THE STOCK OPTION PLAN**

**AS RESTATED JUNE 2003**

*Generally:* CardioGenesis Stock Option Plan, as restated in June 2003 (the Option Plan ), was approved by the Board of Directors and the shareholders in April 1996. The total number of shares currently reserved for issuance under the Option Plan is 8,600,000 shares. In April 2004, the Board of Directors approved a further increase of 1,500,000 shares issuable under the Option Plan, which, if approved by the shareholders, would increase the total shares reserved for issuance under the Option Plan since its inception to 10,100,000 shares. The Option Plan terminates in March 2006.

Options granted under the Option Plan may be either incentive stock options (ISOs), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code ), or nonstatutory options (NSOs).

The Option Plan is not qualified under Section 401(a) of the Code and is not subject to the Employee Retirement Income Security Act of 1974 ( ERISA ).

*Purpose of the Option Plan:* The purposes of the Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and consultants of CardioGenesis and to promote the success of CardioGenesis business.

*Administration of the Option Plan:* The Option Plan may be administered by the Board of Directors of CardioGenesis or by one or more committees appointed by the Board of Directors (the Administrator ). The Administrator has full power to select the individuals to whom Options will be granted from among the officers, directors, consultants or other employees eligible for grants, to make any combination of grants to any participant and to determine the specific terms of each grant, subject to the provisions of the Option Plan.

The interpretation of any provision of the Option Plan by the Administrator shall be final and conclusive. Members of the Board of Directors or its committees receive no additional compensation for their services as Administrator of the Option Plan.

*Eligibility:* The Option Plan provides that Options may be granted to employees and consultants (including employees, consultants and directors of CardioGenesis and its majority-owned subsidiaries). ISOs may be granted only to employees (including employees of CardioGenesis and its majority-owned subsidiaries). Outside directors are excluded from participation in the Option Plan. As of April 26, 2004, six (6) executive officers and approximately 29 other employees were eligible to participate in the Option Plan.

*Stock Options:* The Option Plan permits the granting of stock options that are intended to qualify as either ISOs or NSOs. In the case of ISOs, the option exercise price for each share shall not be less than 100% of fair market value of a share of Common Stock on the date of grant of such option. In the case of NSOs, the option exercise price for each share covered shall be determined by the Administrator, but shall be no less than 100% of the fair market value per share on the date of grant. The fair market value of the Common Stock shall be the closing price as of the date prior to the date of grant as reported by the stock exchange or national market system upon which the Common Stock is listed. The term of each option will be fixed by the Administrator but may not exceed ten years from the date of grant for ISOs. The Administrator will determine the time or times that each option may be exercised. No employee may be granted an Option for more than 300,000 Shares in any fiscal year; provided however that in connection with initial employment an employee may be granted up to 600,000 additional shares.

The exercise price of Options granted under the Option Plan must be paid in full by cash, check, shares of CardioGenesis (which, in the case of shares acquired upon exercise of an Option either have been owned by the Optionee for more than six months on the date of surrender or were not acquired, directly or indirectly, from CardioGenesis and which have a fair market value on the exercise date equal to the aggregate exercise price of the shares as to which said Option shall be exercised), promissory note or reduction in the amount of any company liability to the option holder. The Administrator may also authorize payment by any

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combination of the foregoing methods. For any ISO, the form of payment permitted will be stated on the notice of grant of the Option.

In the event of termination of employment or of an Optionee's consultancy for any reason, including retirement, an Option may thereafter be exercised (to the extent it was exercisable), for a period of three (3) months, subject to the stated term of the Option. If an Optionee's employment or consultancy is terminated by reason of the Optionee's death or disability, the Option will in general be exercisable for twelve (12) months following death, subject to the stated term of the Option.

To qualify as ISOs, Options must meet additional federal income tax requirements. Under current law these requirements include limits on the value of ISOs that may become first exercisable annually with respect to any Optionee, and a shorter exercise period and a higher minimum exercise price in the case of certain large shareholders.

