

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

HEARTWARE INTERNATIONAL, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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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:

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

(3) Filing Party:

(4) Date Filed:



**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 4, 2014 (U.S. EASTERN TIME)**

TO OUR STOCKHOLDERS:

Notice is hereby given that the annual meeting of stockholders of HeartWare International, Inc., a Delaware corporation, will be held on Wednesday, June 4, 2014, at 2:00 P.M., U.S. Eastern Time, at our corporate headquarters, 500 Old Connecticut Path, Building A, Framingham, MA, for the following purposes:

1. To elect a class of three directors, identified in the accompanying Proxy Statement, to hold office until our 2017 annual meeting of stockholders and until their successors are duly elected and qualified (“Proposal No. 1”);
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014 (“Proposal No. 2”);
3. To consider and act on an advisory vote to approve the compensation paid to certain executive officers (“Proposal No. 3”); and
4. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Stockholders of record as of the close of business (5:00 P.M.) on April 11, 2014 (U.S. Eastern Time), the record date for the meeting, are entitled to receive notice, vote and attend the meeting and any adjournment or postponement of the meeting. Beneficial owners of shares held by brokers, banks and other nominees as well as record holders of outstanding CHESSE Depositary Interests, or CDIs, as of the close of business on the record date, are entitled to receive notice of the meeting or any adjournment or postponement of the meeting and to attend the meeting. Beneficial owners may instruct their brokers, banks and nominees and CDI holders may instruct our CDI Depositary, CHESSE Depositary Nominees Pty Ltd, or CDN, to vote their shares or shares underlying CDIs, as the case may be, by following the instructions on the enclosed applicable Voting Instruction Form. Doing so permits beneficial owners to instruct their broker, bank or nominee and CDI holders to instruct CDN to vote on their behalf at the meeting in accordance with their instructions.

The Proxy Statement that accompanies and forms part of this notice of meeting provides information in relation to each of the matters to be considered. This notice of meeting and the Proxy Statement should be read in their entirety. If stockholders are in doubt as to how they should vote, they should seek advice from their legal counsel, accountant, solicitor or other professional adviser prior to voting.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read "D. Godshall".

Douglas Godshall
Chief Executive Officer

April 29, 2014

IMPORTANT: To assure that your shares are represented at the meeting, please vote (or, direct your broker, bank or nominee or CDN to vote) your shares over the telephone, via the Internet or by marking, signing, dating and returning the enclosed proxy card or applicable Voting Instruction Form to the address specified.

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HEARTWARE INTERNATIONAL, INC.
PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 4, 2014 (U.S. EASTERN TIME)

The accompanying proxy is solicited by the Board of Directors of HeartWare International, Inc., a Delaware corporation (the “company”), for use at our annual meeting of stockholders to be held at 2:00 P.M on Wednesday, June 4, 2014, U.S. Eastern Time (4:00 A.M. on June 5, 2014, Australian Eastern Standard Time), or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

The complete mailing address, including zip code, of our principal executive offices is 500 Old Connecticut Path, Building A, Framingham, Massachusetts 01701.

This Proxy Statement was first mailed to our stockholders on or about April 29, 2014.

INTERNET AVAILABILITY OF PROXY MATERIALS

A complete set of proxy materials relating to our annual meeting is available on the Internet. These materials, consisting of the Notice of Annual Meeting, Proxy Statement, Proxy Card, Voting Instruction Forms and Annual Report on Form 10-K, may be viewed and printed at:

<http://www.edocumentview.com/HTWR>

VOTING INSTRUCTIONS AND INFORMATION

Our common stock is listed and trades on the NASDAQ Stock Market. Until September 17, 2013, shares of our common stock also traded in the form of CHESS Depositary Interests (“CDIs”) on the Australian Securities Exchange (“ASX”), each CDI representing one thirty-fifth of a share of our common stock. Our CDI depository is CHESS Depositary Nominees Pty Ltd. (“CDN”). On September 17, 2013, HeartWare was officially delisted from the ASX meaning that interests in HeartWare are no longer publicly traded on the ASX. However, holders of outstanding CDIs on the record date remain entitled to vote their interests at this annual meeting by following the instructions outlined in this Proxy Statement.

Who Can Vote

You are entitled to vote your common stock or direct CDN to vote your CDIs at the meeting (or any adjournment or postponement of the meeting) if you held your shares or CDIs as of the close of business (5:00 P.M.) on the record date, April 11, 2014 (U.S. Eastern Time). Each stockholder is entitled to one vote for each share of common stock and each CDI holder is entitled to direct CDN to vote one vote for every 35 CDIs owned as of the record date. On April 11, 2014, we had 16,980,579 shares of common stock outstanding (equivalent to 594,320,265 CDIs assuming all shares of common stock were converted into CDIs). All of the outstanding common shares and CDIs are entitled to vote on all matters to be acted upon at this annual meeting.

Quorum for the Meeting

A majority of the outstanding shares of our common stock entitled to vote, whether present in person or represented by proxy, is required to transact business at the meeting. This is called a quorum. Votes cast for or against, instructions to withhold authority to vote for a director nominee, abstentions and “broker non-votes” will each be counted as present and entitled to vote for purposes of determining whether a quorum is present. A “broker non-vote” occurs when a broker or nominee holding shares on behalf of a beneficial owner does not vote because it has not received instructions as to how to vote from the beneficial owner on a particular proposal and does not have discretionary voting authority to do so.

Matters to be Voted On

Stockholders will vote on 3 matters presented at this annual meeting:

1. The election of three Class III directors named in this proxy statement (Proposal 1);
2. The ratification of the appointment of our independent registered public accounting firm, Grant Thornton LLP, for fiscal year 2014 (Proposal 2); and
3. A non-binding resolution to approve executive compensation (Proposal 3).

Our Board recommends you vote your shares “FOR” each proposal.

Vote Required

- Election of Directors. With respect to Proposal 1, the three nominees receiving the highest number of affirmative votes will be elected as directors to serve until our 2017 annual meeting and until their successors are duly elected and qualified. However, for uncontested director elections such as this one, our Board adopted a majority voting policy. Under this policy, any nominee for election who receives a greater number of “withhold” votes than “for” votes shall promptly tender his or her resignation to the nominating and governance committee for consideration. The nominating and governance committee will then recommend whether to accept the offer of resignation to the Board in accordance with the Board’s policies and procedures.
- All Other Proposals. The affirmative vote of a majority of the votes cast and entitled to vote, whether in person or represented by proxy is required to approve each of Proposals 2 and 3.

How the Vote is Counted

Computershare Trust Company has been appointed to tabulate stockholder votes and act as the Inspector of Elections for this meeting.

- Election of Directors. You may vote for a director nominee or withhold your vote. Instructions to withhold authority to vote and broker non-votes will not be counted as votes cast and will have no effect on the election of directors. If you are the beneficial owner of shares held on your behalf by a broker, bank or other nominee (this means your shares are held in “street name”), your broker does not have discretion to vote on this proposal on your behalf without receiving instructions from you. Proxies may not be voted for more than three nominees, and stockholders may not cumulate votes in the election of directors.
- All Other Proposals. You may vote for, against or abstain from voting for each of Proposals 2 and 3. Abstentions will not be counted as votes cast and will therefore have no impact on the outcome of the proposals. Broker non-votes will not be counted as entitled to vote and will have no effect on the outcome of these proposals. If your shares are held in street name, your broker may only vote on the ratification of our independent registered public accounting firm if you do not return the Voting Instruction Form sent to you by your broker, bank or nominee and provide your voting instructions.

Voting Instructions

Your voting instructions are confidential and will not be disclosed to persons other than those recording the vote, except if a stockholder makes a written comment on the proxy card or voting instruction form, otherwise communicates his or her vote to management or as authorized by you.

Common Stockholders. All shares of our common stock represented by properly executed proxies received before the meeting will be voted in accordance with the instructions indicated on those proxies unless the proxies have otherwise been revoked.

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Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the annual meeting as follows:

- If you are a stockholder of record, you may vote by proxy over the telephone, via the Internet or by mail by following the instructions provided on the proxy card. If we receive a validly executed proxy that does not provide voting instructions, the persons appointed as your proxy will vote your shares for all matters as recommended by the Board in this Proxy Statement. If any other matters are properly presented at the meeting, the persons named as proxies will vote in accordance with their best judgment.
- If you are the beneficial owner of shares held in a brokerage account or by a bank or other nominee in street name, you have the right to direct your broker, bank or other nominee on how to vote the shares in your account. You may vote by proxy by following the instructions provided on the Voting Instruction Form sent to you by your broker, bank or nominee.

CDI Holders. CDI holders on the record date may direct our depository, CDN, to vote the shares underlying their CDIs at this annual meeting by following the instructions outlined in the CDI Voting Instruction Form and either (a) vote online at www.investorvote.com.au or (b) return the properly executed CDI Voting Instruction Form to Computershare, the agent we designated for the collection and processing of CDI Voting Instruction Forms. Voting Instruction Forms must be received by Computershare no later than 2:00 P.M. U.S. Eastern Time on June 2, 2014 (which is 4:00 A.M. on June 3, 2014 Australian Eastern Standard Time). Doing so permits CDI holders to instruct CDN to vote on their behalf in accordance with their written directions. The Internet voting procedures for CDI holders are designed to authenticate the CDI holder's identity, allow the CDI holder to direct CDN to vote his or her shares and confirm that the vote has been properly recorded.

Revoking your Proxy. Stockholders of record may revoke their proxy at any time before it is exercised by (a) delivering a written notice revoking the proxy to the Secretary of HeartWare International, Inc., 500 Old Connecticut Path, Framingham, Massachusetts 01701, (b) delivering another timely and later dated proxy to the Secretary of HeartWare International, Inc., 500 Old Connecticut Path, Building A, Framingham, Massachusetts 01701, (c) revoking your vote over the telephone or via the Internet before 2:00 a.m. (U.S. Eastern Time) on June 4, 2014, or (d) attending the meeting and voting in person. Please note that attendance at the meeting will not, in and of itself, constitute revocation of a proxy.

If your shares are held in street name, you must contact your broker, bank or nominee to obtain instructions on how to revoke your proxy or change your vote.

CDI holders who complete the CDI Voting Instruction Form may revoke those directions by delivering to Computershare, no later than 2:00 P.M. U.S. Eastern Time on June 2, 2014 (which is 4:00 A.M. on June 3, 2014 Australian Eastern Standard Time), a written notice of revocation bearing a later date than the CDI Voting Instruction Form previously sent.

Voting at the Meeting.

If you are a stockholder of record, you may vote your shares in person at the annual meeting. If you choose to vote in person, please bring proof of identification. Even if you plan to attend the annual meeting, we recommend that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the annual meeting.

If your shares are held in street name, you may vote your shares in person at the meeting only if you obtain a valid proxy from your broker, bank or nominee as they are the stockholder of record of your shares or, for CDI holders, instructing CDN to vote the shares underlying your CDIs in accordance with the instructions on the CDI Voting Instruction Form as they are the stockholder of record of your CDIs.

Voting Results

We will file a current report on Form 8-K with the SEC within four business days following this annual meeting. If the inspector of elections for this annual meeting has not certified the voting results by the date in which the Form 8-K is required to be filed, we will file an amended Form 8-K within four business days after the inspector of elections has certified the final voting results.

List of Stockholders

In accordance with our by-laws, we will make a list of the stockholders entitled to vote at this annual meeting available at the annual meeting and for 10 days before the meeting at our corporate offices located at 500 Old Connecticut Path, Building A, Framingham, MA 01701, between the hours of 9:00 a.m. and 4:00 p.m. (U.S. Eastern Time). Please note that if you are the beneficial owner of shares held on your behalf by a broker, bank or other nominee or if you are a holder of our CDIs, your name will not appear on our stockholder list. In both cases, the nominee or depositary is the record holder of your shares.

Solicitation of Proxies

We will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials. If you choose to vote over the Internet, you are responsible for Internet access charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for solicitation activities. In addition to soliciting stockholders through our employees, we will request banks, brokers and other intermediaries holding shares of our common stock beneficially owned by others to solicit the beneficial owners and we will reimburse them for their reasonable expenses in so doing. If we engage a proxy solicitor, we will pay the customary fees and expenses of such solicitor, which we estimate would not exceed \$25,000.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Our business is managed by our employees under the direction and oversight of our Board. Except for Mr. Godshall, none of the members of our Board is an employee of the company or any of our subsidiaries. We keep Board members informed of our business through discussions with management, materials we provide to them, visits to our offices, and their participation in Board and Board committee meetings.

We believe open, effective and accountable corporate governance practices are key to our relationship with our stockholders. Our Board has adopted corporate governance guidelines that, along with the charters of our Board committees and our code of business conduct and ethics, provide the framework for the governance of the company. A complete copy of our corporate governance guidelines, the charters of our Board committees, and our code of business conduct and ethics may be found on the corporate governance section of our website at www.heartware.com. Information contained on our website is not part of this Proxy Statement. The Board regularly reviews corporate governance developments and modifies these policies as warranted.

Board of Directors

In accordance with our by-laws the size of our Board can be fixed from time to time by a resolution of a majority of our directors. Our Board is currently set at 8 members divided into three classes, with each class having a three-year term. Our Class III directors have been nominated for re-election at this annual meeting to serve until our 2017 annual meeting or until a successor has been elected and qualified. For uncontested director elections such as this one where the number of nominees for director does not exceed the number of directors to be elected, our Board adopted a majority voting policy. Under this policy, any nominee for election who receives a greater number of "withhold" votes than "for" votes shall promptly tender his or her resignation to the nominating and governance committee for consideration. The nominating and governance committee will then recommend to the Board whether to accept that offer of resignation in accordance with the Board's policies and procedures.

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Current members of our Board are seasoned leaders with broad and diverse experience predominantly in the health care and health care related industries. In holding their current and former positions, they have gained significant and diverse experience, including management, industry knowledge, strategic and financial planning, public company financial reporting, compliance, risk management and leadership development. Many of the directors also have experience serving as executive officers, or on boards of directors and committees of other public companies, and have an understanding of corporate governance practices and trends. A listing of our directors, their respective class as well as individual biographies describing the skills, qualities, attributes and experiences considered by our Board is set forth below.

<u>Class</u>	<u>Directors Comprising Class</u>	<u>Current Term Expiration Date</u>
Class I	Cynthia Feldmann Dr. Denis Wade	2015 Annual Meeting
Class II	Douglas Godshall Dr. Seth Harrison Robert Stockman	2016 Annual Meeting
Class III	Timothy Barberich Charles Raymond Larkin, Jr. * Robert Thomas	2014 Annual Meeting

* Charles Raymond Larkin, Jr. is also referred to as Ray Larkin within this Proxy Statement.

Class III Director Nominees (Term Expires in 2014)

Timothy Barberich. Mr. Barberich, age 66, has been a director of HeartWare since April 2008. He is the founder and former Chairman and Chief Executive Officer of Sepracor Inc., a publicly traded, research-focused, pharmaceutical company based in Marlborough, Massachusetts which was acquired by Daiichi Sankyo Co., Ltd. in 2009. He founded Sepracor in 1984 and was Chief Executive Officer from 1984 to May 2007 and Chairman of the Board from 1990 to 2009. Mr. Barberich has been the Chief Executive Officer and Chairman of BioNevia Pharmaceuticals since June 2008. He currently serves on the boards of publicly-traded GI Dynamics, an Australian listed medical device company, and Verastem, Inc., a clinical stage biopharmaceutical company, and on the boards of the privately held companies, Tokai Pharmaceuticals and Neurovance, Inc. He has also served on the board of BioSphere Medical, Inc., a NASDAQ listed biotechnology company, from December 1993 and the privately held company Gemin X Biotechnologies from 2005 until they were both acquired in 2010. He also served on the board of trustees of the Boston Medical Center and the board of the Pharmaceutical Research and Manufacturers' Association (PhRMA). Prior to founding Sepracor, Mr. Barberich spent 10 years as a senior executive at Bedford, Massachusetts-based Millipore Corporation, a company that provides separations products to the life science research, pharmaceutical, biotechnology and electronic markets. Mr. Barberich is a graduate of Kings College. He holds a Bachelor of Science degree in Chemistry.

Key Attributes, Experience and Skills:

Through his work at Sepracor, Mr. Barberich brings to the board the invaluable knowledge and experience of leading a company in the healthcare industry through every stage of its life cycle, including its founding, early stage research and development, product approvals and commercialization, private funding, public offering and substantial profitability. We believe this experience and familiarity with the types of risks we may face, together with his broad medical device and pharmaceutical industry experience, makes Mr. Barberich uniquely suited to serve on our Board.

Ray Larkin. Mr. Larkin, age 65, has been a director of HeartWare since October 2008 and Chairman of the Board since June 2010. Mr. Larkin joined the board of directors of Align Technology, Inc. (Nasdaq:ALGN) in March 2004 and has served as Chairman since February 2006. Align Technology is engaged in the design, manufacture and marketing of novel orthodontic products. He is also a director of Neuropace, a privately held company developing implantable devices

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for treating neurological disorders, and TherOx, a company focused on treating oxygen-deprived tissue in heart-attack victims. Previously, from 1999 through May 2007, Mr. Larkin served on the Board of Directors of Davita, Inc., a New York Stock Exchange listed provider of dialysis services, and of Novasys Medical, Inc., a privately held company focused on the development of innovative therapies in women's health from 2002 to 2012. Since July 2006, Mr. Larkin has served as a Venture Partner at Cutlass Capital, a healthcare venture capital firm, and, since January 2002 as an Executive Committee Member at Synecor, an incubator of innovative early stage medical technologies. Mr. Larkin spent approximately 15 years with critical care device company Nellcor Puritan Bennett, Inc, which he joined in 1983 as Vice President Sales and Marketing. He was appointed President and Chief Executive Officer of Nellcor in 1989. Larkin subsequently served as Chairman and Chief Executive Officer of Eunoe, Inc., a company focused on neurological disorders, until it was acquired by Integra LifeSciences Holdings Corporation in 2005. Mr. Larkin is a graduate of LaSalle University and a former Captain in the United States Marine Corps.

