

CUTERA INC  
Form DEF 14A  
April 28, 2014

---

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

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-11(c) or §240.14a-2

CUTERA, 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:

---

(5) Total fee paid:

---

o 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 2014 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 18, 2014

10:00 A.M. Pacific Time

To our Stockholders:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders of Cutera, Inc. (the “Company”). The meeting will be held at our principal executive offices located at 3240 Bayshore Blvd., Brisbane, California 94005-1021. The meeting will be held on June 18, 2014 at 10:00 a.m. Pacific Time, for the following purposes:

1. To elect two Class I directors to each serve for a three-year term that expires at the 2017 Annual Meeting of Stockholders and until their successors have been duly elected and qualified;
2. To ratify the selection of BDO USA, LLP as the independent registered public accounting firm of the Company (the “Independent Registered Public Accounting Firm”) for the fiscal year ending December 31, 2014;
3. To hold a non-binding, advisory vote on the compensation of our Named Executive Officers; and
4. To transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice of Annual Meeting.

To help conserve resources and reduce printing and distribution costs, we will be mailing a notice to our stockholders, instead of a paper copy of this proxy statement and our 2013 Annual Report, with instructions on how to access our proxy materials over the Internet, including this proxy statement, our 2013 Annual Report and a form of proxy card or voting instruction card. The notice will also contain instructions on how each of those stockholders can receive a paper copy of our proxy materials.

The meeting will begin promptly at 10:00 a.m., local time, and check-in will begin at 9:50 a.m. local time. Only holders of record of shares of our common stock (NASDAQ: CUTR) at the close of business on April 22, 2014 will be entitled to notice of, and to vote at, the meeting and any postponements or adjournments of the meeting.

For a period of at least 10 days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose relating to the Annual Meeting during normal business hours at our principal executive offices located at 3240 Bayshore Blvd., Brisbane, California 94005-1021.

By order of the Board of Directors,

Kevin P. Connors  
President and Chief Executive Officer

Brisbane, California  
April 25, 2014

---

YOUR VOTE IS IMPORTANT!

REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE BY TELEPHONE, OR IF AVAILABLE, ELECTRONICALLY, OR, IF YOU RECEIVED PER YOUR REQUEST A PAPER COPY OF OUR PROXY MATERIALS, COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE. NO ADDITIONAL POSTAGE IS NECESSARY IF THE PROXY CARD IS MAILED IN THE UNITED STATES OR CANADA. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE MEETING.

---

## TABLE OF CONTENTS

	<u>Page</u>
<u>QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION AND VOTING AT THE ANNUAL MEETING</u>	1
<u>Why am I receiving these proxy materials?</u>	1
<u>Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?</u>	1
<u>What is the purpose of the Annual Meeting?</u>	2
<u>Who is entitled to attend the meeting?</u>	2
<u>Who is entitled to vote at the meeting?</u>	2
<u>How many shares must be present or represented to conduct business at the meeting (that is, what constitutes a quorum)?</u>	2
<u>What items of business will be voted on at the meeting?</u>	2
<u>How does the Board recommend that I vote?</u>	3
<u>What shares can I vote at the meeting?</u>	3
<u>What is the difference between holding shares as a stockholder of record and as a beneficial owner?</u>	3
<u>How can I vote my shares without attending the meeting?</u>	3
<u>How can I vote my shares in person at the meeting?</u>	3
<u>Can I change my vote?</u>	4
<u>Is my vote confidential?</u>	4
<u>What vote is required to approve each item and how are votes counted?</u>	4
<u>What is a “broker non-vote”?</u>	5
<u>How are “broker non-votes” counted?</u>	5
<u>How are abstentions counted?</u>	5
<u>What happens if additional matters are presented at the meeting?</u>	5
<u>Who will serve as inspector of election?</u>	5
<u>What should I do in the event that I receive more than one set of proxy/voting materials?</u>	5
<u>Who is soliciting my vote and who will bear the costs of this solicitation?</u>	6
<u>Where can I find the voting results of the meeting?</u>	6
<u>What is the deadline to propose actions for consideration at next year’s Annual Meeting of stockholders or to nominate individuals to serve as directors?</u>	6
<u>STOCK OWNERSHIP</u>	7
<u>Security Ownership of Certain Beneficial Owners and Management</u>	7
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	8
<u>CORPORATE GOVERNANCE AND BOARD MATTERS</u>	8
<u>Director Independence</u>	8
<u>Board Leadership Structure</u>	8
<u>Risk Oversight and Analysis</u>	8
<u>Committees of the Board</u>	9
<u>Meetings Attended by Directors</u>	10
<u>Director Nomination Process</u>	10
<u>Director Compensation</u>	11
<u>Code of Ethics</u>	12
<u>Compensation Committee Interlocks and Insider Participation</u>	12
<u>Review, Approval or Ratification of Related Party Transactions</u>	12

<u>Certain Relationships and Related Transactions</u>	13
<u>Family Relationships</u>	13
<u>Indemnification Agreements</u>	13
<u>Communications with the Board by Stockholders</u>	13