*Stock Purchase Rights:* The Option Plan permits CardioGenesis to grant stock purchase rights to purchase Common Stock of CardioGenesis ( Stock Purchase Rights ) either alone, in addition to, or in tandem with other awards under the Option Plan and/or cash awards made outside the Option Plan. Upon the granting of a Stock Purchase Right under the Option Plan, the offeree shall be advised in writing of the terms, conditions, and restrictions related to the offer, including the number of shares of Common Stock that the offeree shall be entitled to purchase, the price to be paid and the time within which the offeree must accept such offer (which shall in no event exceed six (6) months from the date upon which the Administrators made the determination to grant the Stock Purchase Right), the offer shall be acceptable by execution of a restricted stock purchase agreement between CardioGenesis and the offeree.

Unless the Administrator of the Option Plan determines otherwise, the restricted stock purchase agreement shall grant CardioGenesis a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment or consulting relationship with CardioGenesis for any reason (including death or disability). The purchase price for shares repurchased pursuant to the restricted stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to CardioGenesis. The repurchase option shall lapse at such rate as the Administrator may determine. The restricted stock purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the Option Plan as may be determined by the Administrator, and such provisions need not be the same with respect to each purchaser. Upon exercise of a Stock Purchase Right, the purchaser shall have rights equivalent to those of a shareholder of CardioGenesis. As of the date of this proxy statement, no Stock Purchase Rights have been granted under the Option Plan.

*Adjustments for Stock Dividends, Mergers etc.:* The Administrator is authorized to make appropriate adjustments in connection with outstanding Options or Stock Purchase Rights to reflect stock dividends, stock splits and similar events. In the event of a merger, liquidation or similar event, the Administrator in its discretion may provide for substitution or adjustments in, or may accelerate or adjust such Options or Stock Purchase Rights.

*Amendment and Termination:* The Board of Directors may amend, alter, suspend or discontinue the Option Plan at any time, but such amendment, alteration, suspension or discontinuation shall not impair any Options or Stock Purchase Rights then outstanding under the Option Plan without the participant's consent. Additionally, no stock option shall be issued or repriced with an exercise price less than 100% of the fair market value on the date of its issuance without the approval of a majority of the shares present and entitled to vote at a duly convened meeting of shareholders of CardioGenesis.

*Federal Tax Consequences:* The following is a brief description of the federal income tax treatment that will generally apply to Options and Stock Purchase Rights granted under the Option Plan, based on federal income tax laws in effect on the date hereof. The exact federal income tax treatment of Options and Stock Purchase Rights will depend on the specific nature of the grant. No information is provided herein with respect to estate, inheritance, gift, state or local tax laws, or the laws of any jurisdiction other than the United States, although there may be certain tax consequences upon the receipt or exercise of an Option or the disposition of any acquired shares under those laws. Participants should not rely on this discussion for individual tax advice,

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as each participant's situation and the tax consequences of the grant and exercise of awards under the Option Plan will vary depending upon the specific facts and circumstances involved. RECIPIENTS OF OPTIONS OR STOCK PURCHASE RIGHTS UNDER THE OPTION PLAN ARE ADVISED TO CONSULT THEIR PERSONAL TAX ADVISORS WITH REGARD TO ALL CONSEQUENCES ARISING FROM SUCH AWARDS.