Key Attributes, Experience and Skills:

Mr. Larkin's service as Chief Executive Officer of Nellcor and Eunoe provides valuable business, leadership and management experience, including expertise leading early stage and mature organizations in the medical technology and device industry, giving him a keen understanding of the issues facing businesses such as ours. In addition, Mr. Larkin has significant experience with healthcare venture capital and the commercialization of medical technology. Mr. Larkin's service on the board of directors of other very successful medical device companies enables him to bring additional perspectives to the Board.

Robert Thomas. Mr. Thomas, age 69, has been a director of HeartWare since November 2004 and served as our Chairman of the Board from February 2009 to June 2010. He is currently a director of the following Australian public companies: Virgin Australia Limited (formerly Virgin Blue Holdings Limited), Biotron Limited, Reva Medical, Inc., Starpharma Limited and TAL Limited (formerly Tower Australia Limited), the latter of which Mr. Thomas serves as Chairman. He also serves on the board of the privately held company, AUS Bio Limited. Between October 2004 and September 2008, Mr. Thomas was a consultant to Citigroup Corporate and Investment Bank and was Chairman of Global Corporate and Investment Bank, Australia and New Zealand of Citigroup Global Markets Australia Pty Limited between March 2003 and September 2004. Previously, Mr. Thomas was CEO of Citigroup's (formerly known as Salomon Smith Barney) Corporate and Investment Bank, Australia and New Zealand from October 1999 until February 2003. Mr. Thomas is a member of the Advisory Board of Inteq Limited, a Fellow of the Australian Institute of Company Directors, a director of O'Connell Street Associates and Grahger Capital Securities as well as President of the State Library Council of New South Wales in Australia. He is a Master Stockbroker and has also been a member of the Financial Services Institution of Australia (previously known as the Securities Institute of Australia) for almost four decades and a Fellow for a decade. Mr. Thomas holds a Bachelor of Economics from Monash University, Australia.

Key Attributes, Experience and Skills:

Mr. Thomas' career in investment banking, including serving in various leadership roles at Citigroup Corporate and Investment Bank in Australia and New Zealand, provide valuable commercial experience and critical insights on the roles of finance and strategic transactions to our business. Mr. Thomas has substantial experience in governance and risk management across a wide range of industries. Mr. Thomas also brings capital market and economics expertise to the Board from his years of service as a securities analyst.

Class I Directors (Term Expires in 2015)

Cynthia Feldmann. Ms. Feldmann, age 61, has been a director of HeartWare since 2012. Ms. Feldmann is a retired certified public accountant with 27 years of experience in two large global accounting firms and currently serves on several public company and not-for-profit boards. She was the President and Founder of Jetty Lane Associates, a consulting firm, from 2005 until 2012. Previously, Ms. Feldmann served as the Life Sciences Business Development Officer for the Boston law firm of Palmer & Dodge, LLP from 2003 to 2005, and was a partner with KPMG LLP, primarily serving as Partner-in-Charge of its National Medical Technology Practice from 1994 to 2002. From 1975 to

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1994, Ms. Feldmann was employed by Coopers & Lybrand (now PricewaterhouseCoopers LLP), and during that time was named Partner-in-Charge of its Life Sciences practice. Ms. Feldmann is a director of Steris Corporation, Hanger, Inc. (formerly Hanger Orthopedic Group) and Falmouth Academy. She previously served on the Board of Hayes Lemmerz International, Inc. from 2006 to 2009 and Atrius Health from 2012 to 2013. Ms. Feldmann has a Bachelor of Science, Accounting, from Boston College and holds an Advanced Professional Director Certification from the American College of Corporate Directors.

Key Attributes, Experience and Skills:

Ms. Feldmann's experience as Partner-in-Charge of a National Medical Technology and Life Sciences practice for leading law and public accounting firms and as a director of several publicly traded companies supports the Board's evaluation and determination of its strategy and leadership in the healthcare marketplace. Ms. Feldmann's overall experience and financial expertise supports the Board's oversight of critical financial policy, reporting and risk matters encountered by public companies.

Denis Wade. Dr. Wade, age 76, has been a director of HeartWare since December 2004. From 1998 until his retirement in 2003, Dr. Wade was Managing Director of Johnson & Johnson Research Pty Ltd, a research arm of Johnson & Johnson. Prior to that position, he was the Foundation Professor of Clinical Pharmacology at the University of New South Wales in Australia. Dr. Wade has served on a number of industry and Government bodies in Australia. He is a former President of the Australian Society of Clinical and Experimental Pharmacology and has held senior positions in the International Union of Pharmacology, serving as Chairman of the Clinical Pharmacology Section. Dr. Wade holds a Bachelor degree in Medicine and Surgery from the University of New South Wales (Australia) and a Doctorate in Philosophy from Oxford (in the United Kingdom). He was awarded an Honorary Doctorate in Science from the University of New South Wales. He is a Fellow of the Royal Australasian College of Physicians and the Australian Academy of Technological Sciences and Engineering. Dr. Wade currently serves as a director of Biotron Limited, a company listed on the Australian Securities Exchange.

Key Attributes, Experience and Skills:

Dr. Wade's decades of experience in medicine and the development of pharmaceuticals and medical devices as a physician, teacher and researcher and his fundamental understanding of the potential pathways contributing to disease gives him critical perspective on medical device development. Through his work with various industry and governing bodies in Australia and his experience in a variety of executive positions in the medical research field, he brings vast leadership and oversight experience to the board as well as exposure to diverse, global points of view. Dr. Wade also has extensive experience with intellectual property matters as it pertains to the development and commercialization of medical devices and pharmaceuticals.

Class II Directors (Term Expires in 2016)

Douglas Godshall. Mr. Godshall, age 49, has been our Chief Executive Officer since September 2006 and a director since October 2006. Prior to joining HeartWare, Mr. Godshall served in various executive and managerial positions at Boston Scientific Corporation, where he had been employed since 1990, including as a member of Boston Scientific's Operating Committee and since January 2005, as President, Vascular Surgery. Previously, Mr. Godshall spent five years as Vice President, Business Development, at Boston Scientific, where he was focused on acquisition strategies for the cardiology, electrophysiology, neuroradiology and vascular surgery divisions. Mr. Godshall currently serves on the board of directors of pSivida Corp., a public company traded on both the NASDAQ Stock Market and the ASX that specializes in the development of miniaturized, injectable drug delivery systems, since March 2012 and Vital Therapies, Inc., a private company that develops cell based therapies for the treatment of liver disease, since May of 2013. Additionally, Mr. Godshall will join the Board of Directors of the Medical Device Manufacturers Association, a national trade association, beginning in May 2014. Mr. Godshall has a Bachelor of Arts in Business from Lafayette College and Masters of Business Administration from Northeastern University in Boston, Massachusetts.

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Key Attributes, Experience and Skills:

Mr. Godshall brings to the Board extensive business, operating and industry experience as well as his broad strategic vision for and tremendous knowledge of the company. Mr. Godshall also has significant senior managerial and industry specific knowledge with medical devices globally. Mr. Godshall's service as our Chief Executive Officer creates a critical link between management and the Board, enabling the Board to perform its oversight function with the benefits of management's perspectives on the business. In addition, having the Chief Executive Officer, and Mr. Godshall in particular, on our Board provides our company with ethical, decisive and effective leadership.

Seth Harrison. Dr. Harrison, age 53, has been a director and deputy chairman of HeartWare since November 2004 and was Chief Executive Officer of HeartWare, Inc. from July 2003 through November 2004. Dr. Harrison serves as CEO of Apple Tree Life Sciences, Inc., Chairman of the Board of Aileron Therapeutics and CEO and Chairman of the Board of Tokai Pharmaceuticals, privately held companies which were founded by Apple Tree. From 1999 until it was dissolved in 2013, Dr. Harrison was Managing General Partner of Apple Tree Partners I, L.P., an early stage life sciences venture capital firm, which had been a significant stockholder of the company through early 2013. Prior to September 1999, he held senior executive positions with Oak Investment Partners, Sevin Rosen Funds and Nazem & Company. Dr. Harrison serves on the board of and chairs the Finance Committee of the International Partnership for Microbicides, a Rockefeller Foundation/Gates Foundation-sponsored public-private partnership engaged in the development of anti-HIV microbicides. Dr. Harrison received a Bachelor of Arts from Princeton University. He received his medical degree and a Masters of Business Administration from Columbia University and completed a surgery internship at Columbia Presbyterian Hospital in New York.

Key Attributes, Experience and Skills:

Dr. Harrison's strong medical and venture background and his extensive experience with early stage companies make him well-suited to serve as a member of our Board of Directors. As a result of this experience, Dr. Harrison is able to provide important perspectives on issues facing companies of our size and stage of development. He also provides us considerable leadership and management experience. Through his former service as HeartWare, Inc's Chief Executive Officer, he also possesses significant knowledge of the Company.

Robert Stockman. Mr. Stockman, age 60, has been a director of HeartWare since December 2006. Since 1999, Mr. Stockman has been the President and Chief Executive Officer of Group Outcome LLC, a U.S.-based merchant banking firm which deploys its capital and that of its financial partners in private equity and venture capital investments in medical technology companies. He is also the co-founder, Chairman and CEO of REVA Medical, Inc., a publicly traded interventional coronary medical device company. Prior to establishing Group Outcome LLC, Mr. Stockman spent eighteen years with Johnston Associates and Narragansett Capital Corporation, where he focused on venture capital investments in healthcare. Mr. Stockman holds a Bachelor's degree from Harvard College and a Master in Business Administration from The Tuck School at Dartmouth College.

Key Attributes, Experience and Skills:

Through Mr. Stockman's extensive career as an entrepreneur driving the growth of two medical products companies, an executive of a medical device company and an executive in the investment banking industry, with particular experience in private equity and venture capital investments in medical technology, he has accumulated valuable business, financial, industry, leadership and management experience and brings important perspectives on the issues facing our company. Mr. Stockman's strong financial background, including his work early in his career at PricewaterhouseCoopers, also provides financial expertise to the Board, including an understanding of financial statements, corporate finance, accounting and capital markets.

Director Independence and Family Relationships

Our Board believes that a substantial majority of its directors should be independent directors, but in no event should there be less than a majority. We define an "independent" director in accordance with the corporate governance rules of

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the NASDAQ Stock Market (the “NASDAQ Rules”). Because it is not possible to anticipate or explicitly provide for all potential conflicts of interest that may affect independence, the Board, with the recommendation of the nominating and governance committee, is responsible for affirmatively determining that each independent director does not have any relationships which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board and the nominating and governance committee review information provided by the directors with regard to each director’s business and personal activities as they may relate to our company at least annually.

Our Board, upon the recommendation of the nominating and governance committee, has affirmatively determined that each of the following persons, constituting a substantial majority of our Board of Directors, are “independent” and has no relationship with the company, except for serving as a member of our Board and holding securities in HeartWare: Timothy Barberich, Cynthia Feldmann, Dr. Seth Harrison, Ray Larkin, Robert Stockman, Robert Thomas and Dr. Denis Wade.

There are no family relationships among our officers and directors, nor are there any arrangements or understandings between any of our directors or officers or any other person pursuant to which any officer or director was or is to be selected as an officer or director.

Board Leadership Structure

As reflected in our corporate governance guidelines, the Board does not have nor does it believe it should have a fixed policy regarding the separation of the Chairman role and the Chief Executive Officer role. The Board believes that having a fixed policy would limit its flexibility in evaluating the leadership structure that it considers appropriate for our company and considering individuals who would be available to serve in these roles at a particular point in time.

Nevertheless, we currently have Mr. Godshall serving as Chief Executive Officer and Mr. Larkin serving as Chairman. We believe this leadership structure is presently the most appropriate structure for us, especially in this critical time as we continue to transition from a development stage company to a revenue generating enterprise. As Chief Executive Officer, Mr. Godshall is responsible for setting the strategic direction of the company after consultation with the Board and the day-to-day leadership and performance of the company, while our Chairman, Mr. Larkin, an independent director, provides guidance to the Chief Executive Officer, and acts as a liaison between the Chief Executive Officer and the independent directors.

Board’s Role in Risk Oversight

It is the responsibility of management to identify, assess and manage our exposure to risks. Our Board plays an important role in overseeing management’s performance of these duties as well as the processes and systems the company uses to identify, prioritize, source, manage and monitor our critical risks. To this end, our Board receives regular reports from our Chief Executive Officer and other members of management regarding risks associated with our operations and strategic plans. These reports typically take the form of discussions incorporated into presentations made to our Board at our regular and special meetings where risks are identified in the context of the matter being discussed. Additionally, our Board at least annually, reviews a report presented by management regarding the material risks faced by us, our risk management processes and systems and the adequacy of our policies and procedures designed to respond to and mitigate these risks.

The Board has generally retained the primary risk oversight function and has an active role in overseeing management of our material risks. The oversight of risk is also conducted at the committee level. The audit committee oversees management of financial and internal control risks as well as the risks associated with litigation and related party transactions. The compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The nominating and governance committee oversees the management of risks associated with the composition and independence of our Board, compliance with various regulatory and listing standards requirements and succession planning. While each committee is responsible for evaluating and overseeing the

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management of the risks relevant to the particular committee, the entire Board of Directors is regularly informed through regular committee reports about these risks.

Analysis of Risk Associated with Our Compensation Programs

In setting compensation, our compensation committee also considers the risks to our stockholders and to achievement of our goals that may be inherent in our compensation programs.

Specifically, we considered the following elements of our compensation programs, including our executive compensation plans and policies, when evaluating whether programs encourage our executives and other employees to take unreasonable risks:

- We set performance goals that we believe are reasonable in light of past performance, market conditions and the growth stage of our company.
- Since 2010, we have been granting restricted stock units to our employees rather than stock options under our annual long-term incentive program because restricted stock units, among other things, retain value even in a depressed market so that executives and other employees are less likely to take unreasonable risks to get, or keep, options “in-the-money.”
- The service-based restricted stock units under our annual long-term incentive awards vest over four years to ensure that our employees’ interests align with those of our stockholders for the long-term performance of the company.
- Beginning in 2013, equity awards under our annual long-term incentive program include a mix of both service- and performance-based restricted stock units, with the performance milestones tied to individualized goals set by our compensation committee.
- Assuming achievement of at least a minimum level of performance, payouts under our performance-based plans result in compensation at levels below target achievement, rather than an “all-or-nothing” approach.

Although a significant portion of our executives’ compensation is performance-based or “at-risk,” we believe our compensation plans for both executives and other employees are appropriately structured and do not pose a material risk to the company.

Board Meetings

Directors are expected to attend meetings of the Board and any Board committees on which they serve. During the fiscal year ended December 31, 2013 our Board of Directors held fifteen meetings, and met in executive session at almost every regularly scheduled Board meeting. Each director attended 75% or more of the meetings of the Board of Directors and the Board committees on which they served during 2013.

In accordance with our corporate governance guidelines, we make every effort to schedule our annual meeting of stockholders at a time and date to maximize attendance by directors taking into account the directors’ schedules, and we expect all directors to make every effort to attend our annual meetings absent an unavoidable and irreconcilable conflict. In 2013, all members of our Board of Directors attended our annual meeting.

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Board Committees

The Board has three standing committees to facilitate and assist it in the execution of its responsibilities: the audit committee, the compensation committee and the nominating and governance committee. The table below lists the membership of each of our committees and the number of meetings each held during 2013.

	Audit	Compensation	Nominating and Governance
Timothy Barberich		CHAIR	X
Cynthia Feldmann	X	X	
Douglas Godshall			
Dr. Seth Harrison			
Ray Larkin			CHAIR
Robert Stockman	CHAIR		
Robert Thomas	X	X	X
Dr. Denis Wade	X	X	
Number of Meetings in Fiscal 2013	5	4	2

Audit Committee

The primary purpose of the audit committee is to oversee our accounting and financial reporting processes and the audits of our financial statements. The committee also reviews the qualifications, independence and performance of, and approves the terms of engagement and appoints, our independent registered public accounting firm. In addition, the audit committee pre-approves audit, audit-related and non-audit services performed for us by our independent registered public accounting firm. The audit committee is governed by a written charter approved by our Board of Directors, a copy of which is available from the corporate governance section of our website at www.heartware.com.

The audit committee currently consists of Robert Stockman (Chairman), Cynthia Feldmann, Robert Thomas and Dr. Denis Wade, all of whom have been determined by the Board to be “independent” as defined by applicable SEC and NASDAQ Rules. Our Board of Directors has determined that each of Mr. Stockman and Ms. Feldmann qualifies as an “audit committee financial expert” as defined under the SEC rules. The Audit Committee Report can be found on page 19 of this Proxy Statement.