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
<u>Stock Ownership Guidelines</u>	13
<u>REPORT OF THE AUDIT COMMITTEE</u>	15
<u>PROPOSAL ONE—ELECTION OF DIRECTORS</u>	16
<u>Classes of the Board of Directors</u>	16
<u>Director Nominees</u>	16
<u>Board of Directors’ Recommendation</u>	17
<u>Directors Whose Terms Extend Beyond the 2014 Annual Meeting</u>	17
<u>PROPOSAL TWO—RATIFICATION OF ERNST &amp; YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	19
<u>Board of Directors’ Recommendation</u>	19
<u>Audit and Non-Audit Services</u>	20
<u>PROPOSAL THREE— NON-BINDING VOTE ON EXECUTIVE COMPENSATION</u>	21
<u>General</u>	21
<u>Summary of 2013 Executive Compensation Program</u>	21
<u>Board of Directors’ Recommendation</u>	22
<u>NAMED EXECUTIVE OFFICERS AND EXECUTIVE COMPENSATION</u>	23
<u>Compensation Discussion and Analysis</u>	23
<u>Internal Revenue Code Section 162(m) and Limitations on Executive Compensation</u>	31
<u>Securities Authorized for Issuance Under Equity Compensation Plans</u>	32
<u>Summary Compensation Table</u>	33
<u>Grants of Plan-Based Awards</u>	34
<u>Equity Incentive Awards Outstanding</u>	34
<u>Options Exercised and Stock Vested</u>	35
<u>Potential Payments Upon Termination or Change in Control</u>	35
<u>COMPENSATION COMMITTEE REPORT</u>	38
<u>OTHER MATTERS</u>	39

Table of Contents

PROXY STATEMENT  
FOR  
2014 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 18, 2014

The Board of Directors (“Board”) of Cutera, Inc., a Delaware corporation, is soliciting the enclosed proxy from you. The proxy will be used at our 2014 Annual Meeting of Stockholders to be held on Wednesday, June 18, 2014, beginning at 10:00 a.m., Pacific Time, which is the local time, at our principal executive offices located at 3240 Bayshore Blvd., Brisbane, California 94005-1021, and at any postponements or adjournments thereof. This proxy statement contains important information regarding the meeting. Specifically, it identifies the matters upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes the voting procedures.

In this proxy statement the terms “we”, “our”, “Cutera” and the “Company” each refer to Cutera, Inc.; the term “Board” means our Board of Directors; the term “proxy materials” means this proxy statement, the enclosed proxy card, and our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 18, 2014, and the term “Annual Meeting” means our 2014 Annual Meeting of Stockholders.

We are sending the Notice of Internet Availability of Proxy Materials on or about May 7, 2014, to all stockholders of record at the close of business on April 22, 2014 (the “Record Date”).

QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION AND VOTING AT THE ANNUAL MEETING

Why am I receiving these proxy materials? You are receiving these proxy materials from us because you were a stockholder of record at the close of business on the Record Date (which was April 22, 2014). As a stockholder of record, you are invited to attend the meeting and are entitled to and requested to vote on the items of business described in this proxy statement.

Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials? Pursuant to SEC rules, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders.

All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed set of the proxy materials.

Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found on the Notice.

In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Choosing to receive your future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual stockholders’ meetings on the environment. If you chose in connection with our 2013 Annual Meeting of Stockholders to receive future proxy materials by email, you should receive an email this year with instructions containing a link to those materials and a link to the proxy voting site. In connection with our upcoming Annual Meeting, if you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your



election to receive proxy materials by email will remain in effect until you terminate it.

-1-

---

Table of Contents

What is the purpose of the Annual Meeting?	<p>At our meeting, stockholders of record will vote upon the items of business outlined in the notice of meeting (on the cover page of this proxy statement), each of which is described more fully in this proxy statement. In addition, management will report on the performance of the Company and respond to questions from stockholders.</p> <p>You are entitled to attend the meeting only if you owned our common stock (or were a joint holder) as of the Record Date or if you hold a valid proxy for the meeting. You should be prepared to present photo identification for admittance.</p>
Who is entitled to attend the meeting?	<p>Please also note that if you are not a stockholder of record but hold shares in street name (that is, through a broker or nominee), you will need to provide proof of beneficial ownership as of the Record Date, such as your most recent brokerage account statement, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership.</p> <p>The meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:50 a.m., local time.</p>
Who is entitled to vote at the meeting?	<p>Only stockholders who owned our common stock at the close of business on the Record Date are entitled to notice of and to vote at the meeting, and at any postponements or adjournments thereof.</p> <p>As of the Record Date, 14,193,752 shares of our common stock were outstanding. Each outstanding share of our common stock entitles the holder to one vote on each matter considered at the meeting. Accordingly, there are a maximum of 14,193,752 votes that may be cast at the meeting.</p>
How many shares must be present or represented to conduct business at the meeting (that is, what constitutes a quorum)?	<p>The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock entitled to vote at the meeting will constitute a quorum. A quorum is required to conduct business at the meeting. The presence of the holders of our common stock representing at least 7,096,877 votes will be required to establish a quorum at the meeting. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.</p>
What items of business will be voted on at the meeting?	<p>The items of business scheduled to be voted on at the meeting are as follows:</p> <ol style="list-style-type: none"><li>1. the election of two nominees to serve as Class I directors on our Board;</li><li>2. the ratification of BDO USA, LLP (“BDO”) as the Independent Registered Public Accounting Firm for the 2014 fiscal year;</li><li>3. to hold a non-binding vote on the compensation of our Named Executive Officers; and</li><li>4. to transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof. These proposals are described more fully below in this proxy statement. As of the date of this proxy statement, the only business that our Board intends to present or knows of that others will present at the meeting is as set forth in this proxy statement. If any other matter or matters are properly brought before the</li></ol>

meeting, it is the intention of the persons who hold proxies to vote the shares they represent in accordance with their best judgment.