*Incentive Stock Options:* Pursuant to the Option Plan, employees may be granted options that are intended to qualify as ISOs. Generally, the optionee is not taxed, and CardioGenesis is not entitled to a deduction, on the grant or the exercise of an ISO. However, if the optionee sells the shares acquired upon the exercise of an ISO ( ISO Shares ) at any time within (a) one year after the date of exercise of such ISO or (b) two years after the date of grant of such ISO, then (1) the optionee will recognize ordinary income equal to the excess, if any, of the lesser of the sales price or the fair market value of the ISO Shares on the date of exercise, over the exercise price of such ISO, (2) the optionee will recognize capital gain equal to the excess, if any, of the sales price over the fair market value of the ISO Shares on the date of exercise or will recognize capital loss equal to the excess, if any, of the exercise price of such ISO over the sales price of the ISO Shares, and (3) CardioGenesis will generally be entitled to a deduction equal to the amount of ordinary income recognized by the optionee. If the optionee sells the ISO Shares at any time after the optionee has held ISO Shares for at least (i) one year after the date of exercise of the ISO and (ii) two years after the date of grant of the ISO, then the optionee will recognize capital gain or loss equal to the difference between the sales price and the exercise price of such ISO, and CardioGenesis will not be entitled to any deduction.

The amount by which the fair market value of the ISO Shares received upon exercise of an ISO exceeds the exercise price will be included as a positive adjustment in the calculation of an optionee's alternative minimum taxable income ( AMTI ) in the year of exercise. The alternative minimum tax imposed on individual taxpayers is generally equal to the amount by which 28% (26% of AMTI below certain amounts) of the individual's AMTI (reduced by certain exemption amounts) exceeds his or her regular income tax liability for the year.

*Nonqualified Stock Options:* The grant of an NSO is generally not a taxable event for the optionee. Upon exercise of the option, the optionee will generally recognize ordinary income in an amount equal to the excess of the fair market value of the Common Stock acquired upon exercise (determined as of the date of exercise) over the exercise price of such Option, and CardioGenesis will be entitled to a tax deduction equal to such amount. See Special Rules for Awards Granted to Insiders, below.

*Stock Purchase Rights:* The grant of a Stock Purchase Right is generally not a taxable event for the recipient. An eligible person exercising a Stock Purchase Right where the shares of Common Stock purchased are not subject to repurchase by CardioGenesis generally will recognize ordinary income (and CardioGenesis will be entitled to a deduction), upon the purchase of such shares pursuant to the Stock Purchase Right, equal to the excess, if any, of the fair market value of the shares purchased at the time of purchase over the purchase price.

If the shares purchased pursuant to a Stock Purchase Right are restricted shares that are subject to CardioGenesis' repurchase option that lapses over time, then the purchaser will not recognize income when the restricted shares are purchased, unless the purchaser makes the section 83(b) election described below. When the repurchase option lapses with respect to any shares purchased pursuant to such right, the excess of the fair market value of such shares on the date the repurchase option lapses over the amount paid by the purchaser for such shares will be ordinary income to the purchaser. CardioGenesis will be entitled to a federal income tax deduction equal to that amount. Upon disposition of the shares, the gain or loss recognized by the purchaser will be treated as a capital gain or loss. The capital gain or loss will be short term or long term depending upon the period of time the shares are held by the participant following the lapse of the repurchase option with respect to such shares.

If a purchaser files a valid election under section 83(b) of the Internal Revenue Code within 30 days after the purchase of restricted shares pursuant to a Stock Purchase Right, electing to recognize ordinary income based on the fair market value of the Common Stock on the date of the purchase, then the purchaser will recognize ordinary income, and the holding period will commence, as of the date of purchase. The amount of

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ordinary income recognized by the purchaser will equal the excess, if any, of the fair market value of the shares purchased as of the date of the purchase over the amount paid by the purchaser for the shares. CardioGenesis will be entitled to a deduction in a like amount. If such election is made and the restricted shares are thereafter repurchased by CardioGenesis for the amount of the original purchase price, no refund or deduction will be allowed for the amount previously included in such purchaser's income.

*Special Rules for Awards Granted to Insiders:* If an optionee is a director, officer or shareholder subject to Section 16 of the Exchange Act (an Insider), the timing of the recognition of any ordinary income upon the exercise of an Option or the purchase of shares pursuant to a Stock Purchase Right may be required to be deferred until the expiration of any period during which the Insider would be restricted from disposing of any shares received on exercise, unless the Insider makes an election under Section 83(b) of the Code as described above. Insiders should consult their tax advisors to determine the tax consequences to them of exercising Options granted to them pursuant to the Option Plan.