Compensation Committee

The primary purpose of the compensation committee is to supervise and review the affairs of the company as they relate to the compensation and benefits of our executive officers. In carrying out these responsibilities, the compensation committee reviews all components of executive compensation for consistency with our compensation philosophy and with the interests of our stockholders. The compensation committee is governed by a written charter approved by our Board of Directors, a copy of which is available from the corporate governance section of our website at www.heartware.com.

As further described in the *Compensation Discussion and Analysis* section of this Proxy Statement, the compensation committee establishes our overall compensation philosophy and approves the compensation payable to our executive officers including all adjustments to existing compensation, equity incentive awards and cash bonuses, and makes recommendations to our Board regarding the compensation of our directors. The compensation committee also administers certain of our employee benefit plans, including our equity incentive plans, and grants stock options, restricted stock units and other cash-based and stock-based incentives to our directors, employees and consultants.

In fulfilling its responsibilities, the compensation committee may, to the extent permitted by law, delegate any or all of its responsibilities to one or more subcommittees comprised of at least two members of the committee.

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The compensation committee may also retain compensation consultants to assist it in evaluating executive compensation and may retain counsel, accountants or other advisors, as it deems appropriate, at the company's expense. Since 2009, the compensation committee has engaged the independent compensation consulting services of Pearl Meyer and Partners (PM&P), an independent compensation consultant. PM&P reports directly to the compensation committee and assists it in evaluating and designing our executive and director compensation programs and policies. During 2013, PM&P reviewed and provided market information and analysis regarding the competitiveness of our executive compensation program design and our award values in relationship to our performance. Additionally, in 2013 PM&P provided information to the compensation committee regarding our comparator group of similarly situated companies, considered changes in our executive and director compensation arrangements relative to those of the comparator group, and provided market data and regulatory updates as well as governance and best practices trends. PM&P attends committee meetings, as requested, and communicates with the Chair of the compensation committee between meetings; however, the compensation committee makes all of our executive compensation decisions. PM&P is retained only by the compensation committee and does not provide any other consulting services to us. Additional information about the compensation committee's role in setting executive compensation and the services PM&P performed for the compensation committee in 2013 is described in our *Compensation Discussion and Analysis* section below.

The compensation committee regularly reviews the services provided by its outside consultants and believes that PM&P is independent in providing executive compensation consulting services. The compensation committee conducted a specific review of its relationship with PM&P in early 2014, and determined that PM&P's work for the compensation committee did not raise any conflicts of interest, consistent with the regulations adopted by the SEC and NASDAQ. In addition, PM&P delivered a letter to the compensation committee certifying to its independence in accordance with the independence standards of the SEC and NASDAQ and within the parameters of the Dodd-Frank Act.

The compensation committee currently consists of Timothy Barberich (Chairman), Cynthia Feldmann, Robert Thomas and Dr. Denis Wade, all of whom have been determined by the Board to be "independent" as defined by the NASDAQ Rules, a "non-employee director" for purposes of Section 16(b)(3) under the Securities and Exchange Act of 1934 and an "outside director" for purposes of Section 162(m) of the Internal Revenue Code.

The report of the compensation committee can be found on page 36 of this Proxy Statement.

Nominating and Governance Committee

The nominating and governance committee oversees our director nomination process and corporate governance matters. Its primary responsibilities are to: (i) identify individuals qualified to become Board members; (ii) select, or recommend to the Board of Directors, director nominees for each election of directors; (iii) develop and recommend to the Board of Directors criteria for selecting qualified director candidates; (iv) consider committee member qualifications, appointment and removal; (v) recommend corporate governance principles, codes of conduct and compliance mechanisms applicable to the company, (vi) oversee executive succession planning (including for the Chief Executive Officer), (vi) monitor compliance with existing corporate governance policies, including our stock ownership guidelines, and (vii) provide oversight in the annual evaluation of the Board of Directors and each committee. The nominating and governance committee is governed by a written charter approved by our Board of Directors, a copy of which is available from the corporate governance section of our website at www.heartware.com.

The nominating and governance committee currently consists of Ray Larkin (Chairman), Timothy Barberich and Robert Thomas, all of whom have been determined by the Board to be "independent" as defined by the NASDAQ Rules.

Nominations for Directors and Diversity Policy

The nominating and governance committee will evaluate candidates for directors proposed by directors, stockholders or management using the same criteria for each candidate and considers the following factors, among others:

- the nominating and governance committee's views of the current needs of the Board for certain skills, experience or other characteristics;
- the candidate's background, skills, and experience;
- other characteristics and expected contributions of the candidate; and
- the qualification standards established from time to time by the nominating and governance committee.

The nominating and governance committee regularly reviews with the Board the appropriate skills and characteristics required of Board members in the context of the current makeup of the Board and the company's circumstances. In accordance with our corporate governance guidelines, this assessment includes an evaluation of an individual's independence, diversity, age, financial literacy, demonstrated leadership and skills such as an understanding of the health care industry, manufacturing, technology, intellectual property, finance and marketing, and international background, all in the context of an assessment of the perceived needs of the Board at that point in time. Pursuant to our corporate governance guidelines, directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of our stockholders. They must also have an inquisitive and objective perspective and mature judgment.

In identifying director nominees, the nominating and governance committee first evaluates the current members of the Board of Directors willing to continue in service as well as the annual results of the Board and committee self-evaluations. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service or if the nominating and governance committee or the Board decides not to nominate a member for re-election, the nominating and governance committee identifies the desired skills and experience of a new nominee in light of the criteria above. Other than the foregoing, there are no specific, minimum qualifications that the nominating and governance committee believes that a committee-recommended nominee to the Board of Directors must possess, although the nominating and governance committee may also consider such other factors as it may deem are in our best interests or the best interests of our stockholders.

If the nominating and governance committee believes, at any time, that the Board requires additional candidates for nomination or as part of its succession planning responsibilities, the nominating and governance committee may engage, as appropriate, a third party search firm to assist in identifying qualified candidates.

The nominating and governance committee considers diversity as a factor in its evaluation of director candidates. Our Board maintains a diversity policy applicable to all of our employees, executives and directors. This policy does not intend to set specific diversity goals with respect to the composition of our Board, but provides a mechanism for our company to evaluate diversity more broadly. A copy of the Diversity Policy is available from the corporate governance section of our website at www.heartware.com.

Compensation Committee Interlocks and Insider Participation

The members of our compensation committee during 2013 were Timothy Barberich (Chairman), Cynthia Feldmann, Robert Thomas and Dr. Denis Wade. None of these compensation committee members is or has ever been an officer or employee of our company. Additionally, none of our executive officers have served on the compensation committee (or equivalent), or the Board of Directors, of another entity whose executive officer(s) served on our compensation committee.

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics which meets the definition of “code of ethics” under the SEC rules. The Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer, principal accounting officer and other officers, employees and directors of the company. A copy of the Code of Business Conduct and Ethics is available from the corporate governance section of our website at www.heartware.com.

Communications with Directors

We have a Stockholder Communication Policy contained in our corporate governance guidelines for stockholders wishing to communicate with the Board of Directors and/or various individual members of the Board of Directors. Stockholders wishing to communicate with any or all of the directors can send communications by mail or facsimile, addressed as follows:

Chairman of the Board or Board of Directors or individual director
c/o General Counsel and Secretary
500 Old Connecticut Path, Building A
Framingham, MA 01701
Facsimile No.: (508) 739-0948

All incoming communications are screened by our General Counsel and Secretary and transmitted to the intended recipient absent those communications he deems to be primarily commercial in nature, related to an improper or irrelevant topic, requests general information about the company or presents safety or security issues.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Certain of our directors serve on boards of other public or privately held companies on which other members of the HeartWare Board also serve. These other companies are not competitors of ours and we do not believe that these directorships create any conflict of interest for us.

REVIEW OF RELATED PARTY TRANSACTIONS

Pursuant to the audit committee charter, the Board has delegated to the audit committee the responsibility for reviewing and approving any related-party transactions, after reviewing each transaction for potential conflicts of interests and other actual or perceived improprieties. Based upon its consideration of all of the relevant facts and circumstances, the audit committee will decide whether or not to approve such transaction and will only approve these transactions that are in the best interests of the company.

DIRECTOR COMPENSATION

Compensation Program for Non-Employee Directors

We provide our non-employee directors a mix of fixed and variable compensation as part of our annual director compensation program in the form of cash retainers and long-term equity incentives. We believe this mix of pay not only provides an ability to attract and retain highly-qualified and diverse individuals to serve on our Board but also aligns their interests with the interests of our stockholders. Our non-employee directors receive an annual retainer in an amount based on his or her position on the Board and its committees (as outlined below) as well as an annual grant of 1,000 stock options and 1,000 restricted stock units (subject to certain share limitations described below). In addition, new directors are granted an additional 1,000 restricted stock units in connection with their first appointment to the Board.

Our compensation committee reviews our director compensation program at least annually to determine whether the program remains appropriate and competitive, and recommends any changes to our full Board for consideration and

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approval. In December 2012, the compensation committee conducted its annual non-employee director compensation review for 2013 and after consultation with its independent compensation consultant, Pearl Meyer & Partners, elected to maintain the total direct compensation for non-employee directors in 2013 at the same level as 2012.

Our CDIs had been listed on the Australian Securities Exchange (“ASX”) through September 17, 2013, and as a result, certain components of our director compensation program had to be approved by our stockholders in order to comply with ASX Listing Rules. Specifically, the ASX Listing Rules required that our stockholders approve each equity award to our directors as well as the maximum amount of cash paid to our non-employee directors annually and in the aggregate. Since delisting from the ASX, we are no longer required to submit annual director equity grants to a vote of our stockholders.

Elements of our non-employee director compensation program are more fully described below.

Cash Retainer

We limit the maximum aggregate amount of fees we pay our non-employee directors to \$750,000 per year, an amount that is competitive with peer practices. The aggregate fees can be allocated among the non-employee directors in proportions determined by the Board upon the recommendation of the compensation committee. Our non-employee directors currently receive a retainer for their services as a member of the Board and, in addition, a retainer fee is paid for chairing and serving on committees of the Board. Annual retainer fees are paid monthly. In 2013, the total cash compensation paid to our non-employee directors was \$575,000 and in the amounts outlined below:

Position	Annual Retainer
Chairman	\$ 120,000
Deputy Chairman	\$ 85,000
Non-Employee Directors	\$ 60,000
<i>Audit Committee</i>	
Chair of Audit Committee	\$ 15,000
Members of Audit Committee	\$ 7,500
<i>Compensation Committee</i>	
Chair of Compensation Committee	\$ 9,000
Members of Compensation Committee	\$ 4,500
<i>Nominating and Governance Committee</i>	
Chair of Nominating and Governance Committee	\$ 5,000
Members of Nominating and Governance Committee	\$ 2,500

Long-Term Incentive Compensation

Under our current director compensation program, our non-employee directors are granted 1,000 stock options and up to 1,000 restricted stock units annually, and an additional 1,000 restricted stock units upon his or her initial appointment to our Board. For annual restricted stock unit awards, the Board set a limit on the number of units that can comprise any individual award to an amount equal to \$100,000 in value if our stock price exceeds \$100.00 per share on the grant date (as adjusted for any future stock splits and the like). During fiscal 2013, we granted to our non-employee directors (i) an aggregate of 7,000 restricted stock units at the grant date fair value (market price) per share of \$95.05 and (ii) stock options to purchase an aggregate of 7,000 shares of common stock at an exercise price per share of \$95.05 (the closing price of our stock on the grant date).

In 2013, all stock options and restricted stock unit awards to our directors were granted under our 2012 Incentive Award Plan. Under the 2012 Incentive Award Plan, the exercise price for all stock option grants equals the closing market price of our common stock on the grant date, and the options expire ten years from the grant date. Stock options and restricted stock units granted to non-employee directors in 2013 will vest in equal annual installments over four years

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beginning with the first anniversary of the date of grant, provided the director is in service on the vesting date. Unvested equity awards may become fully vested upon a non-employee director's death or disability or upon a change in control. If a director separates from the company, either because he or she does not stand for re-election upon the expiration of his or her term or voluntarily resigns from our Board, unvested stock options and restricted stock units will be forfeited and vested stock options will remain exercisable for three months from the date of the director's separation from the company (or the expiration of the option, whichever is earlier). In the event a director dies or becomes permanently disabled, vested stock options may be exercised for up to twelve months following the date of the director's separation (or the expiration of the option, whichever is earlier).

Non-Employee Director Stock Ownership Guidelines

Effective January 1, 2013, our Board upon the recommendation of our nominating and governance committee, adopted stock ownership guidelines for our Section 16 officers and non-employee directors. These guidelines were established to align the interests of our corporate leaders with those of our stockholders and further promote our commitment to sound corporate governance practices. The ownership guideline for each of our non-employee directors is equal to 3 times his or her annual base cash retainer (excluding committee fees). The annual retainer for the Chair and Deputy Chair of the Board is the same as used for each other non-employee director. Shares owned by a non-employee director include common stock that is beneficially owned, directly or indirectly, by the director, restricted stock, restricted stock units and after-tax appreciation of vested unexercised stock options. All directors have three years from the effective date of these guidelines or their election to the Board to meet these guidelines, and their stock ownership is reviewed annually by the nominating and governance committee.

Expense Reimbursement

We reimburse all directors for their expenses in connection with their activities as members of our Board.

Employee Directors

Currently, our Chief Executive Officer, Douglas Godshall, is a director and an employee of the company. Mr. Godshall does not receive additional compensation for his services as a director. We are party to an employment agreement with Mr. Godshall as further described in our *Compensation Discussion and Analysis* section and in the narrative to our executive compensation tables below.

2013 Director Compensation

Name and Position	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(1)(2)	Total (\$)
Ray Larkin Chairman	125,000	95,050	38,514	258,564
Seth Harrison, M.D. Deputy Chairman	85,000	95,050	38,514	218,564
Timothy J. Barberich Non-executive director	71,500	95,050	38,514	205,064
Cynthia Feldmann Non-executive director	72,000	95,050	38,514	205,564
Robert Stockman Non-executive director	75,000	95,050	38,514	208,564
Robert Thomas Non-executive director	74,500	95,050	38,514	208,064
Dr. Denis Wade Non-executive director	72,000	95,050	38,514	205,564

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- (1) Amounts shown do not reflect compensation actually received by our directors. Rather, the amounts reflect the aggregate grant date fair value of the stock award computed in accordance with FASB ASC Topic 718, except no assumptions for forfeitures were included. For restricted stock units, the aggregate fair value is determined using the quoted market value of our common stock on NASDAQ on the grant date, multiplied by the aggregate number of restricted stock units granted. For stock option awards, the aggregate fair value is estimated on the date of grant using the Black-Scholes option-pricing model. All restricted stock unit and stock option awards reflected in this table were granted upon stockholder approval on May 21, 2013. The quoted closing price of our common stock on NASDAQ was \$95.05 on the date of grant. A discussion of the assumptions used in calculating the grant date fair value is set forth in Note 13 to our audited consolidated financial statements for the fiscal year ended December 31, 2013 included in our Annual Report on Form 10-K.
- (2) The aggregate number of unvested restricted stock units and stock options (vested and unvested) for each non-employee director as of December 31, 2013 is listed below:

Name and Position	Number of Unvested Stock Awards (#)	Number of Shares Underlying Unvested Stock Options (#)	Number of Shares Underlying Stock Options Exercisable (#)
Ray Larkin Chairman	2,814	2,500	1,500
Seth Harrison, M.D. Deputy Chairman	2,250	2,500	1,500
Timothy J. Barberich Non-executive director	2,250	2,500	7,214
Cynthia Feldmann Non-executive director	2,500	1,750	250
Robert Stockman Non-executive director	2,250	2,500	7,214
Robert Thomas Non-executive director	2,250	2,500	1,500
Dr. Denis Wade Non-executive director	2,250	2,500	1,500

Changes to Non-Employee Director Compensation Program for 2014

As part of its annual director compensation program review, our compensation committee reviewed with PM&P market data and trends in non-employee director compensation compared to our existing program. Based upon the market data provided to the compensation committee by PM&P and in consideration of the stock ownership guidelines adopted for non-employee directors by the Board in 2013, the compensation committee recommended to the Board, and the Board approved on March 7, 2014, a change to the vesting schedule for annual equity awards granted to our non-employee directors. Beginning with the 2014 annual grants, equity awards granted to our non-employee directors will vest annually. All other terms and conditions particular to non-employee director equity awards remain unchanged.

PROPOSAL NO. 1—ELECTION OF DIRECTORS

Our charter documents provide for our Board to fix the number of directors that constitute our Board by resolution and that they are divided into three classes, with each class having a three-year term. Our Board is currently fixed at eight members. The term of our Class III directors expires at this annual meeting. The nominating and governance committee recommended, and our Board nominated, each of Timothy Barberich, Ray Larkin and Robert Thomas as nominees for election as Class III directors. If elected at this 2014 annual meeting, each Class III director would serve until our 2017 annual meeting and until his successor is elected and qualified, or until his earlier death, resignation, or removal. If any of

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the nominees is unexpectedly unavailable for election, shares will be voted for the election of a substitute nominee proposed by our nominating and governance committee or our Board may determine to reduce its size. Each Class III nominee has agreed to serve if elected.

Biographical information including the key attributes and skills these director nominees bring to our Board begin on page 5.