Table of Contents

How does the Board recommend that I vote?	Our Board recommends that you vote your shares “FOR” each of the director nominees, “FOR” the ratification of BDO as the Independent Registered Public Accounting Firm for the 2014 fiscal year, and “FOR” the approval of a non-binding vote on executive compensation.
What shares can I vote at the meeting?	<p>You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner through a broker, trustee or other nominee such as a bank.</p> <p>Most of our stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.</p>
What is the difference between holding shares as a stockholder of record and as a beneficial owner?	<p><b>Stockholders of Record.</b> If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, Inc., you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to Cutera or to vote in person at the meeting. We have enclosed a proxy card for your use.</p> <p><b>Beneficial Owner.</b> If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the meeting. Please note that since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.</p>
How can I vote my shares without attending the meeting?	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 meeting. Stockholders of record of our common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelope. Our stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided by the broker, trustee or nominee and mailing them in the accompanying pre-addressed envelope.
How can I vote my shares in person at the meeting?	Shares held in your name as the stockholder of record may be voted in person at the meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the meeting, we recommend that you also submit your proxy card or voting instructions as described above so that your vote will be counted if you later decide not to, or are unable to, attend the meeting.

Table of Contents

Can I change my vote?

You may change your vote at any time prior to the vote at the meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to our Secretary prior to your shares being voted, or by attending the meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Cutera or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy card, which are then forwarded to our management.

The vote required to approve each item of business and the method for counting votes is set forth below:

**Election of Directors.** The two director nominees receiving the highest number of affirmative “FOR” votes at the meeting (a plurality of votes cast) will be elected to serve as Class I directors. You may vote either “FOR” or “WITHHOLD” your vote for the director nominees. A properly executed proxy marked “WITHHOLD” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

What vote is required to approve each item and how are votes counted?

**Ratification of BDO as our Independent Registered Public Accounting Firm.** For the ratification of BDO as our Independent Registered Public Accounting Firm, the affirmative “FOR” vote of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. You may vote “FOR,” “AGAINST” or “ABSTAIN” for this item of business. If you “ABSTAIN,” your abstention has the same effect as a vote “AGAINST.”

**Non-binding Vote on Executive Compensation.** For the non-binding vote on executive compensation, the affirmative “FOR” vote of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. You may vote “FOR,” “AGAINST” or “ABSTAIN” for this item of business. If you “ABSTAIN,” your abstention has the same effect as a vote “AGAINST.”

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board (“FOR” all of the Company’s nominees to the Board, “FOR” ratification of BDO as our Independent Registered Public Accounting Firm, “FOR” the approval, by non-binding vote, of executive compensation, and in the discretion of the proxy holders on any other matters that may properly come before the meeting).



Table of Contents

What is a “broker non-vote”?	<p>A “broker non-vote” occurs when a broker expressly instructs on a proxy card that it is not voting on a matter, whether routine or non-routine. Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients who are the beneficial owners of the shares, brokers have the discretion to vote such shares on routine matters, which includes ratifying the appointment of an independent registered public accounting firm but does not include the election of directors, and the non-binding vote on executive compensation. Therefore, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares “FOR” ratification of BDO as the Independent Registered Public Accounting Firm.</p> <p>However, if you do not instruct your broker how to vote with respect to the election of directors and the non-binding vote on executive compensation, your broker may not vote with respect to such proposal and your shares will not be counted as voting in favor of these matters.</p>
How are “broker non-votes” counted?	<p>Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business, but they will not be counted in tabulating the voting result for any particular proposal.</p>
How are abstentions counted?	<p>If you return a proxy card that indicates an abstention from voting on all matters, the shares represented will be counted for the purpose of determining both the presence of a quorum and the total number of votes cast with respect to a proposal (other than the election of directors), but they will not be voted on any matter at the meeting. In the absence of controlling precedent to the contrary, we intend to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote “AGAINST” a proposal.</p>
What happens if additional matters are presented at the meeting?	<p>Other than the three proposals described in this proxy statement, we are not aware of any other business to be acted upon at the meeting. If you grant a proxy, the persons named as proxy holders, Gregory Barrett (Chairman of the Compensation Committee) and Ronald J. Santilli (our Executive Vice President and Chief Financial Officer), will have the discretion to vote your shares on any additional matters that may be properly presented for a vote at the meeting. If, for any unforeseen reason, any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by our Board.</p>
Who will serve as inspector of election?	<p>We expect a representative of Computershare Trust Company, Inc., our transfer agent, to tabulate the votes, and expect Rajesh Madan, our Vice President of Finance and Legal to act as inspector of election at the meeting.</p>
What should I do in the event that I receive more than one set of proxy/voting materials?	<p>You may receive more than one set of these proxy solicitation materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. In addition, If you are a stockholder of record and your shares are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each Cutera proxy card and voting instruction card that you receive to ensure that all your shares are voted.</p>

Table of Contents

Who is soliciting my vote and who will bear the costs of this solicitation?	Your vote is being solicited on behalf of the Board, and the Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, by electronic mail or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. We may also engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Our costs for such services, if retained, will not be material.
Where can I find the voting results of the meeting?	We intend to announce preliminary voting results at the Annual Meeting and file a Form 8-K with the SEC within four business days after the end of our Annual Meeting to report the voting results.
What is the deadline to propose actions for consideration at next year's Annual Meeting of stockholders or to nominate individuals to serve as directors?	<p>As a stockholder, you may be entitled to present proposals for action at a future meeting of stockholders, including director nominations.</p> <p>Stockholder Proposals: For a stockholder proposal to be considered for inclusion in our proxy statement for the Annual Meeting to be held in 2015, the written proposal must be received by our corporate Secretary at our principal executive offices no later than January 8, 2015, which is the date 120 calendar days before the anniversary of the mailing date of the Notice of Internet Availability of Proxy Materials. If the date of next year's Annual Meeting is moved more than 30 days before or after the anniversary date of this year's Annual Meeting, the deadline for inclusion of proposals in our proxy statement is instead a reasonable time before we begin to print and mail its proxy materials. Such proposals also must comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other applicable rules established by the SEC. Stockholders interested in submitting such a proposal are advised to contact knowledgeable legal counsel with regard to the detailed requirements of applicable securities laws. Proposals should be addressed to:</p> <p>Secretary Cutera, Inc. 3240 Bayshore Blvd. Brisbane, California 94005-1021</p> <p>Nomination of Director Candidates: You may propose director candidates for consideration by our Board. Any such recommendations should include the nominee's name and qualifications for Board membership and should be directed to the "Secretary" at the address of our principal executive offices set forth above. In addition, 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, as well as a statement by the nominee consenting to being named as a nominee and to serve as a director if elected. In addition, the stockholder must give timely notice to our corporate Secretary in accordance with the provisions of our Bylaws, which require that the notice be received by our corporate Secretary no later than January 9, 2015.</p> <p>Copy of Bylaw Provisions: You may contact our corporate Secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for</p>