*Miscellaneous Tax Issues:* Generally, CardioGenesis will be required to make arrangements for withholding applicable taxes with respect to any ordinary income recognized by a participant in connection with Options or Stock Purchase Rights granted under the Option Plan.

With certain exceptions, an individual may not deduct investment-related interest to the extent such interest exceeds the individual's net investment income for the year. Investment interest generally includes interest paid on indebtedness incurred to purchase shares of common shares. Interest disallowed under this rule may be carried forward to and deducted in later years, subject to the same limitations.

A holder's tax basis in common shares acquired pursuant to the Option Plan generally will equal the amount paid for the common shares plus any amount recognized as ordinary income with respect to such stock. Other than ordinary income recognized with respect to the common shares and included in basis, any subsequent gain or loss upon the disposition of such stock generally will be capital gain or loss (long-term or short-term, depending on the holder's holding period).

Special rules will apply in cases where an eligible person pays the exercise or purchase price under an Option or Stock Purchase Right, or pays applicable withholding tax obligations under the Option Plan, by delivering previously owned shares of Common Stock or by reducing the amount of shares otherwise issuable pursuant to the award. The surrender or withholding of such shares will in certain circumstances result in the recognition of income with respect to such shares or a carryover basis in the shares acquired.

The terms of the agreements pursuant to which specific grants are made to eligible persons under the Option Plan may provide for accelerated vesting in connection with a change in ownership or control of the Company. In that event and depending upon the individual circumstances of the recipient, certain amounts with respect to such awards may constitute excess parachute payments under the golden parachute provisions of the Internal Revenue Code. Pursuant to these provisions, a recipient will be subject to a 20% excise tax on any excess parachute payments and CardioGenesis will be denied any deduction with respect to such payment. Recipients of awards under the Option Plan should consult their tax advisors as to whether accelerated vesting of any award in connection with a change of ownership or control of CardioGenesis would give rise to an excess parachute payment.

CardioGenesis (or an applicable subsidiary) generally obtains a deduction equal to the ordinary income recognized by the recipient of an Option or a Stock Purchase Right. However, CardioGenesis' deduction for such amounts may be limited to \$1,000,000 (per person) annually.

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**APPENDIX B**

**DESCRIPTION OF THE 1996 EMPLOYEE STOCK PURCHASE PLAN**

**AS RESTATED IN JUNE 2003**

*Generally:* In April 1996 the Board of Directors of CardioGenesis adopted, and the shareholders subsequently approved, the 1996 Employee Stock Purchase Plan, (the Purchase Plan ) and the reservation of 850,000 shares for issuance under the Purchase Plan. In June 2003, the Purchase Plan was restated. The Board of Directors has approved and the shareholders are being requested to approve an amendment to the Purchase Plan to increase the number of shares reserved for issuance under the Purchase Plan by 150,000 for a total of 1,000,000 shares.

The Purchase Plan is intended to qualify under Sections 421 and 423 of the Internal Revenue Code of 1986, as amended (the Code ). The Purchase Plan is not qualified under Section 401(a) of the Code and is not subject to the Employee Retirement Income Security Act of 1974 ( ERISA ).

*Purpose:* The purpose of the Purchase Plan is to provide employees of CardioGenesis and those of its majority-owned subsidiaries that are designated by the board from time to time ( Designated Subsidiaries ) with an opportunity to purchase Common Stock of CardioGenesis through payroll deductions. At this time, all of CardioGenesis subsidiaries are Designated Subsidiaries for purposes of participation in the Purchase Plan.

*Administration:* The Purchase Plan is administered by the Board of Directors or a committee of the Board of Directors. The interpretation of any provision of the Purchase Plan by the Administrator shall be final and conclusive. Members of the Board of Directors or its Committee receive no additional compensation for their services in administering the Stock Purchase Plan.