Vote Required and Board of Directors Recommendation

Directors are elected by a plurality (excess of votes cast over opposing nominees) of the votes present in person or represented by proxy and entitled to vote at the meeting. Accordingly, the three nominees receiving the highest number of affirmative votes will be elected as directors to serve until the 2017 annual meeting and until their successors are duly elected and qualified. However, pursuant to the Board's majority voting policy for uncontested director elections such as this election, any nominee who receives a greater number of "withhold" votes than "for" votes shall promptly tender his resignation to the nominating and governance committee for consideration. The nominating and governance committee will then recommend to the Board whether to accept that offer of resignation in accordance with the Board's policies and procedures. Stockholders may not cumulate their votes for the election of directors.

Shares represented by validly delivered proxies will be voted, if authority to do so is not withheld, for the election of each incumbent Class III director. Instructions to withhold authority to vote for a director nominee and broker non-votes will not be counted as votes cast and will have no effect on the election of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE CLASS III NOMINEES NAMED ABOVE.

PROPOSAL NO. 2—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee is directly responsible for the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm (including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. In making its determination regarding whether to appoint or retain a particular independent registered public accounting firm, the audit committee takes into account the views of management. The audit committee has appointed Grant Thornton LLP ("Grant Thornton") as our independent registered public accounting firm for the fiscal year ending December 31, 2014. Grant Thornton has acted in this capacity since its appointment in fiscal 2006. The audit committee has considered whether Grant Thornton's provision of services other than audit services is compatible with maintaining independence as our independent registered public accounting firm and determined that such services are compatible.

Although ratification by stockholders is not a prerequisite to the ability of the audit committee to select Grant Thornton as our independent registered public accounting firm, we believe that ratification to be desirable. Accordingly, stockholders are being requested to ratify the selection of Grant Thornton as our independent registered public accounting firm to conduct the annual audit of our consolidated financial statements as of and for the year ending December 31, 2014, and the audit of our internal control over financial reporting as of December 31, 2014.

If the stockholders do not ratify the selection of Grant Thornton, the selection of the independent registered public accounting firm will be reconsidered by the audit committee; however, the audit committee may select Grant Thornton notwithstanding the failure of the stockholders to ratify its selection. If the appointment of Grant Thornton is ratified, the audit committee will continue to conduct an ongoing review of Grant Thornton's scope of engagement, pricing and work quality, among other factors, and will retain the right to replace Grant Thornton at any time.

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Representatives of Grant Thornton are expected to be present at the annual meeting, with the opportunity to make a statement if the representatives desire to do so. It is also expected that they will be available to respond to appropriate questions.

Independent Registered Public Accounting Firm Fees

The following table sets forth the aggregate fees billed for professional services to us for the fiscal years ended December 31, 2013 and 2012 by Grant Thornton:

Type of Fees	2013	2012
Audit Fees (1)	\$809,048	\$565,497
Audit-Related Fees (2)	\$19,080	\$23,144
Tax Fees (3)	\$4,799	\$2,931
Total (4)	<u>\$832,927</u>	<u>\$591,572</u>

- (1) Represents the aggregate fees billed to us by Grant Thornton for the applicable fiscal year for professional services rendered for the audit of our annual consolidated financial statements included in our annual report on Form 10-K, audit of our internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, statutory audit requirements at non-U.S. locations, review of the financial statements included in our quarterly reports on Form 10-Q and procedures performed in connection with our registration statements.
- (2) Audit-Related fees primarily consist of fees for the audit of the HeartWare, Inc. 401(k) Plan.
- (3) Tax Fees primarily relate to international tax services.
- (4) During 2013 and 2012, Grant Thornton did not provide Other services to us or to the audit committee.

Audit Committee's Pre-Approval Policy

It is the audit committee's policy to approve in advance the types and amounts of audit, audit-related, tax and any other services to be provided by our independent registered public accounting firm. In situations where it is not possible to obtain full audit committee approval, the audit committee has delegated authority to the chairman of the audit committee to grant pre-approval of auditing, audit-related, tax and all other services. Any pre-approved decisions by the chairman are required to be reviewed with the audit committee at its next scheduled meeting.

All of the 2012 and 2013 fees paid to Grant Thornton described above were pre-approved by the audit committee in accordance with the audit committee's pre-approval policy.

Vote Required and Board of Directors Recommendation

Approval of this proposal requires the affirmative vote of the holders of a majority of our shares of common stock present in person or represented by proxy and entitled to vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF PROPOSAL NO. 2

REPORT OF THE AUDIT COMMITTEE

The foregoing report does not constitute solicitation material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate this report by reference therein.

The audit committee of our Board is currently composed of Robert Stockman (Chairman), Cynthia Feldmann, Robert Thomas and Dr. Denis Wade, each of whom has been determined by our Board to be an independent director under the NASDAQ Rules and under Rule 10A-3(b)(1) of the Securities Exchange Act. The Board has also determined that Mr. Stockman and Ms. Feldmann are "audit committee financial experts" under applicable SEC rules.

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The audit committee operates under a written charter, which is posted in the corporate governance section of our website at www.heartware.com. The audit committee members are not professional accountants or auditors. Management has the primary responsibility for preparing the financial statements and designing and assessing the effectiveness of internal control over financial reporting. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and the internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. In this context, the directors serving as members of the audit committee reviewed and discussed with management the audited consolidated financial statements and management's annual report on internal control over financial reporting included in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 3, 2014.

The audit committee has discussed with Grant Thornton the matters required to be discussed under the rules adopted by the Public Accounting Oversight Board ("PCAOB"), including the quality and acceptability of our accounting policies and financial reporting processes and controls. The audit committee has received the written disclosures and the letter from Grant Thornton required by applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton's communications with the audit committee concerning independence and has discussed with Grant Thornton its independence. The audit committee also considered the appropriateness of the provision of non-audit services by Grant Thornton relative to their independence.

Based on its discussions with management and Grant Thornton, on February 25, 2014 the members of the audit committee recommended that our Board include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC.

THE AUDIT COMMITTEE
Robert Stockman (Chairman)
Cynthia Feldmann
Robert Thomas
Denis Wade

PROPOSAL NO. 3—ADVISORY VOTE ON EXECUTIVE COMPENSATION

Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires that we seek a non-binding advisory vote from our stockholders to approve the compensation awarded to our executives. Because the required vote is advisory, it is not binding upon the Board although it will be considered by the Board or the compensation committee in connection with future compensation arrangements with our executives.

At our 2013 annual meeting, we submitted our executive compensation program to an advisory vote of our stockholders and it received the support of approximately 85% of the total votes cast (excluding abstentions and broker non-votes). The compensation committee has considered this voting result, and given the overall support of our compensation programs by our stockholders, the compensation committee has not made any pay decisions or plan design changes directly in response to the vote. The Board and the compensation committee value the opinions of our stockholders, and will continue to consider the outcome of the vote when making future compensation decisions for our named executive officers. We have put in place comprehensive executive compensation programs. The Proxy Statement fully and fairly discloses all material information regarding the compensation of our named executive officers, so that stockholders can evaluate our approach to compensating our executives. Members of our senior management and the compensation committee of the Board continually monitor executive compensation programs and recommend or adopt changes to reflect the dynamic marketplace in which we compete for talent, as well as general economic, regulatory and legislative developments affecting executive compensation. As described in detail in our *Compensation Discussion and Analysis* section, our executive compensation programs are designed to help us attract, retain and motivate superior executive talent, while providing competitive and differentiated levels of pay based on corporate and individual performance that reinforce the alignment of the interests of the members of our executive management team with those of

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our stockholders. Please refer to the *Compensation Discussion and Analysis* of this Proxy Statement for a detailed discussion of our executive compensation practices and philosophy.

Vote Required and Board Recommendation

We are asking our stockholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This proposal, commonly known as a “say-on-pay” proposal, gives you as a stockholder the opportunity to express your views on our named executive officers’ compensation. This vote is not intended to address any specific element of our compensation programs, but rather to address our overall approach to the compensation of our named executive officers described in this Proxy Statement. The vote solicited by this proposal is advisory and its outcome will not be binding on the Board nor require the Board or the compensation committee to take any action. However, the compensation committee values the opinions expressed and the information provided about our compensation practices by our stockholders in their vote on this proposal will take into account the outcome of this vote when evaluating future executive compensation arrangements for our executive officers.

We urge you to read our *Compensation Discussion and Analysis* as well as the Summary Compensation Table and related tables and narrative that follow it. The *Compensation Discussion and Analysis* section provides detailed information regarding our executive compensation program, philosophy and processes, as well as the compensation of our named executive officers.

The Board requests that our stockholders approve the following resolution at this 2014 annual meeting:

RESOLVED, that the company’s stockholders approve, on an advisory basis, the compensation of the named executive officers for the fiscal year ended December 31, 2013, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and accompanying narrative disclosures in this Proxy Statement.

Vote Required and Board of Directors Recommendation

The affirmative vote of the holders of a majority of the shares of our common stock voting on the matter shall be required for the stockholder advisory vote on the overall compensation of our named executive officers as disclosed *Compensation Discussion and Analysis* section (including the tables and narrative that follow). Abstentions and broker non-votes will not be included in the totals for the proposal, and will have no effect on the outcome of the vote.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL, ON AN ADVISORY BASIS, OF PROPOSAL NO. 3

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

The following discussion and analysis of compensation arrangements of our 2013 named executive officers should be read together with the compensation tables and related disclosures set forth below.

Our 2013 named executive officers are Douglas Godshall, Chief Executive Officer; Peter McAree, Senior Vice President, Chief Financial Officer and Treasurer; Jeffrey LaRose, Chief Scientific Officer; James Schuermann, Senior Vice President, Sales and Marketing; and Lawrence Knopf, Senior Vice President, General Counsel and Secretary.

EXECUTIVE SUMMARY

In 2013, we made significant strides in growing our core business in multiple areas and expanding our footprint to help position ourselves for sustained growth over the long term. Selected highlights of our business performance and key accomplishments for 2013 include:

- increased net revenues for 2013 by 87% to approximately \$208 million, compared to approximately \$111 million in 2012, and saw operational improvements in gross margins and cash usage throughout the year;
- sold more than 2,000 HVAD Systems worldwide, broadened our US presence to 96 sites and added 28 new international customers;
- initiated a supplemental cohort to the ENDURANCE trial, our Destination Therapy clinical study;
- received approval to commence a pivotal clinical trial in Japan;
- completed chronic testing of our transcutaneous energy transfer system (TET), or fully implantable system;
- completed the strategic acquisition of CircuLite, Inc., which offers a partial support platform to add to our existing product portfolio; and
- increased manufacturing capabilities by moving to a larger facility.

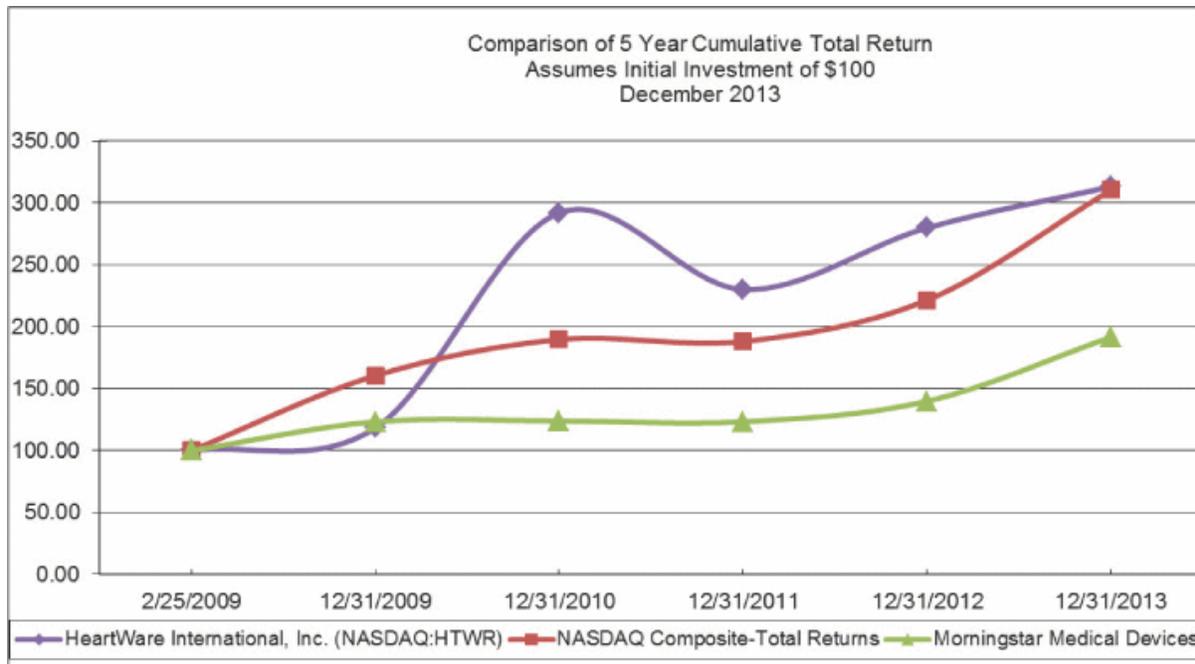
Our Compensation Philosophy

We believe that a strong executive management team comprised of highly qualified executives with key skills and experience in the development, manufacture and sale of medical devices and other relevant disciplines is critical to the development and growth of our business and to increasing stockholder value. Accordingly, to attract and retain superior individuals, we set executive cash compensation at or below the median of our peer group and long term equity incentives significantly above the median, or generally consistent with the 75th percentile. A discussion on how we determine executive compensation can be found beginning on page 24.

2013 Executive Pay Alignment with Performance

Our compensation philosophy strongly supports a pay-for-performance culture and our compensation programs are designed so that total pay varies directly with our performance. Many of our key accomplishments in 2013 were tied directly to performance goals that were established in early 2013. While we achieved the majority of our corporate performance goals for the year, certain goals were not fully met and this resulted in annual cash bonus payments for 2013 below target levels. Additionally, our compensation committee began implementing a performance-based equity award component for 2013 under our annual long-term incentive program. These performance-based restricted stock units vest upon the achievement of certain individual performance goals set by the compensation committee and are designed to further support our overall pay-for-performance philosophy. See a discussion of these awards under “Long-Term Equity Incentive Compensation” beginning on page 32.

Our market value performance over the last five years is depicted in the graph below. The graph presents the cumulative total stockholder return on an investment in our common stock, the NASDAQ Composite Index (U.S. companies only) and the Morningstar Medical Devices Index for the period from February 25, 2009 (the date on which trading of our common stock commenced on the NASDAQ) to December 31, 2013. The graph assumes the value of an investment in our common stock was \$100 on February 25, 2009 and the reinvestment of all dividends, if any. In general, the cumulative total stockholder return on an investment in our common stock was comparable to an investment in the NASDAQ Composite Index but significantly exceeded the return on investment in a medical device index.



To further illustrate our pay-for-performance philosophy, the chart below demonstrates that our Total Shareholder Return (“TSR”) and CEO pay (as disclosed in the Summary Compensation Table) has fluctuated in alignment with each other since February 2009 when we were first listed on the NASDAQ Stock Market. In 2013, our CEO’s pay increased less than the growth in our TSR for the year. The reason for this was that our compensation committee had set goals that included strategic milestones as well as financial objectives. Certain strategic milestones for 2013 were not met and therefore our CEO did not receive the full amount of his target annual cash incentive award.



Strong Governance Surrounding Executive Compensation Policies and Practices

The compensation committee supports strong corporate governance practices and the alignment of our executives’ interests with those of our stockholders. Highlighted below are some of the key corporate governance elements incorporated within our executive compensation programs:

annual cash incentives are tied to achievement of pre-established corporate and individual objectives to link executive pay with performance;

- annual long term incentive awards include a performance share component with vesting only upon achievement of pre-established individual goals;

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- the majority of our executives' compensation is performance-based or variable (for 2013, 86% of our CEO's pay was variable and the average variable pay for our other named executive officers was 73%);
- we do not provide perquisites to our executives;
- employment agreements with our named executive officers provide for "at will" employment, do not have a fixed term or guaranteed salary increases and bonuses, and provide noncompetition, non-solicitation, non-disparagement, claw back, proprietary information and inventions assignment obligations following an executive's termination;
- cash severance payments require a "double-trigger" in the event of change in control of the company;
- we do not pay excise tax gross-ups on payments made in connection with an executive's termination due to a change in control or for any other reason;
- our Board adopted stock ownership guidelines for our executive officers and directors to link a significant amount of current and potential future net worth to our success and to give our executives and directors an ongoing stake similar to that of our stockholders;
- our compensation committee regularly engages an independent compensation consultant who does not perform consulting or other services for the company;
- we compare our executive compensation programs to programs offered by companies in our comparator group and other relevant data;
- we conduct an annual review of our executive compensation program, including a review of our compensation-related risk profile;
- our executive officers and directors are prohibited from entering into speculative or hedging transactions with our stock and from pledging shares of our stock as collateral for a loan (except in very limited circumstances that require pre-approval by the company);
- payment of dividends and dividend equivalents are prohibited on unvested stock options, stock appreciation rights and performance-based restricted stock units and we may not re-price stock options without stockholder approval under our incentive plan; and
- our compensation committee is comprised entirely of independent directors.

DETERMINING EXECUTIVE COMPENSATION

Our executive compensation programs (including equity compensation) are overseen and administered by the compensation committee of the Board which is composed entirely of independent, non-management directors.