making stockholder proposals and nominating director candidates.

-6-

---

Table of Contents

## STOCK OWNERSHIP

## Security Ownership of Certain Beneficial Owners and Management

The following table provides information relating to the beneficial ownership of our common stock as of the Record Date, by:

- each stockholder known by us to own beneficially more than 5% of our common stock;
- each of our executive officers named in the Summary Compensation Table on page 35 (including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”));
- each of our directors; and
- all of our directors and Named Executive Officers (“NEOs”) as a group.

The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has the sole or shared voting power or investment power and any shares that the individual has the right to acquire within 60 days of April 22, 2014 (the Record Date) through the exercise of any stock option or other right. The number and percentage of shares beneficially owned is computed on the basis of 14,193,752 shares of our common stock outstanding as of the Record Date. The information in the following table regarding the beneficial owners of more than 5% of our common stock is based upon information supplied by principal stockholders or Schedules 13D and 13G filed with the SEC.

Shares of our common stock that a person has the right to acquire within 60 days of the Record Date are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person or entity named in the table has sole voting and disposition power with respect to the shares set forth opposite such person’s or entity’s name. The address for those persons for which an address is not otherwise provided is c/o Cutera, Inc., 3240 Bayshore Blvd., Brisbane, California 94005-1021.

Name and Address of Beneficial Owner	Number of Shares Outstanding	Warrants and Options Exercisable Within 60 Days	Approximate Percent Owned	
GAMCO Investors, Inc.	1,382,500	—	9.7	%
BlackRock, Inc.	1,324,403	—	9.3	%
Craig A Drill	1,260,000	—	8.9	%
Dimensional Fund Advisors LP	1,172,776	—	8.3	%
David B. Apfelberg	7,585	58,779	*	
Gregory Barrett	8,823	16,113	*	
Kevin P. Connors	506,624	638,746	7.7	%
David A. Gollnick	162,573	21,675	1.3	%
W. Mark Lortz	32,212	68,779	*	
Timothy J. O’Shea	18,727	48,779	*	
Ronald J. Santilli	20,057	325,895	2.4	%
Jerry P. Widman	29,927	68,779	*	
All directors and Named Executive Officers as a group (8 persons)	786,528	1,247,545	13.2	%

---

\*Less than 1%.

-7-

---

## Table of Contents

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

Section 16(a) of the Exchange Act requires our directors, officers and beneficial owners of more than 10% of our common stock to file reports of ownership and reports of changes in the ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us, or written representations from reporting persons that no Forms 3, 4 or 5 were required of such persons, we believe that during our fiscal year ended December 31, 2013 all reports were timely filed.

## CORPORATE GOVERNANCE AND BOARD MATTERS

### Director Independence

Our Board currently consists of eight authorized directors, with one vacancy. The Company's directors are David B. Apfelberg, Gregory Barrett, Kevin P. Connors, David A. Gollnick, Timothy J. O'Shea, W. Mark Lortz, and Jerry P. Widman. Our Board has determined that each of the directors other than Kevin P. Connors, the Company's President and CEO, and David A. Gollnick, the Company's Vice President of North American Sales satisfy the current "independent director" standards established by rules of The NASDAQ Stock Market LLC ("Nasdaq").

### Board Leadership Structure

Our Board does not have a chairman but David B. Apfelberg is the Board-designated lead independent director. We believe Dr. Apfelberg's technical qualifications as a physician and Clinical Professor of Plastic Surgery at the Stanford University Medical Center, understanding of our products, tenure with the Company and his knowledge of the aesthetics market make him suitable for this lead independent director position. Our CEO, Mr. Connors, performs many of the functions that a chairman would typically perform and works together with Dr. Apfelberg in setting the agenda for each board meeting and presiding over such meetings. At the end of each board meeting, the independent directors meet without Mr. Connors and Mr. Gollnick present. Following each meeting, Dr. Apfelberg provides feedback to Mr. Connors on his performance and the performance of other Cutera employees during the meeting and frequently recommends new agenda items for the next meeting.

As described in more detail below, the Board has four standing committees, an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Strategic Transactions Committee. The chairman and each member of these committees is an independent director. The Board delegates substantial duties and responsibilities to each committee. The committees make recommendations to the Board and report regularly to the Board on their activities and any actions they have taken. We believe that our independent board committees and their chairman are an important aspect of our board leadership structure.

### Risk Oversight and Analysis

Our management is responsible for managing the risks we face in the ordinary course of operating our business. The Board oversees potential risks and our risk management activities by receiving operational and strategic presentations from management which include discussions of key risks to our business. While our Board has the ultimate responsibility for risk management and oversight, various committees of the Board also support the Board in its fulfillment of this responsibility. For example, our Audit Committee assists the Board in its risk oversight function by reviewing and discussing with management our system of disclosure controls and our internal controls over financial reporting, and risks associated with our cash investment policies. Our business is run conservatively and excessive risk taking has been discouraged. As a result, risk analysis has not been a significant factor for our Compensation Committee in establishing compensation. The Nominating and Corporate Governance Committee assists the Board in

fulfilling its oversight responsibilities with respect to the management of risks associated with Board organization, membership and structure. Our Board established the Strategic Transactions Committee to evaluate business development opportunities and to report back to the full Board with their recommendations.