*Eligibility:* Employees who are employed by CardioGenesis or a Designated Subsidiary for at least 20 hours per week and five months per calendar year are eligible to participate in the Purchase Plan, provided that such employees are employed by CardioGenesis on both the enrollment date and the exercise date of an Offering Period. Eligibility is subject to certain limitations imposed by Section 423(b) of the Code and limitations on stock ownership as defined in the Purchase Plan. As of April 26, 2004, six (6) executive officers and approximately 29 other employees were eligible to participate in the Purchase Plan.

*Offering Dates:* The Purchase Plan generally will be implemented by consecutive six month Offering Periods that begin every six months on May 16 and November 16 of each year. The Board of Directors has the power to change the duration of Offering Periods with respect to future offerings without shareholder approval if such change is announced at least five days prior to the scheduled beginning of the first Offering Period to be affected.

*Participation in the Plan:* Eligible employees become participants in the Purchase Plan by filing with the employer s payroll office a subscription agreement authorizing payroll deductions. An eligible employee who wishes to become a participant in an offering must file a subscription agreement with the payroll office prior to the commencement of such Offering Period. An employee who becomes eligible to participate in the Purchase Plan after the commencement of an offering may participate in the first Offering Period that starts after the filing by such employee of a subscription agreement.

*Purchase Price:* The purchase price per share at which shares are sold to participating employees under the Purchase Plan is the lower of (i) 85% of the fair market value per share of the Common Stock on the first day of the Offering Period (the Offering Date ) or (ii) 85% of the fair market value per share of the Common Stock on the last day of an Offering Period (the Exercise Date ). The fair market value of the Common Stock shall be the closing price as of such date as reported by the NASDAQ National Market System or other stock exchange.

*Payment of Purchase Price; Payroll Deductions:* The purchase price of the shares to be acquired under the Purchase Plan is accumulated by payroll deductions over each six-month Offering Period. The deductions may not exceed 15% of a participant s compensation. A participant may discontinue or decrease his participation in the Purchase Plan, but may not increase the rate of payroll deductions at any time during the Offering Period. Payroll deductions for a participant shall commence on the first pay day following the

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Offering Date and shall continue at the same rate until the end of the Offering Period unless sooner terminated as provided in the Purchase Plan.

All payroll deductions made for a participant are credited to his account under the Purchase Plan and are deposited with the general funds of CardioGenesis. All payroll deductions received or held by CardioGenesis under the Purchase Plan may be used by CardioGenesis for any corporate purpose, and CardioGenesis shall not be obligated to segregate such payroll deductions. No charges for administrative or other costs may be made by CardioGenesis against the payroll deductions of a participant in the Purchase Plan.

*Purchase of Stock; Exercise of Option:* By executing a subscription agreement to participate in the Purchase Plan, the employee is entitled to have shares placed under option to him. The maximum number of shares placed under option to a participant in an Offering Period is the number determined by dividing the total amount of his compensation which is to be withheld for the Offering Period by 85% of the fair market value of the Common Stock on the Offering Date, and no employee is permitted to purchase during any one Offering Period more than a number of shares determined by dividing \$12,500 by the fair market value of the Common Stock on the Offering Date. Unless the employee's participation is discontinued, his option for the purchase of shares will be exercised automatically on the Exercise Date at the applicable price.

Notwithstanding the preceding paragraph, no employee shall be permitted to subscribe for shares under the Purchase Plan if, immediately after the grant of the option, the employee would own 5% or more of the voting stock or value of all classes of stock of CardioGenesis or its majority-owned subsidiaries, nor shall any employee be granted an option which would permit him to purchase more than \$25,000 worth of stock (determined at the time the option is granted) under all employee stock purchase plans of CardioGenesis in any calendar year.