Factors Considered in Determining Executive Compensation

In determining executive compensation, our compensation committee considers a number of factors including:

- Our compensation objectives and philosophy;
- Actual corporate and individual performance;
- Market Competitiveness—Benchmarking;
- Results of our annual say on pay vote;
- Mix of Current and Long Term compensation;
- Mix of equity incentive vehicles;
- Mix of fixed and variable compensation; and
- Compensation-related risk under our compensation programs.

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After taking these factors into account, the compensation committee exercises its judgment in making compensation decisions. We believe that this approach gives us the flexibility to make compensation decisions based upon our specific needs and other relevant facts and circumstances. As a result, particular elements of our named executive officers' compensation may vary from any philosophical benchmarking targets considered by the compensation committee and may address an individual's position and performance, corporate performance, changes in market compensation levels and other factors particular to us at the time.

Our Compensation Objectives and Philosophy

Our executive compensation programs are intended to:

- Attract and retain highly-qualified executives;
- Motivate our executives to achieve our strategic objectives over the short and long term;
- Reward performance; and
- Align the interests of our executives with our stockholders.

We believe that a strong executive management team comprised of highly qualified executives with key skills and experience in the development, manufacture and sale of medical devices and other relevant disciplines is critical to the development and growth of our business and to increasing stockholder value. Accordingly, to attract and retain superior individuals, we set executive cash compensation at or below the median of our peer group and long term equity incentives significantly above the median. The opportunity for long term equity ownership provides an incentive for our named executive officers to focus on driving increased stockholder value over an extended period, rewards for growth in our stock price and long-term value creation, and encourages sought after talent to remain employed with us. Our executive compensation program is therefore designed to provide competitive pay opportunities that emphasize pay-for-performance by rewarding our executives for exceptional individual and corporate performance.

Corporate and Individual Performance Considerations

Our executive compensation program is designed to reward our top performers and provide compensation opportunities that are based upon company and individual performance. In determining 2013 compensation, the compensation committee considered these performance factors when approving awards and adjustments to the compensation of our executive officers.

A discussion of the 2013 corporate and individual performance goals for our named executive officers is more fully described under the heading "Short-Term Incentive Compensation" beginning on page 30 as well as under the heading "Long-Term Equity Incentive Compensation" beginning on page 32.

Market Competitiveness—Benchmarking

The compensation committee, with the assistance of compensation consultant Pearl Meyer & Partners (PM&P), reviews at least annually compensation data derived from the composite of several proprietary life science surveys provided by PM&P and from a comparator group of companies we use for purposes of comparing our executive compensation program to market practices. The comparator group consists of similarly situated companies in the healthcare equipment and medical device industries selected primarily on the basis of the nature of our business with revenues, market capitalization and projected growth in closer alignment with ours and include additional companies selected from the peer group developed by Institutional Shareholder Services for us in 2012. When setting compensation for 2013, the compensation committee considered market compensation as one factor in making its compensation decisions for our executives.

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2013 Comparator Group

In 2013, the compensation committee requested that PM&P review our current comparator group to be sure that the mix of companies was still appropriate for the purpose of comparing our executive compensation programs to market for the upcoming year. PM&P reviewed the comparator group and in December 2013 reported that the group remained appropriate for its intended purpose. Our current comparator group is outlined below:

Abaxis	ABIOMED	Align Technology
Cyberonics	Dexcom	Endologix
Genomic Health	Insulet	Mako Surgical*
NxStage Medical	OraSure	Quidel
Thoratec	Volcano	

* In December 2013, Mako Surgical was acquired by Stryker Corporation.

Say on Pay Feedback from Stockholders

The Board and the compensation committee value the opinions of our stockholders, and consider the outcome of the annual advisory stockholder vote when making future compensation decisions for our named executive officers. At our 2013 annual meeting, 85% of the votes cast approved our advisory resolution regarding the compensation of our named executive officers. With stockholders showing strong support of our executive compensation program, the compensation committee continued its regular practice of evaluating the program to ensure continued linkage between pay and company performance. As part of its continued enhancement of its compensation practices, the compensation committee undertook a comprehensive review of its comparator group, adopted new stock ownership guidelines for officers and directors and added a new performance based feature to its annual long-term incentive program beginning in 2013.

Mix of Current and Long-Term Compensation

Because the successful operation of our business requires a long-term perspective, one of the important components of our compensation program is long-term equity compensation. The compensation committee believes that the incorporation of a long-term compensation element aligns our executive officers' interests with the economic interests of our stockholders, reflects our business model, attracts and retains key talent and further supports our pay-for-performance philosophy. Achievement of our short-term objectives is rewarded through annual cash incentives, while long-term equity incentive awards encourage management to focus on our long-term goals. For each executive, the amount of pay that is actually realized is primarily driven by corporate performance and each executive's personal contribution to that performance. Long-term equity incentives granted to our named executive officers under our annual equity award program were granted generally in the form of restricted stock units through 2012. For 2013, the compensation committee introduced a performance based feature to our annual long-term incentive program under which shares will vest upon the achievement of individualized goals set for each executive by the committee. See a more in depth discussion under the heading "2013 Long-Term Equity Incentive Awards (Annual Program)" beginning on page 32.

Mix of Fixed vs. Variable Compensation

The compensation committee considers both the cost and the motivational value of the various components of compensation. In addition to base salary, the compensation committee determined that short-term incentive compensation (annual bonuses) should be delivered in cash. The compensation committee also determined that long-term incentive compensation should include stock-based compensation and favor positioning our executives' long-term annual awards at levels that are generally consistent with the 75th percentile of our comparator group. The compensation committee believes this practice helps to align the long-term financial rewards available to senior management with increases in stockholder value over the long-term.

Participants in the Decision Making Process

Role of the Compensation Committee

In addition to determining and then reporting to the full Board generally on our overall compensation strategy for all employees, the compensation committee makes specific decisions regarding compensation packages and other terms of employment for our senior executive officers, including our named executive officers. At least annually, the compensation committee conducts a review of our executive compensation programs (including a risk review), approves the performance goals for our short- and long-term incentive compensation programs and evaluates performance at the end of each performance period. In the course of its regular and annual reviews, the compensation committee considers our current compensation programs and whether to modify them or introduce new programs or elements of compensation in order to better meet our overall compensation objectives and address feedback we have received from the results of our annual say on pay vote. In all cases, the compensation committee reviews its recommendations with the full Board prior to making final determinations regarding our executive compensation programs. The compensation committee meets periodically in executive session without management present to discuss executive pay. The compensation committee has the authority to select, retain and terminate special counsel and other experts (including compensation consultants), as it deems appropriate.

Role of Executive Officers

While the approval of our overall compensation philosophy and executive compensation determinations are solely the responsibility of the compensation committee or the independent directors of the Board, the compensation committee looks to certain of our officers, including our Chief Executive Officer, General Counsel and Vice President of Human Resources to work within the compensation philosophy to make recommendations with respect to program design, overall guidelines and specific compensation decisions. In addition, from time to time, the compensation committee requests that senior management obtain information on behalf of the compensation committee in order to assist the compensation committee with its decision-making.

The Chief Executive Officer interfaces and negotiates new executive officer compensation packages with prospective executives (typically after consultation with the chair of the compensation committee) which are later recommended to the compensation committee for approval. He also assists the compensation committee by initially developing and then recommending to the compensation committee our annual corporate performance goals and the individual performance goals for our executive officers. He provides the Board and the compensation committee with his perspective on the performance of our executive officers, other than himself, as part of our annual personnel review. The compensation committee believes that the Chief Executive Officer is in the best position to assess the performance of our executives (other than himself), and he accordingly plays an important role in the compensation setting process. The Chief Executive Officer is not present during any discussions regarding his own compensation. Decisions about individual compensation elements and total compensation, including those related to the Chief Executive Officer, are ultimately made by the compensation committee using its judgment, focusing primarily on both the executive officer's and the company's current and anticipated overall performance.

Role of Independent Compensation Consultants

Since late 2009, our compensation committee has engaged PM&P, a specialist in United States-based compensation practices, as its independent compensation consultant. PM&P has assisted the compensation committee with establishing our comparator group of companies, selecting relevant market data from which we compare and design our executive and director compensation programs, recommending adjustments to our executives' and directors' compensation and to our peer group for compensation benchmarking, providing regulatory updates and tracking governance and best practices trends. At the request of the compensation committee, PM&P reviewed relevant compensation information, data and trends and made recommendations for changes to (i) our director compensation program for 2010, 2011 and 2014, (ii) our executive compensation programs for each year beginning with 2010, and (iii) our comparator group for each year beginning with 2010. PM&P has not provided any services directly to management since their initial engagement by the compensation committee in 2009.

DETAILED INFORMATION ABOUT COMPENSATION ELEMENTS

Elements of 2013 Compensation

Compensation packages are set at levels intended to attract, retain and motivate executives capable of managing our diverse operations and achieving our strategic objectives. Considerations about the stage of our company and anticipated growth opportunities available to the company significantly influence the thought process of the compensation committee when determining executive pay components. The compensation committee believes that our ability to attract key talent in competition with companies that may be larger and more mature than us is critical to achieving our strategic goals. Elements of our overall executive compensation program include:

- Base salary;
- Annual cash incentive compensation (bonus);
- Long-term equity incentive compensation;
- Severance and change in control benefits; and
- Participation in company benefit plans.

As a reference point, we compare key elements to market data. In particular, we compare base salary, total cash (base salary plus annual incentive targets) and long-term equity incentives to market. In line with our overall pay-for-performance philosophy, the total compensation (total cash plus long-term incentives) received by our named executive officers will vary based on individual and corporate performance measured against pre-established performance goals and the performance of our stock. Additionally, because a large percentage of our named executive officers' pay is comprised of equity compensation, their overall compensation generally fluctuates with increases and decreases in our stock price.

In 2013, as reflected in the following charts, the compensation committee linked executive compensation to stockholder return and overall corporate performance by awarding the majority of each of our named executive officer's total direct pay opportunity in the form of:

- Long-term equity incentive compensation (service- and performance-based restricted stock units) as compared to annual or short-term compensation (base salary and annual cash incentive);
- "At-risk" pay (target annual cash incentive and service- and performance-based restricted stock units) as compared to fixed pay (base salary);

CEO Total Direct Pay Mix



Average Other NEOs Total Direct Pay Mix



The charts above include 2013 base salary, target bonus and annual restricted stock unit and performance share awards granted in 2014 based on 2013 full year performance.

Base Salary

Base salary is the only fixed component in our executive compensation program and is used to provide our named executive officers a stable source of income. Each year, the compensation committee reviews the base salaries of our executives and determines whether to approve merit or other adjustments based upon the company's performance, the executive's individual performance, changes in duties and responsibilities, the recommendations of our CEO (except for purposes of determining his own salary) and market data. While base salaries are reviewed annually, they do not automatically increase. The committee generally implements any base salary increases in the first quarter of the calendar year.

2013 Base Salary Decisions

In February 2013, our compensation committee approved merit adjustments for our named executive officers based on 2012 performance. The compensation committee considered individual and corporate performance for 2012, the overall merit budget and analytical approach for the company as a whole as well as market positioning. Specifically for each named executive officer, other than the Chief Executive Officer, the compensation committee reviewed the Chief Executive Officer's evaluation of the officer's individual performance for the prior year. In making base salary decisions for the Chief Executive Officer, the Board reviewed the Chief Executive Officer's individual performance for the prior year. In general, the compensation committee targeted executive base salaries for 2013 at or below the median of our comparator group. Adjustments were made to the base salaries (rounded to the nearest thousand) of our named executive officers effective for 2013 as listed below:

	2012 Base Salary	Increase (%)	2013 Base Salary
Douglas Godshall	\$ 525,000	3.43%	\$ 543,000
Peter McAree (1)	\$ 320,000	1.56%	\$ 325,000
Jeffrey LaRose	\$ 324,000	2.78%	\$ 333,000
James Schuermann	\$ 289,000	4.50%	\$ 302,000
Lawrence Knopf	\$ 319,000	3.45%	\$ 330,000

- (1) Mr. McAree commenced his employment with us in July 2012. Accordingly, his base salary for 2013 was adjusted on a pro-rated basis.

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In February 2014, our compensation committee approved merit adjustments for our named executive officers based on 2013 performance. The compensation committee considered individual and corporate performance for 2013, the overall merit budget and analytical approach for the company as a whole as well as market positioning. Specifically for each named executive officer, other than the Chief Executive Officer, the compensation committee reviewed the Chief Executive Officer's evaluation of the officer's individual performance for the prior year. In making base salary decisions for the Chief Executive Officer, the Board of Directors reviewed the Chief Executive Officer's individual performance for the prior year. In general, the compensation committee continued to target executive base salaries for 2014 (based on 2013 performance) at or below the median of our comparator group. Adjustments were made to the base salaries (rounded to the nearest thousand) of our named executive officers effective for 2014 as listed below:

	2013 Base Salary	Increase (%)	2014 Base Salary
Douglas Godshall	\$ 543,000	3.50%	\$ 562,000
Peter McAree	\$ 325,000	3.69%	\$ 337,000
Jeffrey LaRose (1)	\$ 333,000	0.00%	\$ 333,000
James Schuermann	\$ 302,000	4.64%	\$ 316,000
Lawrence Knopf	\$ 330,000	3.64%	\$ 342,000

(1) Mr. LaRose's base salary was not adjusted for 2014 due to a shift in the scope of his job responsibilities.

Short-Term Incentive Compensation

Short-term incentive compensation or annual cash bonuses are an important element of our pay-for-performance compensation strategy. Incentive compensation, subject to corporate cash flow and overall working capital requirements, is used to attract new executives and to reward the achievement of significant individual and corporate objectives. We believe this compensation element aligns executive and stockholder goals. Annual cash bonuses are paid upon the achievement of pre-established corporate and individual performance goals as determined by our compensation committee.

Target Bonus Opportunity

Each named executive officer's target bonus opportunity is expressed as a percentage of base salary and weighted for the achievement of corporate and individual performance goals. The relative weight applied to each goal is set based upon the executive's ability to directly influence corporate performance as determined within the sole discretion of the compensation committee. The compensation committee targets bonus opportunity and total cash compensation for executive officers at the median of our comparator group. Our compensation committee believes this structure of short-term variable pay is most appropriate given the growth stage of our company.

The information provided below reflects 2013 target bonus opportunity for each of the named executive officers and the relative weighting between corporate and individual performance goals:

	2013 Target Annual Incentive (% of base salary)	Corporate Goals	Individual Goals
Douglas Godshall	75%	80%	20%
Peter McAree	40%	50%	50%
Jeffrey LaRose	50%	50%	50%
James Schuermann	40%	50%	50%
Lawrence Knopf	40%	50%	50%

2013 Annual Bonus Program

For 2013, the annual cash bonuses were granted under our 2012 Incentive Award Plan. Annual cash bonus amounts are determined based on achievement of certain pre-established corporate and individual goals set by the compensation

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committee (upon the recommendation of the Chief Executive Officer for all executives other than himself) at the beginning of the performance period. For 2013, the corporate goals included both strategic milestones and financial objectives and were set with minimum (50%), target (100%) and exceed (125%) achievement thresholds.

The compensation committee also approved individual objectives for each of our named executive officers. Mr. Godshall's 2013 goals were primarily focused on cash conservation and strengthening key leadership positions. Mr. McAree's 2013 goals primarily focused on realigning the finance organization, introducing efficiencies within the financial reporting systems, financial planning and supporting the investor relations function. Mr. LaRose's 2013 goals were primarily focused on achieving particular clinical and pre-clinical milestones, regulatory submissions and financial and operational process improvement initiatives. Mr. Schuermann's 2013 goals were primarily focused on building the sales organization to support commercial revenue plans, new product integration, departmental efficiencies and corporate branding initiatives. Mr. Knopf's 2013 goals were primarily focused on developing and implementing certain legal and business strategies, health care compliance and corporate governance initiatives, and transactional objectives.

2013 Results

In January 2014, the compensation committee discussed with the Chief Executive Officer 2013 performance compared to the established corporate and individual goals and, in February 2014, certified achievement against these goals. The annual bonuses actually paid represent the compensation committee's decision to award achievement of the financial operations and operational performance objectives at an "exceeds" level and to pro rate achievement of the product development goals which were not fully satisfied. This resulted in an aggregate 65% corporate goal achievement and between 51% and 100% for individual named executive officer achievements.

The achievement of the 2013 corporate goals approved by the compensation committee is listed below.

Goal	Actual
Product Development	
Initiation of MVAD clinical trial/FDA submission	0%
Pre-clinical evaluation of TET system	7%
Submission of HVAD PAL Controller to FDA	0%
Financial Performance	45%
Operational Achievements	13%

The information listed below reflects the actual amounts (rounded to the nearest thousand) earned by our named executive officers for 2013 performance under the plan in comparison to each named executive officer's target bonus opportunity.

	Target Annual Incentive (% of base salary)	Target Annual Incentive (\$)	Actual Annual Incentive Award (\$)	Actual Annual Incentive as a % Target Incentive
Douglas Godshall	75%	\$ 407,250	\$ 273,000	67%
Peter McAree	40%	\$ 130,000	\$ 104,000	80%
Jeffrey LaRose	50%	\$ 166,500	\$ 96,000	58%
James Schuermann	40%	\$ 120,800	\$ 100,000	83%
Lawrence Knopf	40%	\$ 132,400	\$ 103,000	78%

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2014 Annual Bonus Program Actions

As part of the compensation committee's annual review of our executive compensation elements with PM&P, the committee approved adjustments to the target bonus opportunity for several of our executives, including certain of our named executive officers, to align their pay with market data. The target opportunity for 2014 annual incentive compensation was increased for Mr. Godshall from 75% to 80% of his base salary and for Messrs. Knopf, McAree and Schuermann from 40% to 45% of their base salaries. Due to a shift in the scope of job responsibilities, the 2014 target opportunity for Mr. LaRose was decreased from 50% to 40% of his base salary.