-8-

---

Table of Contents

## Committees of the Board

Our Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Strategic Transactions Committee. From time to time, our Board may also create various ad hoc committees for special purposes. The membership during the last fiscal year and the function of each of the committees are described below.

Name of Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Strategic Transactions Committee
Non-Employee Directors:				
Jerry P. Widman	X*	X	X	
Timothy J. O'Shea	X		X*	X
W. Mark Lortz	X		X	X
David B. Apfelberg		X	X	
Gregory Barrett		X*	X	
Employee Director:				
Kevin P. Connors				
David A. Gollnick*				
Number of Meetings Held During the Last Fiscal Year	6	5	0	2

X = Committee member  
\* = Chairman of Committee

*Audit Committee. The Audit Committee oversees the Company's accounting and financial reporting processes and the audits of its financial statements. The committee operates under a written charter adopted by the Board in January 2004 and as amended and approved by the Board on October 25, 2013. A copy of the charter can be found at on our website at [www.ir.cutera.com](http://www.ir.cutera.com) under the Corporate Governance section. In this role, the Audit Committee monitors and oversees the integrity of the Company's financial statements and related disclosures, the qualifications, independence, and performance of the Company's Independent Registered Public Accounting Firm, and the Company's compliance with applicable legal requirements and its business conduct policies. Our Board has determined that each member of the Audit Committee meets the independence and financial literacy requirements of the Nasdaq rules and the independence requirements of the SEC. Our Board has determined that Jerry P. Widman continues to qualify as an "audit committee financial expert," as defined in SEC rules. The report of the Audit Committee appears on page 15 of this proxy statement.*

*Compensation Committee. The Compensation Committee, together with our Board, establishes compensation for our CEO and the other executive officers and administers the Company's 2004 Equity Incentive Plan and 2004 Employee Stock Purchase Plan. The Compensation Committee has a written charter, which was adopted by our Board in January 2004, and amended on April 13, 2007 and on April 25, 2008, and can be found on our website at [www.ir.cutera.com](http://www.ir.cutera.com) under the Corporate Governance section.*

### Table of Contents

*Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews and makes recommendations to the Board on matters concerning corporate governance, Board composition, identification, evaluation and nomination of director candidates, Board committees, Board compensation, and conflicts of interest. The Nominating and Corporate Governance Committee has a written charter, which was adopted by our Board in October 2011 and can be found on our website at [www.ir.cutera.com](http://www.ir.cutera.com) under the Corporate Governance section.*

*Strategic Transactions Committee. The Strategic Transactions Committee reviews and evaluates any potential strategic business combination transactions as the possibilities arise and other related or pertinent strategic alternatives for the Company (which may include, but are not limited to, a merger, other business combination, recapitalization, acquisition, spin-off, split-off, acquisition of a subsidiary, division or unit, or other similar transaction).*

### *Meetings Attended by Directors*

*During 2013, the Board held seven meetings, the Audit Committee held six meetings, the Compensation Committee held five meetings, the Strategic Transactions Committee held two meetings and the Nominating and Corporate Governance Committee held no meetings. No director attended fewer than 75% of the meetings of the Board or committee(s) on which he served during 2013.*

*The directors of the Company are encouraged to attend the Company's Annual Meeting of Stockholders. In 2013, director Kevin P. Connors attended the meeting in person; and directors David B. Apfelberg, Gregory Barrett, W. Mark Lortz, Timothy J. O'Shea and Jerry P. Widman attended the meeting telephonically. No other board members attended that meeting in person or telephonically.*

### *Director Nomination Process*

*Director Qualifications. While the Nominating and Corporate Governance Committee has not established specific minimum qualifications for director candidates, the candidates for Board membership should have the highest professional and personal ethics and values, and conduct themselves consistent with our Code of Ethics. While the Nominating and Corporate Governance Committee has not formalized specific minimum qualifications they believe must be met by a candidate to be recommended by the independent members, the Nominating and Corporate Governance Committee believes that candidates and nominees must reflect a Board that is comprised of directors who (i) have broad and relevant experience, (ii) are predominantly independent, (iii) are of high integrity, (iv) have qualifications that will increase overall Board effectiveness and enhance long-term stockholder value, and (v) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members.*

*Stockholder Nominations and Recommendations. As described above in the Question and Answer section of this proxy statement under "What is the deadline to propose actions for consideration at next year's Annual Meeting of Stockholders or to nominate individuals to serve as directors?," our Bylaws set forth the procedure for the proper submission of stockholder nominations for membership on our Board. In addition, the Nominating and Corporate Governance Committee may consider properly submitted stockholder recommendations (as opposed to formal nominations) for candidates for membership on the Board. A stockholder may make such a recommendation by submitting the following information to our Secretary at 3240 Bayshore Blvd., Brisbane, California 94005-1021 no later than January 8, 2015:*

- the candidate's name;*
- home and business contact information;*
- detailed biographical data, relevant qualifications, professional and personal references;*

- information regarding any relationships between the candidate and Cutera within the last three years; and
- evidence of ownership of Cutera stock by the recommending stockholder.