*Withdrawal from the Purchase Plan:* A participant's interest in a given Offering Period may be terminated in whole, but not in part, by signing and delivering to CardioGenesis a notice of withdrawal from the Purchase Plan. Such withdrawal may be elected by a participant at any time prior to an Exercise Date. A participant's withdrawal from an Offering Period does not have any effect upon his eligibility to participate in subsequent Offering Periods under the Purchase Plan.

*Termination of Employment:* Termination of a participant's employment for any reason, including retirement or death, or the failure of the participant to satisfy the requirements for eligibility, cancels his participation in the Purchase Plan immediately. In such event, payroll deductions credited to the participant's account will be returned to him, or in the case of death, to the person or person entitled thereto as provided in the Purchase Plan.

*Adjustments for Stock Dividends, Mergers etc.:* The Board of Directors is authorized to make appropriate adjustments in connection with outstanding options to reflect stock dividends, stock splits and similar events. In the event of a merger, liquidation or similar event, the Board of Directors in its discretion may provide for substitution or adjustments of the options, or may shorten the current Offering Period(s) to provide for an earlier Exercise Date.

*Amendment and Termination of the Plan:* The Board of Directors may at any time amend or terminate the Purchase Plan, except that (subject to special amendments in response to accounting changes) such termination cannot adversely affect the rights of any participant.

*Federal Tax Consequences:* The following is a brief description of the federal income tax treatment that will generally apply to shares purchased under the Purchase Plan, based on federal income tax laws in effect on the date hereof. No information is provided herein with respect to estate, inheritance, gift, state or local tax laws, or with respect to laws of countries other than the United States, although there may be certain tax consequences upon the purchase of shares pursuant to the Purchase Plan or the disposition of any purchased shares under those laws. Participants should not rely on this discussion for individual tax advice, as each Participant's situation and the tax consequences of purchasing and disposing of shares of common stock will vary depending upon the specific facts and circumstances involved. PARTICIPANTS IN THE PURCHASE PLAN ARE ADVISED TO CONSULT THEIR PERSONAL TAX ADVISORS WITH REGARD TO ALL CONSEQUENCES ARISING FROM SUCH PARTICIPATION.

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In general, for federal income tax purposes, a participant will not recognize taxable income by reason of participating in the Purchase Plan. However, funds deducted from a participant's compensation in order to acquire stock pursuant to the Purchase Plan are included in the participant's income for federal income tax purposes, and will be subject to applicable withholding and reporting requirements.

If a participant sells Common Stock acquired pursuant to the Purchase Plan either within two years after the Offering Date applicable to that Common Stock or within one year after the applicable Exercise Date, the participant will recognize ordinary income in the year of the disposition equal to the excess of the fair market value of that Common Stock on the Exercise Date over the amount paid by the participant under the Purchase Plan for the Common Stock sold. Such ordinary income will be added to the participant's basis in the common stock sold for purposes of determining gain or loss on the sale of that stock. Any such gain or loss will be long-term or short-term capital gain or loss (depending on the participant's holding period) equal to the difference between the amount realized on the sale and the participant's basis in the Common Stock sold.

If the participant disposes of the Common Stock acquired pursuant to the Purchase Plan more than two years after the Offering Date applicable to that common stock and more than one year after the applicable Exercise Date, or if the participant dies holding Common Stock acquired pursuant to the Purchase Plan, the participant will recognize ordinary income at the time of the disposition or death equal to the lesser of (a) the fair market value of such Common Stock at the time of the disposition or death over the amount paid by the participant under the Purchase Plan for the Common Stock, or (b) the excess of the fair market value of the shares at the Offering Date over the purchase price (which purchase price will be computed as of the Offering Date). Such ordinary income amount will be added to the participant's basis in the Common Stock for purposes of determining gain or loss upon a sale of that stock. Any additional gain or loss on the sale of Common Stock held for the holding periods described above will be long-term capital gain or loss.