Long-term Equity Incentive Compensation

We use long-term equity incentives both as part of the annual compensation program for our executive officers and to address special situations as they may arise from time to time and on a case-by-case basis. Our equity award practices have been designed to reflect a balance between:

- Our need to motivate and retain executive talent;
- Our need to remain competitive in recruiting;
- Our desire to align executive and stockholder interests; and
- Equity usage.

In 2013, as in prior years, equity awards represented a significant portion of the total compensation awarded to our named executive officers in order to tie a substantial portion of the executive officers' compensation to long-term stockholder value. For 2013, equity awards were granted in the form of service- and performance-based restricted stock units ("RSUs").

The compensation committee believes RSUs provide an incentive for our named executive officers to focus on driving increased stockholder value over their vesting period, reward management for growth in our stock price and long-term value creation, use fewer shares than stock options (minimizing dilution) and provide an incentive to remain employed with us. Additionally, since a very large portion of this compensation is at risk, the compensation committee determined to grant service-based RSUs to attract key management and promote retention. Service-based awards generally vest in four equal annual installments on each of the first four anniversaries of the grant date, subject to continuous employment. The compensation committee decided to also grant performance based RSUs to incentivize achievement of specific strategic and financial corporate objectives. Performance based RSUs vest upon satisfaction of individualized goals set for each executive by the committee.

2013 Long-Term Equity Incentive Awards (Annual Program)

In February 2013, the compensation committee approved RSU awards to all of the named executive officers (and in the case of Mr. Godshall, the award was also later approved by the stockholders), under our annual long-term equity incentive program based on full year 2012 performance. Of the total number of restricted stock units granted to each named executive officer, 80% of the RSUs are service-based RSUs which will vest in equal annual installments on the first four anniversaries of the grant date and the remaining 20% of the RSUs are performance-based which will vest upon the achievement of individualized financial and strategic performance milestones. The amount of each award was determined based upon individual performance and competitive market positioning for long-term equity incentives targeted at the 75th percentile of our comparator group. The individualized performance milestones were set with the assistance of the Chief Executive Officer and approved by the compensation committee at the time of grant. The compensation committee believes it is appropriate at the current stage of our evolution to emphasize long-term equity

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incentives relative to cash compensation in order to attract and retain senior leadership who may be offered alternative opportunities at larger, more mature companies. The compensation committee believes this approach is consistent with general market practices for similarly-situated companies and is an effective use of equity compensation.

The compensation committee approved the following RSU awards on February 7, 2013: Mr. Godshall (25,000 RSUs); Mr. McAree (7,000 RSUs), Mr. LaRose (8,000 RSUs); Mr. Schuermann (8,000 RSUs) and Mr. Knopf (7,000 RSUs). The compensation committee recognized that as a result of the addition of performance based equity awards as well as service-based equity awards for the first time in almost five years, long-term equity incentives and total direct compensation for some of our named executive officers exceeded the 75th percentile of our comparator group.

2014 Equity Awards

As part of its annual compensation review, the compensation committee approved RSU awards to all of the named executive officers under our annual long term equity incentive program based on full year 2013 performance. The compensation committee elected continued use of RSUs as a long-term incentive vehicle in order to drive shareholder value, maximize retention value for our named executive officers, conserve cash and minimize dilution. Equity awards were granted in the form of RSUs with 80% vesting in equal installments on the first four anniversaries of the grant date and 20% vesting upon the achievement of common corporate strategic performance milestones. The amount of each award was determined based upon individual performance and competitive market positioning for long-term equity incentives targeted at the 75th percentile of our comparator group. The performance milestone was set with the assistance of the Chief Executive Officer and was approved by the compensation committee at the time of grant. The following grants were made to our named executive officers on February 24, 2014:

	RSUs granted on 2/24/14
Douglas Godshall	27,500
Peter McAree	6,968
Jeffrey LaRose	6,000
James Schuermann	8,558
Lawrence Knopf	6,000

Vesting of 2013 Performance Based Equity Awards

In March 2014, the compensation committee reviewed the status of the performance based milestones under the February 2013 annual long-term incentive awards. At that time, the compensation committee determined that individual performance milestones for Mr. McAree had been satisfied fully and, accordingly, 1,400 restricted stock units vested in full effective March 6, 2014. Mr. McAree's performance milestones related to the achievement of positive net operating cash flows over consecutive quarters which were achieved during the year. Other 2013 performance-based equity awards remain outstanding pending satisfaction of the individualized performance milestones by each of the named executive officers.

Other Compensation

Other Employee Benefits

Executive officers receive the same healthcare benefits as other employees. In the U.S., we maintain health, dental and life insurance plans for the benefit of eligible executives. Each of these benefit plans require the executive to pay a portion of the premium, with the company paying the remainder of the premiums. Life, accidental death, dismemberment and disability, and short- and long-term disability insurance coverage is also offered to all eligible executives, and we pay these premiums in full. These benefits are offered on the same basis to all employees.

Retirement Plans

In the U.S., our executives are eligible to participate in a 401(k) retirement plan after 90 days of employment. As part of the plan, we established a matching program for all of our employees, including the named executive officers. HeartWare does not offer any other form of retirement program for its employees, including its named executive officers.

Perquisites

As a general matter, we do not provide special benefits and perquisites to our named executive officers.

Relocation

We do not maintain a formal relocation policy, but have provided relocation assistance to certain of our employees and executives in limited circumstances. Some executives may, generally on commencement of employment with us, be required to relocate residences in order to fulfill their job responsibilities. In this case, we have agreed to reimburse costs or negotiated a relocation allowance with the relevant executive on a case-by-case basis. Relocation allowances may include our making a contribution toward the cost of relocation, establishment of housing and utilities, travel and, in some cases, rental assistance. We believe this practice is important in order for us to attract superior executive talent. We did not enter into new relocation arrangements with our executives in 2013.

Employment Agreements and Severance Arrangements

All of our named executive officers have employment agreements with us. These contracts do not have a fixed term or provide for guaranteed increases in base salary or bonuses, and the executives serve on an “at will” basis. The employment agreements contain provisions that entitle our executives to certain payments or benefits if their employment is terminated under certain circumstances, including after a “change-in-control” of the company occurs.

We believe that employment agreements provide us with a mechanism to attract and retain our executive officers. The employment agreements provide us with competitive protections through provisions assigning intellectual property to us and restricting our executives from disclosing our confidential information, competing with us or soliciting our employees, clients, customers, vendors or suppliers. In turn, the agreements provide our executives with protection so they are not distracted by their personal, professional or financial situations at a time when we need them to remain focused on their responsibilities. The agreements provide for “double-trigger” cash severance payments in the event of a change in control and the executive officer is either terminated from his or her position or moved into a position that represents a substantial change in responsibilities within 18 months after the transaction (these payments do not become due unless both events occur). We will not provide tax gross up payments to an executive if a payment upon a change in control would create an excise tax liability to the executive.

The material terms of each named executive officer’s employment agreement, and the payments or benefits which the named executive officers would receive under different termination circumstances, are set forth below in “Employment Agreements” and “Potential Payments Upon Termination or Change-In-Control”, respectively.

Prohibition of Hedging and Pledging of our Stock

Our Insider Trading Policy prohibits our employees, including our executive officers, and directors, from engaging in transactions designed to off-set decreases in the market value of our stock, including certain forms of hedging and monetization transactions, such as “zero-cost collars” and “prepaid variable forward contracts.” Our policy also prohibits employees, including our executive officers and directors, from pledging our securities as collateral for a loan except in very limited circumstances which require pre-approval by the company.

10b5-1 Plans

Each of our executive officers is required to receive the permission of our general counsel prior to entering into any transactions in our securities. Generally, trading is permitted only during announced trading windows. Employees subject

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to trading restrictions, including our named executive officers, may enter into trading plans under Rule 10b5-1 of the 1934 Act provided the plans are entered into during an open trading window and approved by us. Our executive officers, including our named executive officers, are presently parties to 10b5-1 plans covering anticipated transactions such as the open market sale of shares used to pay taxes upon the vesting of RSUs and payment of the option price and applicable taxes upon exercise of vested stock options.

Clawback Policies

Under our employment agreements with our executive officers, we are entitled to recover any severance payments made to an executive for breach of the non-competition, non-solicitation, non-disparagement and confidentiality restrictive covenants contained in the agreement for established periods of time up to two years following an executive's termination. We currently do not have a formal policy for the recoupment of incentive compensation other than what is currently required by the Sarbanes-Oxley Act of 2002. It is the compensation committee's intention to develop and implement a recoupment policy after the SEC has issued final regulations (as required under the Dodd-Frank Act) regarding the scope and form of the required clawback policy.

Equity Grant Practices

Our compensation committee typically makes grants of equity awards to our executive officers and directors on an annual basis or in connection with the commencement of an executive's employment or a director's initial appointment to the Board. These grants are generally made at regularly scheduled meetings and on occasion by unanimous written consent of the compensation committee during the first quarter of the year. Until 2012, annual equity grants made to our executive officers were generally approved by the compensation committee at regularly scheduled meetings held during the last quarter of each fiscal year, and to our directors at regularly scheduled meetings during the first quarter of the year. In 2012, the compensation committee began to transition the annual grant of equity incentives under both employee and non-employee director annual programs to the first quarter of each fiscal year in order to have full year performance data available for consideration in making compensation, including equity incentive, determinations.

Equity grants to new executive officers are approved at the next regular meeting following the executive's first day of employment, and to new directors coincident with the director's appointment to the Board. The exercise price of each stock option grant is equal to the closing price of our common stock on the date of the grant.

Stock Ownership Guidelines

Effective January 1, 2013, our Board, upon the recommendation of our nominating and governance committee, adopted stock ownership guidelines for our Section 16 officers and non-employee directors. These guidelines were established to align the interests of our corporate leaders with those of our stockholders and further promote our commitment to sound corporate governance practices. The ownership guidelines for our executives and non-employee directors are listed below:

	Multiple of Base Salary or Base Retainer
Chief Executive Officer	5.0x
Non-employee Directors	3.0x
All Other Section 16 Officers	1.0x

Shares owned by an executive officer include common stock that is beneficially owned, directly or indirectly, by the officer, restricted stock, restricted stock units and after-tax appreciation of vested unexercised stock options.

All officers have three years from the effective date of these guidelines or their appointment as a Section 16 officer to meet these guidelines, and their stock ownership is reviewed annually by the nominating and governance committee.

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For 2013, all named executive officers and non-employee directors satisfied our stock ownership guidelines.

Tax Considerations

Section 162(m) of the Internal Revenue Code places a limit of \$1 million on the amount of compensation that we can deduct in any one year for compensation paid to the Chief Executive Officer and the three most highly-compensated named executive officers at the end of the year (other than the chief financial officer). However, the \$1 million deduction limit does not apply to compensation that is performance-based and provided under a plan that has been approved by our stockholders. While the compensation committee considers the deductibility of awards as one factor in determining executive compensation, the compensation committee also looks at other factors in making its decisions as noted above and retains the flexibility to grant awards it determines to be consistent with our executive compensation program objectives and philosophy, even if the award is not deductible by the company for tax purposes.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed this Compensation Discussion & Analysis with management and, based on such review and discussion, the compensation committee recommends that it be included in this Proxy Statement.

COMPENSATION COMMITTEE

Timothy Barberich (Chairman)

Cynthia Feldmann

Denis Wade

Robert Thomas

SUMMARY COMPENSATION TABLE

For the Years Ended December 31, 2013, 2012 and 2011

The following table sets forth compensation earned by our Chief Executive Officer, Douglas Godshall, our Chief Financial Officer, Peter McAree and each of our three other most highly compensated executive officers employed by us at the end of fiscal 2013, to whom we refer collectively to as the “named executive officers.” Compensation earned by our named executive officers is presented for the last three fiscal years. The components of each named executive officer’s total compensation are described below and in more detail in the tables that follow. Please also refer to our Compensation Discussion and Analysis found in this proxy statement to help you understand the compensation practices and programs resulting in the compensation elements reflected in these tables.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$ (1))	Non-Equity Incentive Plan Comp. (\$ (2))	AllOther Comp. (\$)(3)	Total (\$)
Douglas Godshall	2013	541,255	-	2,376,250 (4)	273,046	10,000	3,200,551
President & Chief Executive Officer	2012	524,039	-	2,929,320 (4)	315,000	4,500	3,772,859
	2011	497,115	21,500 (5)	1,773,775 (4)	253,500	9,800	2,555,690
Peter McAree	2013	324,756	-	633,710	104,120	12,669	1,075,255
Senior Vice President, Chief Financial Officer & Treasurer	2012	147,692 (6)	-	2,375,500	53,552	-	2,576,744
Jeffrey LaRose	2013	331,626	-	724,240	96,651	10,824	1,163,341
Executive Vice President & Chief Scientific Officer	2012	324,087	-	-	109,502	6,364	439,953
	2011	313,654	-	1,195,775	121,196	9,800	1,640,425
James Schuermann	2013	300,635	-	724,240	99,705	10,219	1,134,799
Senior Vice President, Global Sales & Marketing	2012	288,582	-	409,700	101,194	9,575	809,051
	2011	274,237	-	683,300	97,900	9,800	1,065,237
Lawrence Knopf	2013	329,186	-	633,710	103,274	10,178	1,076,348
Senior Vice President, General Counsel & Secretary	2012	318,942	-	-	103,773	8,952	431,667
	2011	232,500 (6)	10,000 (5)	2,069,190	102,300	5,246	2,419,236

- (1) Amounts shown in this column do not reflect compensation actually received by our named executive officers. Rather, these amounts represent the aggregate grant date fair value of all service-based RSUs and the target value of the performance based RSUs granted during each fiscal year computed in accordance with FASB ASC Topic 718; except no assumptions for forfeitures were included. The aggregate fair value of these stock awards is determined using the market value of our common stock on NASDAQ on the grant date, multiplied by the aggregate number of restricted stock units granted. A discussion of the assumptions used in calculating the grant date fair value and related disclosures is set forth in Note 13 to our audited consolidated financial statements for the fiscal year ended December 31, 2013 including in our Annual Report on Form 10-K.
- (2) Amounts included in this column represent payments made under our Bonus Plan for Executive Officers for performance during the prior year. Payments for 2013 performance were made in March 2014. Mr. McAree’s bonus for 2012 reflects a prorated amount based upon his start date of July 9, 2012.
- (3) Amounts reflected in this column represent matching contributions made to each named executive officer under our 401(k) retirement plan which is available to eligible employees after 90 days of employment.
- (4) Because our stock was listed on the Australian Stock Exchange (ASX) through September 2013, Mr. Godshall’s Stock Awards for 2011 and 2012 reflect restricted stock unit awards granted following approval by our stockholders but approved by our compensation committee during the prior year. For example, the value of the stock award for 2012 represents an award approved by the compensation committee in December 2011 and granted in May 2012 following approval by our stockholders. Following our delisting from the ASX, equity awards granted to Mr. Godshall in 2014 and in the future will not require stockholder approval.

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- (5) For 2011, the amount attributable to each of Mr. Godshall and Mr. Knopf represents (i) a special bonus paid to Mr. Godshall in January 2012 to recognize his efforts that year in preparing the company for commercialization of our HeartWare System in the United States and (ii) a sign on bonus to Mr. Knopf in connection with becoming our Senior Vice President, General Counsel and Secretary in March 2011.
- (6) Mr. McAree was hired in July 2012 and Mr. Knopf was hired in March 2011. Accordingly, Mr. McAree's base salary in 2012 and Mr. Knopf's base salary in 2011 reflect prorated amounts for the year in which they were hired. Mr. McAree's annual base salary for 2012 was \$320,000 and Mr. Knopf's annual base salary for 2011 was \$310,000.

Grants of Plan Based Awards

The table below describes the grants of plan-based awards made to our named executive officers in 2013.

2013 Grants of Plan Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2) Target	All Other Stock Awards; Number of Shares of Stock or Units	Grant Date Fair Value of Stock Awards (3)
		Threshold	Target	Maximum			
Douglas Godshall	3/1/2013	\$ 203,766	\$ 407,531	\$ 509,414	5,000	20,000 (4)	\$ 1,901,000
	5/21/2013						
	5/21/2013						
Peter McAree	3/1/2013	\$ 66,075	\$ 130,150	\$ 162,688	1,400	5,600 (5)	\$ 506,968
	2/7/2013						
	2/7/2013						
Jeffrey LaRose	3/1/2013	\$ 83,141	\$ 166,281	\$ 207,851	1,600	6,400 (5)	\$ 579,392
	2/7/2013						
	2/7/2013						
James Schuermann	3/1/2013	\$ 60,427	\$ 120,854	\$ 151,068	1,600	6,400 (5)	\$ 579,392
	2/7/2013						
	2/7/2013						
Lawrence Knopf	3/1/2013	\$ 66,095	\$ 132,190	\$ 165,238	1,400	5,600 (5)	\$ 506,968
	2/7/2013						
	2/7/2013						

- (1) These awards were granted under our 2012 Incentive Award Plan and are based on corporate and individual performance goals for each named executive officer established in early 2013. Potential payouts under this plan for 2013 include threshold, target and maximum targets as listed above. For a discussion of this plan and the achievement of the performance criteria by our named executive officers for 2013, see the narrative to this table below as well as the Compensation Discussion and Analysis section of this proxy statement. Actual amounts paid for 2013 in March 2014 are listed in the Summary Compensation Table above.
- (2) These amounts reflect performance-based restricted stock units granted to each of our named executive officers in 2013. The restricted stock units will vest upon the achievement of individual goals established in early 2013 by the compensation committee for each named executive officer.
- (3) The dollar value of the service-based restricted stock units and the target value of performance-based restricted stock units granted in 2013 are equal to the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, except no assumptions for forfeitures were included. A discussion of the assumptions used in calculating the grant date fair value and related disclosures is set forth in Note 13 to our audited consolidated financial statements for the fiscal year ended December 31, 2013 including in our Annual Report on Form 10-K.
- (4) This restricted stock unit award was granted to Mr. Godshall in May 2013 under our 2012 Incentive Award Plan following approval by our stockholders at the annual meeting (in accordance with the ASX listing regulations).