-10-

---



Table of Contents

Identifying and Evaluating Director Nominees. Typically new candidates for nomination to the Board are suggested by existing directors or by our executive officers, although candidates may initially come to our attention through professional search firms, stockholders or other persons. The Nominating and Corporate Governance Committee carefully reviews the qualifications of any candidates who have been properly brought to its attention. Such a review may, in the Nominating and Corporate Governance Committee's discretion, include a review solely of information provided to the Nominating and Corporate Governance Committee or may also include discussion with persons familiar with the candidate, an interview with the candidate or other actions that the Nominating and Corporate Governance Committee deems proper. The Nominating and Corporate Governance Committee shall consider the suitability of each candidate, including the current members of the Board, in light of the current size and composition of the Board. In evaluating the qualifications of the candidates, Nominating and Corporate Governance Committee considers many factors, including, issues of character, judgment, independence, expertise, length of service, and other commitments. In addition, the Nominating and Corporate Governance Committee takes into account diversity in professional experience, skills and background in considering and evaluating candidates. However, while diversity relating to background, skill, experience and perspective is one factor considered in the nomination process, the Company does not have a formal policy relating to diversity. The Nominating and Corporate Governance Committee evaluates such factors, among others, and does not assign any particular weighting or priority to any of these factors. Candidates properly recommended by stockholders are evaluated by the Nominating and Corporate Governance Committee using the same criteria as other candidates. Candidates are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law.

Director Nominees at our 2014 Annual Meeting. Our Nominating and Corporate Governance Committee recommended the director nominees for nomination to our Board.

## Director Compensation

The following table sets forth a summary of the cash compensation paid and the grant date fair value of shares of Cutera common stock which vest over a one-year period, awarded to our non-employee directors in the fiscal year ended December 31, 2013.

## 2013 Director Compensation Table

Name	Fees	Stock Awards <sup>(2)</sup>	All Other Compensation <sup>(3)</sup>	Total
	Earned or Paid in Cash <sup>(1)</sup>			
David B. Apfelberg	54,500	\$ 60,000 <sup>(4)</sup>	\$ —	\$ 114,500
Gregory Barrett	61,500	60,000 <sup>(5)</sup>	—	121,500
David A. Gollnick	45,000	60,000 <sup>(6)</sup>	46,720 <sup>(6)</sup>	151,720
W. Mark Lortz	57,500	60,000 <sup>(7)</sup>	—	117,500
Timothy J. O'Shea	62,500	60,000 <sup>(8)</sup>	—	122,500
Jerry P. Widman	71,000	60,000 <sup>(9)</sup>	—	131,000

(1) The amounts reported in this column were earned in connection with serving on our Board and its committees, or as committee Chairman retainers, each as described below.

(2) The amounts reported in this column represent the aggregate grant date fair value of shares of Cutera common stock which vest over a one-year period, awarded during the fiscal year ended December 31, 2013 calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718.



## Table of Contents

- (3) The amounts reported in this column were earned for services provided for other than serving on our Board or its committees, each as described below.
- (4) At December 31, 2013, Dr. Apfelberg held options to purchase 52,000 shares of Cutera common stock.
- (5) At December 31, 2013, Mr. Barrett held options to purchase 14,000 shares of Cutera common stock. Mr. Gollnick was paid \$46,720 in 2013 for consulting services provided to the Company. At December 31, 2013, Mr. Gollnick held options to purchase 14,896 shares of Cutera common stock. In February 2014, Mr. Gollnick was
- (6) appointed to serve as Vice President of North American Sales of the Company for the initial duration through July 26, 2014.
- (7) At December 31, 2013, Mr. Lortz held options to purchase 62,000 shares of Cutera common stock.
- (8) At December 31, 2013, Mr. O’Shea held options to purchase 42,000 shares of Cutera common stock.
- (9) At December 31, 2013, Mr. Widman held options to purchase 62,000 shares of Cutera common stock.

For 2013, our non-employee directors earned an annual retainer of \$45,000 for regular Board meetings; \$6,000 for Compensation Committee meetings (for members other than the Chairman); \$7,500 for Audit Committee meetings (for members other than the Chairman); and \$5,000 for Strategic Transactions Committee meetings (for members other than the Chairman). Our non-employee directors did not earn an annual retainer for Nominating and Corporate Governance Committee meetings (for members other than the Chairman). The Chairman of the Audit Committee and the Compensation Committee each earned an annual retainer of \$20,000 for their services on the respective committees. The Chairman of the Nominating and Corporate Governance Committee earned an annual retainer of \$5,000 for his services. Our non-employee directors no longer receive meeting fees for Board and committee meetings regardless of the number of meetings held throughout the year.

Our 2004 Equity Incentive Plan provides for the automatic grant of options to purchase shares of Cutera common stock to our non-employee directors. Each non-employee director who is appointed to the Board will receive an initial option to purchase 14,000 shares of Cutera common stock upon such appointment. Each of these stock options will have an exercise price equal to fair market value of Cutera common stock on the date of grant and a term of seven years and will become exercisable as to one-third of the shares subject to the option on each anniversary of its date of grant, provided the non-employee director remains a director on such dates. In addition, each non-employee director who is a director on the date of each Annual Meeting of Stockholders and has been a director for at least the preceding six months, will receive an award of shares represented by the quotient of \$60,000 divided by the closing market price of Cutera common stock on the date of such Annual Meeting. These shares vest on the one-year anniversary of the grant date.

## Code of Ethics

We are committed to maintaining the highest standards of business conduct and ethics. Our Code of Ethics, as amended, (the “Code”) reflects our values and the business practices and principles of behavior that support this commitment. The Code is intended to satisfy SEC rules for a “code of ethics” required by Section 406 of the Sarbanes-Oxley Act of 2002, as well as the Nasdaq listing standards requirement for a “code of conduct.” The Code is an Exhibit to our Form 8-K filed with the SEC on April 29, 2004, was amended and restated on January 1, 2011, and is available on the Company’s website at [www.cutera.com](http://www.cutera.com). We will post any amendment to the Code, as well as any waivers that are required to be disclosed by the rules of the SEC or Nasdaq, on our website.

## Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of the following members: David Apfelberg, Gregory Barrett and Jerry Widman. No member of this committee, nor any of our executive officers, has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity. No Compensation Committee member is an officer or employee of Cutera.

Review, Approval or Ratification of Related Party Transactions

As provided by our Audit Committee charter, our Audit Committee must review and approve in advance any proposed related party transaction. All of our directors and officers are required to report to our Audit Committee any such related party transaction prior to its completion. We have not adopted specific standards for approval of related party transactions, but instead our Audit Committee reviews each such transaction on a case-by-case basis. Our policy is to require that all executive compensation-related matters be recommended and approved by our Compensation Committee as provided by our Compensation Committee charter and be reported under applicable SEC rules.

-12-

---

Table of Contents

Certain Relationships and Related Transactions

In 2013 and through April 22, 2014, except for compensation paid to the Company's directors and executive officers for services performed in such roles, and except as provided in the following paragraph, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which the Company was or is to be a party in which the amount involved exceeds \$120,000 and in which any director, executive officer, holder of more than 5% of our common stock or any member of their immediate families had or will have a direct or indirect material interest.

We have a consulting agreement with David A. Gollnick pursuant to which Mr. Gollnick is compensated for services that he provides to us, including product development, clinical sales and marketing support. Payments to Mr. Gollnick under this agreement in January 2014, fiscal year 2013 and fiscal year 2012 were \$3,840 plus travel expenses, \$46,720 and \$109,360, respectively. In February 2014, Mr. Gollnick was appointed to serve as Vice President of North American Sales of the Company for the initial duration through July 26, 2014. Mr. Gollnick will continue to serve on the Company's Board during his period of employment.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Indemnification Agreements

Each of our directors and officers has an indemnification agreement with our Company.

Communications with the Board by Stockholders

Stockholders wishing to communicate with the Board or with an individual Board member concerning the Company may do so by writing to the Board or to the particular Board member, and mailing the correspondence to: Attention: Board, c/o Secretary, Cutera, Inc., 3240 Bayshore Blvd., Brisbane, California 94005-1021. The envelope should indicate that it contains a stockholder communication. All such stockholder communications will be forwarded to the director or directors to whom the communications are addressed.

Stock Ownership Guidelines

To enhance our overall corporate governance practices and director compensation program, our Board adopted stock ownership guidelines for our non-employee directors, which the Compensation Committee intends to review annually. These guidelines are designed to align our non-employee directors' interests with our stockholders' long-term interests by promoting long-term ownership of Cutera common stock. These guidelines provide that, within five years of the later of the adoption of the guidelines or his or her first date of election to our Board, our non-employee directors must hold shares of Cutera common stock having a value not less than three times the value of their annual retainer for general Board service.

Table of Contents

As of April 22, 2014, the non-employee directors' holdings and target guidelines were as follows:

Non-Employee Directors	Stock Ownership as of April 22, 2014	Minimum Stock Ownership Required by April 27, 2017 <sup>(1)</sup>
David B. Apfelberg	7,585	12,477
Gregory Barrett	8,823	12,477
David A. Gollnick	162,573	12,477
W. Mark Lortz	32,212	12,477
Timothy J. O'Shea	18,727	12,477
Jerry P. Widman	29,927	12,477

---

(1)Based of the closing stock price of \$10.82 on April 22, 2014.

-14-

---

Table of Contents

REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter, the Audit Committee of the Board is responsible for assisting the Board to fulfill its oversight of the integrity of the Company's financial statements and internal controls, the Company's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, and the performance of the Company's internal audit function and independent auditors. It is the responsibility of the Company's management to prepare the Company's financial statements, develop and maintain adequate systems of internal accounting and financial controls, facilitating the internal audit intended to evaluate the adequacy and effectiveness of the Company's financial and operating internal control systems.

Ernst & Young LLP ("E&Y"), the Company's independent registered public accounting firm for 2013 (the independent auditors), was responsible for performing independent audits of the Company's consolidated financial statements and internal control over financial reporting and issuing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America (GAAP) and on the effectiveness of the Company's internal control over financial reporting. The independent auditors also review the Company's interim financial statements in accordance with applicable auditing standards.

In evaluating the independence of E&Y, the Audit Committee has (i) received the written disclosures and the letter from E&Y required by applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") regarding the audit firm's communications with the committee concerning independence, (ii) discussed with E&Y the firm's independence from the Company and management, and (iii) considered whether E&Y's provision of non-audit services to the Company was compatible with the auditors' independence. The committee has concluded that E&Y was independent from the Company and its management. The committee has reviewed with the independent auditors and the Company's internal auditors the overall scope and specific plans for their respective audits, and the committee regularly monitored the progress of both in assessing the Company's compliance with Section 404 of the Sarbanes-Oxley Act, including their findings, required resources and progress.

In 2013, the Audit Committee held six meetings. At every regular meeting, the committee meets separately, and without management present, with the independent auditors to review the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's accounting and financial reporting. The committee also meets separately at its regular meetings with the Company's management. In addition, from time-to-time the Audit Committee met with the independent internal audit firm.

The committee has met and discussed with management and the independent auditors the fair and complete presentation of the Company's financial statements. The committee has also discussed and reviewed with the independent auditors all communications required by GAAP, including those described in Auditing Standards No. 16, "Communication with Audit Committees", as adopted by the PCAOB. The committee has discussed significant accounting policies applied in the financial statements, as well as alternative treatments. Management has represented that the consolidated financial statements have been prepared in accordance with GAAP and the committee has reviewed and discussed the audited consolidated financial statements with both management and the independent auditors.