Generally, CardioGenesis will be required to withhold applicable taxes with respect to ordinary income recognized by an employee in connection with the purchase or early disposition of shares of Common Stock acquired pursuant to the Purchase Plan. The employee may be required to pay the withholding taxes to CardioGenesis or make adequate provision for the payment of the withholding taxes in connection with Common Stock acquired pursuant to the Purchase Plan.

CardioGenesis is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant, except to the extent that ordinary income is recognized by participants upon a sale or disposition of shares prior to the expiration of the holding periods described above.

The preceding discussion is intended merely as a general presentation of United States federal income tax consequences. As to the specific tax consequences to particular participants, we urge you to consult your tax advisor.

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**APPENDIX C**

**DESCRIPTION OF THE 1996 DIRECTOR STOCK OPTION PLAN,**

**AS RESTATED JUNE 2003**

*Generally:* In April 1996, the Board of Directors and the shareholders of the Company approved the Director Stock Option Plan (the Director Plan ). The Directors Plan was restated in June 2003. The total number of shares currently reserved for issuance under the Director Plan is 575,000 shares. In April 2004, the Board of Directors approved a further increase of 300,000 shares issuable under the Director Plan, which, if approved, by the shareholders would increase the total shares reserved for issuance under the Director Plan since its inception to 875,000 shares. The Director Plan terminates in April 2006.

The Director Plan is not qualified under Section 401(a) of the Code and is not subject to the Employee Retirement Income Security Act of 1974 ( ERISA ).

*Purpose:* The purposes of the Director Plan are to attract and retain the best available individuals to serve as Directors of the Company and to encourage their continued service on the Board.

*Administration:* Generally, the Director Plan will be administered by the Board. With respect to First Option grants and Subsequent Option grants, the Board has no discretion to determine which Directors will be granted Options, to determine the number of shares subject to Options, to determine the exercise price of the Options or to determine any terms of such Options.

The interpretation of any provision of the Director Plan by the Administrator shall be final and binding. Members of the Board receive no additional compensation for their services in administering the Director Plan.

*Eligibility:* Options may be granted only to Directors who are not employees of the Company.

*Directors' Options:* The Director Plan provides for First Option grants of 22,500 shares to each Director upon his election to the Board of Directors and Subsequent Option grants of 7,500 shares upon his re-election each year (provided that such re-election is at least six (6) months after the date of election to the Board of Directors). The option term shall be ten years, and shall be exercisable while such person remains a Director. The exercise price shall be 100% of fair market value on the date of grant. The fair market value of the Common Stock shall be the closing price as of the date prior to the date of grant as reported by the Nasdaq National Market or other stock exchange. Stock subject to an First Option shall vest as to one-thirty-sixth of the Shares on a monthly basis from the date of grant of such Option for a period of thirty-six months. Stock subject to a Subsequent Option shall vest as to one-twelfth of the Shares from the date of grant of such Option for a period of twelve months. If the Optionee ceases to serve as a Director for any reason, vesting shall cease as of the date of such termination.

*Purchase Price; Payment:* The exercise price of Options granted under the Director Plan must be paid in full by cash, check, Shares of the Company (which, in the case of Shares acquired upon exercise of an Option either have been owned by the Optionee for more than six months on the date of surrender or were not acquired, directly or indirectly, from the Company and which have a fair market value on the exercise date equal to the aggregate exercise price of the Shares as to which said Option shall be exercised) or promissory note. The Administrator may authorize as payment the retention of Shares having a fair market value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised or it may authorize delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price. The Administrator may also authorize payment by any combination of the foregoing methods.

*Termination:* In the event of termination of status as a Director, the Option may thereafter be exercised (to the extent it was exercisable), for a period of sixty (60) days, subject to the stated term of the Option. If an Optionee's status as a Director is terminated by reason of the death or disability, the Option will in general be exercisable for twelve (12) months following death, subject to the stated term of the Option. Except as otherwise designated by the Board, Options are not transferable by the Optionee other than by will or the laws of descent or distribution, and each option is exercisable during the lifetime of the Director only by such Director.