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- Under the terms of the award, restricted stock units will vest in four equal annual installments beginning with the first anniversary of the compensation committee's approval of the award (February 7, 2013).
- (5) These restricted stock unit awards were granted to each named executive officer on February 7, 2013 and will vest in four equal annual installments beginning on first anniversary of the date of grant.

Additional Information Explaining Summary Compensation and Grants of Plan-Based Awards Tables

The information contained in this section discusses the plans and arrangements under which our named executive officers received the compensation reported in the Summary Compensation Table and Grants of Plan-Based Awards Table above. Additional information regarding the process for determining executive compensation, compensation decisions made for our named executive officers for 2013 and the relationships among different elements of compensation of these plans and arrangements to our named executive officers in 2013 is contained in our *Compensation Discussion and Analysis* section beginning on page 21.

Annual Incentive Bonuses

In February 2013, our Board adopted a formal bonus plan for our senior management team including our named executive officers. This plan is designed to reward our executives for the achievement of pre-established corporate and individual performance goals. All awards under the bonus plan are granted under our 2012 Incentive Award Plan and paid in cash.

The target award opportunity under this bonus plan for each executive officer is established by the compensation committee and expressed as a percentage of base salary. For 2013, the compensation committee approved a formula for target payouts under this plan which included setting corporate and individual performance goals for the year and assigning each corporate performance goal a relative weight. The compensation committee also set threshold, target and maximum levels for achievement of the corporate performance goals. Target opportunities for executive officers are also weighted between the achievement of corporate and individual performance objectives and vary by individual. At the end of the performance period, the compensation committee evaluates and approves the extent to which the corporate and individual goals have been satisfied and approves the amount of each executive officer's actual award. Payments were made to our executive officers under this plan for 2013 in March 2014. Awards under the bonus plan are reflected in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table above.

Employees eligible to participate in the plan hired on or before March 31 of a given year are entitled to full participation in the plan. Eligible employees who are hired on April 1 through September 30 of a given year are entitled to participate in the plan on a prorated basis. The fiscal 2013 threshold, target and maximum bonus opportunity for each of our named executive officers is shown in the Grant of Plan-Based Awards table and discussed in our *Compensation Discussion and Analysis* section of this proxy statement.

Long-Term Incentive Plan

In 2013, we granted equity awards in the form of service- and performance-based restricted stock units to each of our named executive officers as part of our Annual Long-Term Incentive Program under our 2012 Incentive Award Plan. This plan is administered by our independent compensation committee and provides us the ability to grant various forms of equity awards, including stock options and restricted stock units to our employees, directors and consultants. The vesting of awards is conditioned on the named executive officer being employed with us on the vesting date or, in the case of performance-based awards, upon satisfaction of pre-established goals. Unvested stock options and restricted stock units may accelerate if the executive is terminated due to death, permanent disability, position elimination, or in the event of a change in control of the company. In connection with the grant of equity awards in 2014 under our Annual Long-Term Incentive Program, eligible employees, including each of our named executive officers, signed a new Business Protection Agreement. The Business Protection Agreement updates the prior Proprietary Information, Confidentiality and Inventions Assignment Agreement and contains customary restrictive covenants regarding non-disclosure, non-solicitation and non-competition as well as an assignment of intellectual property rights.

Restricted Stock Units

All equity awards granted in 2013 to our executive officers were made in the form of service and performance-based restricted stock units. We also granted restricted stock units to each of our non-employee directors under our non-employee director compensation program. Beginning in 2013, the compensation committee granted to our named executive officers as part of our annual long-term incentive program, performance-based restricted stock units that vest upon the achievement of certain pre-established individual or corporate milestones. Unvested restricted stock units are not transferable other than by will or the laws of descent or distribution and are not entitled to receive dividends to the extent dividends are declared and paid.

Employment Agreements

We have entered into employment agreements with each of our named executive officers. The agreements do not have a fixed term or provide for guaranteed increases in base salary or bonuses, and each executive serves on an “at will” basis. The agreements were initially established when the executive joined our company and each contain substantially similar terms and conditions. The agreements generally set forth the executive’s title and responsibilities, established base salary (subject to review by the Board and may be adjusted at the discretion of the Board), eligibility to receive an annual cash incentive bonus (at the discretion of the Board), full participation in our employee benefits programs, and indemnification. Some, but not all, of the initial employment agreements contain one-time entitlements such as sign-on bonuses, initial equity grants, or reimbursement for relocation. All of the agreements include certain restrictive covenants, including non-competition, non-solicitation, and non-disparagement clauses that survive for up to two years after termination of employment. In connection with these employment agreements, each named executive officer also has entered into a Proprietary Information, Confidentiality and Inventions Assignment Agreement whereby the executive officer, among other things, agrees to protect and not disclose our confidential information and assign all rights, including all intellectual property rights, to us without further compensation.

Our named executive officers are also entitled to severance pay upon certain termination events including termination that follows a change in control of the company. The amount of severance pay for each executive varies depending on the individual executive and the nature of the termination. All severance payments are conditioned upon the executive signing a general release of all claims against the company which contains representations that the executive will adhere to the restrictive covenants that survive post-termination. Under the employment agreements, we may recover the severance amounts paid to an executive for breach of any of the restrictive covenants, including the confidential and proprietary information assignment agreement. Potential payments under these agreements are described in detail under “Potential Payments Upon Termination or Change-In-Control” below.

The employment agreements have been amended by the Board periodically to make adjustments to base salary, update an executive’s title or responsibility or to clarify other provisions contained in the agreements. On an individual basis for Mr. Godshall and Mr. LaRose, the employment agreements were last updated in December 2009 and for Mr. Schuermann in December 2008 (to reflect an updated base salary amount). On a broad basis, the employment agreements were updated in December 2010 to clarify (i) the process for making severance payments under the agreement so that the payments would comply with the provisions of Section 409A of the Internal Revenue Code, and (ii) that indemnification entitlements for our officers are to be consistent with the provisions contained in our certificate of incorporation and bylaws, as currently in effect. Additional information regarding the material terms of our employment agreements particular to each of our named executive officers is described below. Mr. Knopf and Mr. McAree entered into employment agreements shortly prior to their commencement dates in 2011 and 2012, respectively.

Doug Godshall, President, Chief Executive Officer and Executive Director

Mr. Godshall’s employment agreement as amended sets his annual base salary, subject to review by the Board annually and may be adjusted at the discretion of the Board. The compensation committee increased Mr. Godshall’s salary to \$525,000 for 2012, to \$543,375 for 2013 and \$562,393 for 2014. He is also entitled to receive severance payments under certain circumstances as described in detail under “Potential Payments Upon Termination or Change-In-Control.”

Peter McAree, Senior Vice President, Chief Financial Officer and Treasurer

We entered into an employment agreement with Mr. McAree on June 18, 2012 in connection with his becoming our Senior Vice President, Chief Financial Officer and Treasurer. In addition to the customary provisions contained in our employment agreements with executive officers, Mr. McAree's agreement set his annual base salary at \$320,000, subject to review by Board and may be adjusted at the discretion of the Board, and his annual incentive bonus target at 40% of his base salary. The compensation committee increased Mr. McAree's salary from \$325,376 for 2013 to \$336,764 for 2014. Mr. McAree is entitled to receive severance payments under certain circumstances as described in detail under "Potential Payments Upon Termination or Change-In-Control."

Jeffrey LaRose, Chief Scientific Officer and Executive Vice President

Mr. LaRose's employment agreement as amended sets his annual base salary, subject to review by the Board annually and may be adjusted at the discretion of the Board. The compensation committee increased Mr. LaRose's salary to \$324,450 for 2012 and \$332,562 for 2013 and 2014. Mr. LaRose is entitled to receive severance payments under certain circumstances as described in detail under "Potential Payments Upon Termination or Change-In-Control."

James Schuermann, Senior Vice President, Sales and Marketing

Mr. Schuermann's employment agreement as amended sets his annual base salary, subject to review by the Board annually and may be adjusted at the discretion of the Board. The compensation committee increased Mr. Schuermann's salary to \$289,125 for 2012, to \$302,136 for 2013 and to \$316,487 for 2014. Mr. Schuermann is entitled to receive severance payments under certain circumstances as described in detail under "Potential Payments Upon Termination or Change-In-Control."

Lawrence Knopf, Senior Vice President, General Counsel and Secretary

We entered into an employment agreement with Mr. Knopf on March 23, 2011 in connection with his becoming our Senior Vice President, General Counsel and Secretary. In addition to the customary provisions contained in our employment agreements with executive officers, Mr. Knopf's agreement sets his annual base salary, subject to review by Board and may be adjusted at the discretion of the Board, and his annual incentive bonus target at 40% of his base salary with full participation for 2011. The compensation committee increased Mr. Knopf's salary to \$319,300 for 2012, \$330,476 for 2013 and \$342,042 for 2014. Mr. Knopf is entitled to receive severance payments under certain circumstances as described in detail under "Potential Payments Upon Termination or Change-In-Control."

Additional Compensation

We have provided additional information regarding the compensation we pay to our named executive officers in our *Compensation Discussion & Analysis*.

Outstanding Equity Awards At Fiscal Year End

The following table summarizes all outstanding equity awards for the named executive officers as of December 31, 2013:

2013 Outstanding Equity Awards at Fiscal Year-End

Name	OPTION AWARDS				STOCK AWARDS			
	Number of Securities				Number of Restricted Stock Units That Have Not Yet Vested (#)	Market Value of Shares of Stock That Have Not Yet Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Yet Vested (\$)(1)
Exercisable (#)	Un-exercisable (#)	Option Exercise Price	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)				
Douglas Godshall	37,344 (2)	-	\$ 34.16 (2)	09/27/16				
					5,612 (3)	\$ 526,967		
					18,000 (4)	\$ 1,690,200		
					20,000 (5)	\$ 1,878,000	5,000 (6)	\$ 469,500
Peter McAree					5,600 (5)	\$ 525,840		
					18,750 (7)	\$ 1,760,625		
							1,400 (6)	\$ 131,460
Jeffrey LaRose	5,714 (2)		\$ 34.16 (2)	10/28/16				
	7,360 (8)		\$ 15.53 (8)	04/27/15				
					2,800 (3)	\$ 262,920		
					8,750 (4)	\$ 821,625		
					6,400 (5)	\$ 600,960		
					6,400 (5)	\$ 600,960		
							1,600 (6)	\$ 150,240
James Schuermann	6,428 (9)		\$ 23.29 (9)	11/16/17				
					1,250 (3)	\$ 117,375		
					5,000 (4)	\$ 469,500		
					6,400 (5)	\$ 600,960		
					3,333 (10)	\$ 312,969		
							1,600 (6)	\$ 150,240
Lawrence Knopf					3,000 (4)	\$ 281,700		
					5,600 (5)	\$ 525,840		
					10,500 (11)	\$ 985,950		
							1,400 (6)	\$ 131,460

- (1) Market value was determined by multiplying the number of shares of stock by \$93.90, the closing price of our common stock on December 31, 2013, the last trading day of the year.
- (2) These stock options were granted in 2006 with an exercise price equal to AU\$38.50. The exercise price has been converted to US dollars using the exchange rate at December 31, 2013 or AU\$1.00 = US \$0.88723272.
- (3) Unvested restricted stock units will vest on December 20, 2014.
- (4) Unvested restricted stock units will vest in equal annual installments on December 21, 2014 and 2015.
- (5) Unvested restricted stock units will vest in equal annual installments on February 7, 2014, 2015, 2016 and 2017.
- (6) Shares listed in this column represent performance-based restricted stock units and will vest upon satisfaction of pre-established individual goals set by the compensation committee for each named executive officer. Mr. McAree's award vested in full on March 6, 2014.
- (7) Unvested restricted stock units will vest in equal annual installments on July 9, 2014, 2015 and 2016.
- (8) These stock options were granted in 2005 with an exercise price equal to AU\$17.50. The exercise price has been converted to US dollars using the exchange rate at December 31, 2013 or AU\$1.00 = US \$0.88723272.

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- (9) These stock options were granted in 2007 and vested upon satisfaction of certain performance conditions in 2012. The exercise price of AU\$26.25 has been converted to US dollars using the exchange rate at December 31, 2013 or AU\$1.00 = US \$0.88723272.
- (10) Unvested restricted stock units will vest in equal annual installments on December 20, 2014 and 2015.
- (11) Unvested restricted stock units will vest in equal annual installments on March 28, 2014 and 2015.

2013 Option Exercises and Restricted Stock Vested

The following table sets forth information regarding the number and value of stock options exercised and the number and value of restricted stock units vested during 2013 for each of our named executive officers.

<u>Name</u>	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)</u>	<u>Number of Shares Acquired on Vesting (#) (1)</u>	<u>Value Realized on Vesting (\$) (2)</u>
Douglas Godshall	73,000	4,114,150	14,613	1,335,920
Peter McAree	-	-	6,250	582,625
Jeffrey LaRose	13,074	966,910	7,175	655,939
James Schuermann	-	-	5,417	495,222
Lawrence Knopf	-	-	6,750	601,283

- (1) Value realized has been calculated based upon the difference between the closing price of the shares of common stock underlying the options on the date of exercise and the option exercise price.
- (2) Value realized has been calculated based upon the closing price of our common stock on the date of vesting. Shares acquired upon vesting may still be held by the named executive officer.

Pension Benefits

We do not have any plans that provide for payments or other benefits at, following or in connection with the retirement of our employees, other than our 401(k) retirement plan which is available for all of our employees, including our named executive officers.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

We do not have any defined contribution or other plans that provide for the deferral of compensation on a basis that is not tax-qualified.

Potential Payments Upon Termination or Change-In-Control

Under the employment agreements we have with our named executive officers, each executive may be entitled to severance pay upon certain termination events including termination that follows a change in control of the company. The amount of severance pay for each executive varies depending on the individual and the nature of the termination. All severance payments and benefits are conditioned upon entering into a general release of claims against the company which contains representations that the executive will adhere to the restrictive covenants under the employment agreements that survive post-termination. Severance payments paid to the executive are subject to recovery by us if we find that the executive has breached the confidentiality, non-competition, non-solicitation, and non-disparagement restrictive covenants contained in his employment agreement.

Under the incentive plans and agreements that govern outstanding equity awards granted to our named executive officers, unvested stock options and restricted stock units are generally forfeited on the date of the employee's termination, except that unvested awards may fully vest in certain limited circumstances described below.

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Our named executive officers would be entitled to post-termination benefits if their employment is terminated in one or more of the following circumstances:

- by us without “cause” or by the executive for “good reason” (not in respect of a change in control);
- by us without “cause” or by the executive for “good reason” within 18 months of a “change in control”;
- death or disability; and
- voluntary resignation.

The following sections discuss the estimated benefits our named executive officers would receive in each of the above referenced termination circumstances. Definitions for what we mean by “cause”, “change in control” and “good reason” can be found at the end of this narrative section.

Termination Without Cause and Resignation for Good Reason

If we terminate the employment of a named executive officer without cause or if the executive resigns due to good reason (not following a change in control), then we will provide the named executive officer the following benefits:

- Base Salary Continuation
 - to Mr. Godshall and Mr. LaRose, twelve months of their respective base salary as in effect at the time of termination payable in regular payroll cycles; and
 - to Messrs. McAree, Schuermann and Knopf, six months of their respective base salary as in effect at the time of termination payable in regular payroll cycles.
- COBRA Continuation Coverage
 - to Mr. Godshall and Mr. LaRose, to the extent elected, premiums for twelve months of continued COBRA coverage or earlier if the executive becomes entitled to participate in another employer’s health plan; and
 - to Messrs. McAree, Schuermann and Knopf, to the extent elected, premiums for six months of continued COBRA coverage or earlier if the executive becomes entitled to participate in another employer’s health plan.
- Unvested Equity Award Treatment
 - Provided only for circumstances in which the named executive officer is terminated by us due to a position elimination, all unvested stock options and restricted stock units granted under our 2008 Stock Incentive Plan will vest upon the effective date of termination.

Termination Without Cause and Resignation for Good Reason following a Change in Control

In the event of a change in control of the company and a named executive officer is terminated either by us without cause or by him for good reason within 18 months following the change of control, we will provide the named executive officer the following benefits:

- Severance Pay
 - to Mr. Godshall and Mr. LaRose, a lump-sum cash payment equal to the sum of two times the amount of base salary in effect at the time of termination and the amount of his most recent annual bonus; and
 - to Messrs. McAree, Schuermann and Knopf, a lump-sum cash payment equal to the sum of the amount of his base salary in effect at the time of termination and the amount of his or her most recent annual bonus.