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*Adjustments for Stock Dividends, Mergers, Liquidations, etc.:* The Board is authorized to make appropriate adjustments in connection with outstanding Options to reflect stock dividends, stock splits and similar events. In the event of a liquidation or dissolution, to the extent an Option has not been previously exercised, it shall terminate. In the event of the merger or sale of substantially all of the assets of the Company, the Options shall be substituted or assumed by the successor corporation. If substitution or assumption is not possible, the Options shall be fully vested and exercisable, including as to shares as to which would not otherwise be exercisable, for a period of 30 days. To the extent such Options are not exercised within such period, such Options shall terminate.

*Amendment and Termination:* The Board may amend, alter, suspend or discontinue the Director Plan at any time, but such amendment, alteration, suspension or discontinuation shall not impair any rights then outstanding under the Director Plan without the participant's consent. Additionally, no stock option shall be issued or repriced with an exercise price less than 100% of the fair market value on the date of its issuance without the approval of a majority of the shares present and entitled to vote at a duly convened meeting of shareholders of CardioGenesis.

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**CARDIOGENESIS CORPORATION**

**2004 ANNUAL MEETING OF SHAREHOLDERS  
JUNE 17, 2004**

The undersigned shareholder of CARDIOGENESIS CORPORATION hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement, each dated April 30, 2004, and hereby appoints Michael J. Quinn and Christine G. Ocampo or either of them, proxies and attorneys-in-fact, with full power of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2004 Annual Meeting of Shareholders of CARDIOGENESIS CORPORATION, to be held on June 17, 2004 at 1:00 p.m., local time, at CardioGenesis corporate headquarters, located at 26632 Towne Center Drive, Suite 320, Foothill Ranch, California, and at any adjournments thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS GIVEN WITH RESPECT TO A PARTICULAR PROPOSAL, THIS PROXY WILL BE VOTED FOR SUCH PROPOSAL.**

**PLEASE MARK, DATE, SIGN, AND RETURN THIS PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

**SEE REVERSE  
SIDE**

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

**SEE REVERSE  
SIDE**

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**CARDIOGENESIS CORPORATION**

**C/O EQUISERVE  
P.O. BOX 43068  
PROVIDENCE, RI 02940**

**DETACH HERE**

[ZCRD11]

**X Please mark  
votes as in  
this example**

**The Board of Directors recommends a vote FOR all nominees in Item 1, and FOR Items 2, 3, 4 and 5.**

	<b>FOR ALL NOMINEES</b>	<b>WITHHELD FROM ALL NOMINEES</b>
1. Election of Directors	<b>O</b>	<b>O</b>
<b>Nominees:</b>		
(01) Michael J. Quinn, (02) Joseph R. Kletzel, II,		
(03) Robert L. Mortensen, (04) Marvin J. Slepian, M.D.		
(05) Robert C. Strauss, and (6) Kurt E. Wehberg, M.D.		

**O**

For all nominees except as noted above

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent auditors of the Company for the fiscal year ending December 31, 2004.	o	o	o
3. To approve an amendment to the Stock Option Plan to increase the number of shares of Common Stock reserved for issuance by 1,500,000 shares.	o	o	o
4. To approve an amendment to the Employee Stock Purchase Plan to increase the number of shares of Common Stock reserved for issuance by 150,000 shares.	o	o	o
5. To approve an amendment to the Director Stock Option Plan to increase the number of shares of common stock reserved for issuance by 300,000 shares.	o	o	o
6. To transact such other business as may properly come before the meeting.	o	o	o

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT o

**Please sign exactly as name appears hereon. Joint owners should each sign. Executors, administrators, trustees, guardians or other fiduciaries should give full title as such. If signing for a corporation, please sign in full corporate name by a duly authorized officer.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_