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- COBRA Continuation Coverage
 - to Mr. Godshall and Mr. LaRose, to the extent elected, premiums for 24 months of continued COBRA coverage or earlier if the executive becomes entitled to participate in another employer's health plan; and
 - to Messrs. McAree, Schuermann and Knopf, to the extent elected, premiums for 12 months of continued COBRA coverage or earlier if the executive becomes entitled to participate in another employer's health plan.
- Unvested Equity Award Treatment
 - Unvested stock options and restricted stock units granted under our 2008 Stock Incentive Plan and 2012 Incentive Award Plan will vest upon the effective date of a change in control of the company.

Our named executive officers are not entitled to any 280G excise tax gross-ups if the benefits payable to them constitute excess parachute payments under Section 280G of the Internal Revenue Code. A named executive officer who receives excess parachute payments would be liable for the 20% excise tax on a portion of the parachute payments, and we would not be permitted to claim a federal income tax deduction for a portion of the parachute payments.

Death and Disability

If a named executive officer's employment with us is terminated due to his death or permanent disability, we will pay the amount of any unpaid base salary earned through the termination date and any compensation or benefits that he may be entitled to by law or under the terms of our compensation and benefit plans then in effect including, without limitation, amounts owed for unpaid vacation leave accrued during the course of his employment with us. Additionally, unvested stock options and restricted stock units will vest upon the date of termination. Vested options will generally remain exercisable for a period of six months under the 2008 Stock Incentive Plan and for twelve months under the 2012 Incentive Award Plan following the date of termination or the balance of the ten year term, whichever is earlier.

Voluntarily Resignation

Upon an executive's voluntary resignation, we will pay the amount of any unpaid base salary earned through the date of termination and any compensation or benefits that he may be entitled to by law or under the terms of our compensation and benefit plans then in effect including, without limitation, amounts owed for unpaid vacation leave accrued during the course of his employment with us. Unvested stock options and restricted stock units granted under our 2008 Stock Incentive Plan and 2012 Incentive Award Plan will be forfeited upon termination. Vested stock options will generally remain exercisable for a period of up to thirty days under the 2008 Stock Incentive Plan and three months under the 2012 Incentive Award Plan from the date of termination.

Definitions

Cause. Under our employment agreements, "cause" is defined to include (i) the executive's material or persistent breach of the employment agreement; (ii) the executive's engaging in any act that constitutes serious misconduct, theft, fraud, material misrepresentation, serious dereliction of fiduciary obligations or duty of loyalty to the company; (iii) conviction of a felony, or a plea of guilty or *nolo contendere* to a felony charge or any criminal act involving moral turpitude or which in the reasonable opinion of the Board brings the executive, the Board, the company or any affiliate into disrepute; (iv) neglect of or negligent performance of the executive's duties under the employment agreement; (v) willful, unauthorized disclosure of material confidential information belonging to the company, or entrusted to the company by a client, customer, or other third party; (vi) repeatedly being under the influence of drugs or alcohol (other than prescription medicine or other medically related drugs to the extent that they are taken in accordance with their directions) during the performance of the executive's duties, or, while under the influence of such drugs or alcohol, engaging in grossly inappropriate conduct during the performance of the executive's duties; (vii) repeated failure to comply with the lawful

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directions of the executive's immediate supervisor or the Board that are not inconsistent with the terms of the employment agreement; or (viii) actual engagement in conduct that violates applicable state or federal laws governing the workplace that could reasonably be expected to bring the company or any affiliate into disrepute.

Change in Control. A "change in control" means the earliest to occur of any of the following events, construed in accordance with section 409A of the Internal Revenue Code: (i) any one Person or more than one Person Acting as a Group (each as defined below) acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, beneficial ownership of more than a majority of the total fair market value or total voting power of the then-outstanding securities of HeartWare International, Inc.; (ii) any one Person or more than one Person Acting as a Group (each as defined below) acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, the assets of HeartWare International, Inc. that have a total gross fair market value (as determined by the Board) of more than 50% of the total gross fair market value of all of the assets of, as applicable, HeartWare International, Inc. immediately prior to the initiation of the acquisition; or (iii) a majority of the members of the Board of Directors of HeartWare International, Inc. is replaced during any 12-month period by directors whose appointment or election is not endorsed or approved by a majority of the members of the Board who were members of the Board prior to the initiation of the replacement.

For purposes of this definition, a "Person" means any individual, entity or group within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than (A) HeartWare International, Inc., (B) any trustee or other fiduciary holding securities under an employee benefit plan of HeartWare International, Inc., or (C) any corporation owned, directly or indirectly, by the stockholders of HeartWare International, Inc. in substantially the same proportions as their ownership of stock of HeartWare International, Inc. Persons will be considered to be "Acting as a Group" (or a "Group") if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such stockholder is considered to be Acting as a Group with other stockholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be Acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

Good Reason. Under our employment agreements, "good reason" is defined to include (i) a material diminution in base salary; (ii) a material diminution in authority, duties, or responsibilities; (iii) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the executive is required to report, (iv) a material diminution in the budget over which the executive retains authority; or (v) any other action or inaction that constitutes a material breach by the company of any agreement under which the executive provides services.

The following table reflects amounts payable to each of our named executive officers in the event of termination from the company under various scenarios. The amounts shown are estimated and assume that termination was effective as of December 31, 2013, and are based on the price per share of our common stock on that date, \$93.90. Amounts actually received by any named executive officer should any one of them cease to be employed will vary based on factors such as the timing during the year of the event, our stock price and any changes to our benefit arrangements and policies. Additionally, termination events not following a change in control do not include annual bonus amounts as participants must be employed by us on the payment date which is generally before the end of the first quarter of the following year.

Name	Voluntary Resignation	Death or Disability	Termination due to Position Elimination (not following a change in control)	Termination without Cause or Resignation for Good Reason (not following a change in control)	Change in Control	Termination without Cause or Resignation for Good Reason (following a change in control)
Douglas Godshall						
Salary	0	0	543,375	543,375	0	1,086,750
Bonus	0	0	0	0	0	273,046
Health & Welfare	0	0	21,362	21,362	0	42,724
Restricted Stock Units	0	4,564,667	4,564,667	0	4,564,667	4,564,667
Other Payments	0	0	0	0	0	0
Total:	\$0	\$4,564,667	\$5,129,404	\$564,737	\$4,564,667	\$5,967,187
Peter McAree						
Salary	0	0	162,688	162,688	0	325,376
Bonus	0	0	0	0	0	104,120
Health & Welfare	0	0	10,681	10,681	0	21,362
Restricted Stock Units	0	2,417,925	0	0	2,417,925	2,417,925
Other Payments	0	0	0	0	0	0
Total:	\$0	\$2,417,925	\$173,369	\$173,369	\$2,417,925	\$2,868,783
Jeffrey LaRose						
Salary	0	0	332,562	332,562	0	665,124
Bonus	0	0	0	0	0	96,651
Health & Welfare	0	0	21,362	21,362	0	42,724
Restricted Stock Units	0	1,835,745	1,835,745	0	1,835,745	1,835,745
Other Payments	0	0	0	0	0	0
Total:	\$0	\$1,835,745	\$2,189,669	\$353,924	\$1,835,745	\$2,640,244
James Schuermann						
Salary	0	0	151,068	151,068	0	302,136
Bonus	0	0	0	0	0	99,705
Health & Welfare	0	0	10,681	10,681	0	21,362
Restricted Stock Units	0	1,651,044	1,651,044	0	1,651,044	1,651,044
Other Payments	0	0	0	0	0	0
Total:	\$0	\$1,651,044	\$1,812,793	\$161,749	\$1,651,044	\$2,074,247
Lawrence Knopf						
Salary	0	0	165,238	165,238	0	330,476
Bonus	0	0	0	0	0	103,274
Health & Welfare	0	0	10,681	10,681	0	21,362
Restricted Stock Units	0	1,924,950	1,924,950	0	1,924,950	1,924,950
Other Payments	0	0	0	0	0	0
Total:	\$0	\$1,924,950	\$2,100,869	\$175,919	\$1,924,950	\$2,380,062

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of April 11, 2014, information regarding beneficial ownership of shares of our common stock by the following:

- each person, or group of affiliated persons, who is known by us to beneficially own 5% or more of any class of our voting securities;
- each of our directors;
- each of our named executive officers; and
- all current directors and executive officers as a group.

Beneficial ownership is determined according to the rules of the SEC. Beneficial ownership generally includes voting or investment power of a security and includes shares underlying options that are currently exercisable or exercisable within 60 days after the measurement date. This table is based on information supplied by our officers, directors and principal stockholders. Except as otherwise indicated, we believe that the beneficial owners of the shares of common stock listed below, based on the information each of them has given to us, have sole investment and voting power with respect to their shares.

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Unless otherwise indicated, we deem shares of common stock subject to options and time-based restricted stock unit awards that, in each case, become exercisable or vest within 60 days of March 31, 2014 to be outstanding and beneficially owned by the person holding the restricted stock units or options for the purpose of computing percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the ownership percentage of any other person.

As of April 11, 2014, there were 16,980,579 shares of our common stock outstanding.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned		Percent of Shares Outstanding
5% Shareholders			
Wellington Asset Management 280 Congress Street Boston, MA 02210	1,928,257	(1)	11.4%
FMR LLC 82 Devonshire Street Boston, MA 02109	1,751,670	(2)	10.6%
AllianceBernstein LP 1345 Avenue of the Americas New York, N.Y. 10105	1,276,545	(3)	7.8%
T. Rowe Price Associates, Inc. 100 E. Pratt Street, 52nd Floor Baltimore, Maryland 21202	1,110,671	(4)	6.6%
BlackRock Inc. 40 East 52nd Street New York, NY 10022	918,938	(5)	5.6%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	906,214	(6)	5.5%
Directors and Named Executive Officers			
Ray Larkin	7,250	(7)	*
Dr. Seth Harrison	155,329	(8)	*
Timothy Barberich	16,071	(9)	*
Cynthia Feldmann	2,000	(10)	*
Robert Stockman	23,474	(11)	*
Robert Thomas	11,260	(12)	*
Dr. Denis Wade	9,966	(13)	*
Douglas Godshall	93,470	(14)	*
Peter F. McAree	4,921		*
Jeffrey LaRose	5,180	(15)	*
James Schuermann	12,198	(16)	*
Lawrence Knopf	7,719		*
All directors and executive officers as a group (14 persons)	<u>355,580</u>	(17)	2.1%

* Indicates less than 1%

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- (1) Information based on Schedule 13G/A reported as of January 31, 2014 and filed with the SEC by Wellington Management Company, LLP (“Wellington Management”) on February 10, 2014. Wellington Management, in its capacity as investment adviser, may be deemed to beneficially own the reported number of shares, which are held of record by clients of Wellington Management.
- (2) Information based on Schedule 13G/A filed with the SEC by FMR LLC and Edward C. Johnson 3d on February 14, 2014. Fidelity Management & Research Company (“Fidelity”), a wholly-owned subsidiary of FMR LLC, is the beneficial owner of the reported shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the reported shares. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds’ Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds’ Boards of Trustees.
- (3) Information based on Schedule 13G/A filed with the SEC by AllianceBernstein LP on January 29, 2014. AllianceBernstein LP is a majority-owned subsidiary of AXA Financial, Inc. and an indirect majority owned subsidiary of AXA SA. AllianceBernstein LP may be deemed to share beneficial ownership with AXA reporting persons by virtue of 26,526 shares of common stock acquired on behalf of the general and special accounts of the affiliated entities for which AllianceBernstein serves as a subadvisor. Each of AllianceBernstein and the AXA entities reporting herein acquired their shares of common stock for investment purposes in the ordinary course of their investment management and insurance businesses.
- (4) Information based on Schedule 13G/A filed with the SEC by T. Rowe Price Associates, Inc. on February 13, 2014. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (“Price Associates”) serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (5) Information based on Schedule 13G filed with the SEC by Blackrock Inc. on January 29, 2014. Blackrock reported that possessed sole voting and dispositive power with respect to all of the shares.
- (6) Information based on Schedule 13G filed with the SEC by The Vanguard Group on February 11, 2014. The Vanguard Group reported that it possesses sole dispositive power with respect to 885,277 shares, sole voting power with respect to 22,037 shares and shared dispositive power with respect to 20,937 shares.
- (7) Includes 2,500 shares subject to options exercisable within 60 days of April 11, 2014 and 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014.
- (8) Includes 2,500 shares subject to options exercisable within 60 days of April 11, 2014, 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014, 16,186 shares held by Dr. Harrison’s spouse and 3,500 shares held by Tortoise Foundation, a charitable foundation managed by Dr. Harrison. Dr. Harrison disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein.
- (9) Includes 8,214 shares subject to options exercisable within 60 days of April 11, 2014 and 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014.
- (10) Includes 750 shares subject to options exercisable within 60 days of April 11, 2014 and 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014.
- (11) Includes 8,214 shares subject to options exercisable within 60 days of April 11, 2014 and 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014.

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- (12) Includes 2,500 shares subject to options exercisable within 60 days of April 11, 2014, 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014 and 2,500 shares held in trust.
- (13) Includes 4,966 shares held by a family trust, 2,500 shares subject to options exercisable within 60 days of April 11, 2014 and 750 shares subject to restricted stock units that will vest within 60 days of April 11, 2014.
- (14) Includes 37,344 shares subject to options exercisable within 60 days of April 11, 2014.
- (15) Includes 4,358 shares subject to options exercisable within 60 days of April 11, 2014.
- (16) Includes 4,429 shares subject to options exercisable within 60 days of April 11, 2014.
- (17) Includes 75,809 shares subject to options exercisable within 60 days of April 11, 2014 and 5,250 shares subject to restricted stock units that will vest within 60 days of April 11, 2014.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of the common stock and other equity securities of our company. Officers, directors, and greater than ten percent beneficial owners are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely upon information furnished to us and contained in reports filed with the SEC, as well as any written representations that no other reports were required, we believe that filing requirements under Section 16(a) of the Exchange Act for our directors, executive officers and beneficial owners of greater than ten percent were timely satisfied with the exception of two Form 4s for Robert Thomas, which were filed late due to administrative oversight. In making these statements, we have relied on the written representations of our directors and executive officers and copies of their reports filed with the SEC.

OTHER BUSINESS

2015 Stockholder Proposals

Stockholders interested in submitting a proposal to be considered for inclusion in our Proxy Statement and form of Proxy for the 2015 annual meeting of stockholders may do so by following the procedures prescribed by Securities Exchange Act Rule 14a-8. To be eligible for inclusion, proposals must be submitted in writing and received by us at the address appearing as our principal executive offices on or before Wednesday, December 24, 2014.

A stockholder of ours may wish to have a proposal presented at the 2015 annual meeting of stockholders, but not to have the proposal included in our Proxy Statement and form of Proxy relating to that meeting.

Pursuant to our bylaws, in most circumstances, no business may be brought before the annual meeting unless it is specified in the notice of meeting (or any supplement thereto) or is otherwise brought before the meeting at the direction of the Board or by a stockholder of record who otherwise has the right to submit the proposal and who has delivered written notice to us (containing certain information specified in the bylaws about the stockholder and the proposed action) no later than 120 days prior to the first anniversary of the mailing date of the proxy statement for the preceding year's annual meeting, i.e., before Wednesday, December 24, 2014.

Nominating or Recommending for Nomination Candidates for Director

Our bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our bylaws. In addition, the stockholder must give timely notice to us in accordance with our bylaws, which, in general, require that the notice be received by us within the time period described above under "2015 Stockholder Proposals" for stockholder proposals that are not intended to be included in our Proxy Statement.

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Transaction of Other Business

At the date of this Proxy Statement, the Board knows of no other business that will be conducted at the annual meeting to be held on June 4, 2014 other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting or any adjournment or postponement of the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

By order of the Board of Directors,



Douglas Godshall
Chief Executive Officer
April 29, 2014

B Non-Voting Items

Change of Address — Please print new address below.

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

Please sign exactly as your name appears hereon. If stock is held jointly, signature should include both names. Administrators, Trustees, Guardians and others signing in a representative capacity, please give your full titles.

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

Signature 1 — Please keep signature within the box.

Signature 2 — Please keep signature within the box.

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Please promptly sign, date and return the proxy card to
Computershare Trust Company, N.A., P.O. Box 43070, Providence RI 02940-3070 USA.

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

Proxy — Heartware International, Inc.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF HEARTWARE INTERNATIONAL, INC.

The undersigned, a stockholder of HeartWare International, Inc., a Delaware corporation (the “Company”), does hereby appoint Douglas Godshall and Larry Knopf and each of them as Proxies with full power of substitution in each of them, in the name, place and stead of the undersigned, to vote at the Annual Meeting of Stockholders of the Company to be held at its corporate headquarters, 500 Old Connecticut Path, Framingham, MA, on June 4, 2014 at 2:00 P.M., U.S. Eastern Time (4:00 A.M. on June 5, 2014, Australian Eastern Standard Time), and at any adjournments or postponements thereof, all of the shares of the Company’s common stock that the undersigned would be entitled to vote if personally present. If any nominee for director should be unavailable for election as a result of an unexpected occurrence, the foregoing proxy holders may vote for election of a substitute nominee proposed by the Board of Directors.

(continued on reverse side)