Relying on the foregoing reviews and discussions, the committee recommended to the Board, and the Board approved, inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the Securities and Exchange Commission.

On March 31, 2014, the Audit Committee met with BDO USA, LLP and appointed them on April 3, 2014 as the Company's independent registered public accounting firm for 2014.

The foregoing report is provided by the undersigned members of the Audit Committee.

W. Mark Lortz  
Timothy J. O'Shea  
Jerry P. Widman

-15-

---



Table of Contents

## PROPOSAL ONE—ELECTION OF DIRECTORS

## Classes of the Board of Directors

Our Amended and Restated Certificate of Incorporation provides that our Board shall be divided into three classes designated as Class I, Class II and Class III, respectively, with the classes of directors serving for staggered three-year terms. Our Board currently consists of seven directors, divided among the three classes as follows:

two Class I directors, Kevin P. Connors and David A. Gollnick, whose terms expire at our Annual Meeting of Stockholders to be held in 2014;  
two Class II directors, David B. Apfelberg and Timothy J. O’Shea, whose terms expire at our Annual Meeting of Stockholders to be held in 2015; and  
three Class III directors Gregory Barrett, W. Mark Lortz and Jerry P. Widman, whose terms expire at the Annual Meeting of Stockholders to be held in 2016.

The name of each member of the Board, the class in which he serves, and his age as of the Record Date, principal occupation and length of service on the Board are as follows:

Name	Term Expires	Age	Principal Occupation	Director Since
Class I Directors				
Kevin P. Connors	2014	52	President and CEO	1998
David A. Gollnick	2014	50	VP of North American Sales and Former Executive Vice President (“EVP”) of Research and Development	1998
Class II Directors				
David B. Apfelberg <sup>(1)(3)</sup>	2015	72	Clinical Professor of Plastic Surgery, Stanford University Medical Center	1998
Timothy J. O’Shea <sup>(2)(3) (4)</sup>	2015	61	Managing Director, Oxo Capital	2004
Class III Directors				
Gregory Barrett <sup>(1)(3)</sup>	2016	60	President and CEO, DFINE, Inc.	2011
W. Mark Lortz <sup>(2)(3) (4)</sup>	2016	62	Former CEO, TheraSense, Inc.	2004
Jerry P. Widman <sup>(1)(2)(3)</sup>	2016	71	Former CFO, Ascension Health	2004

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of Nominating and Corporate Governance Committee.

(4) Member of the Strategic Transactions Committee.

## Director Nominees

The Board has nominated Kevin P. Connors and David A. Gollnick for re-election as Class I directors.

Kevin P. Connors has served as our President and CEO, and as a member of our Board, since our inception in August 1998. Prior to founding Cutera, from May 1996 to June 1998 Mr. Connors served as President and General Manager of Coherent Medical Group, a unit of Coherent Inc., which manufactures lasers, optics and related accessories. We believe Mr. Connors’ qualifications to serve on our Board include, his knowledge of and leadership experience, in the aesthetic medical equipment industry prior to joining Cutera and the substantial understanding of the Company and its

operations that he has gained while serving as President, CEO and director of the Company since its inception.  
-16-

---

Table of Contents

David A. Gollnick has served as a member of our Board since our inception in August 1998. Since February 2014, he held the position of Vice President of North American Sales for the Company. From March 2009 to January 2014, Mr. Gollnick consulted with the Company for product development, clinical, sales and marketing support as needed. Mr. Gollnick served as our EVP of Research and Development from April 2007 to March 2009 and as Vice President of Research and Development from August 1998 until April 2007. From June 1996 to July 1998, Mr. Gollnick held the position of Vice President of Research and Development at Coherent Medical Group, a unit of Coherent Inc. Mr. Gollnick holds a B.S. in Mechanical Engineering from Fresno State University. We believe Mr. Gollnick's qualifications to serve on our Board include his technical experience in researching and developing products for the aesthetic medical equipment industry and his understanding of our employees, products and operations.

If elected to our Board, directors Kevin P. Connors and David A. Gollnick would each hold office as a Class I director until our Annual Meeting of Stockholders to be held in 2017, or until his earlier resignation, removal, or death.

Board of Directors' Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE TWO NOMINEES FOR CLASS I DIRECTOR LISTED ABOVE.

Directors Whose Terms Extend Beyond the 2014 Annual Meeting

David B. Apfelberg, MD has served as a member of our Board since November 1998. Since 1980, Dr. Apfelberg has held various roles at the Stanford University Medical Center, and currently serves as a Clinical Professor of Plastic Surgery. Since 1987, Dr. Apfelberg has also been a consultant for entrepreneurs and venture capital companies in the areas of medical devices and medicine. From June 1991 to May 2001, Dr. Apfelberg was Director of the Plastic Surgery Center in Atherton, California. Dr. Apfelberg is the author of five books on lasers in medicine and is a founding member and past president of the American Society for Lasers in Medicine and Surgery. Dr. Apfelberg holds both a B.M.S., Bachelor of Medical Science, and an M.D. from Northwestern University Medical School. We believe Dr. Apfelberg's qualifications to serve on our Board include his medical expertise, understanding of our products, and his knowledge of the aesthetics market generally.

Timothy J. O'Shea has served as a member of our Board since April 2004. Mr. O'Shea has been with Oxo Capital since 2008 and serves as a managing director. From 1995 to 2008, he served in a variety of management positions at Boston Scientific, including Corporate Vice President of Business Development from 2000 to 2008. Mr. O'Shea holds a B.A. in history from the University of Detroit. We believe Mr. O'Shea's qualifications to serve on our Board include his corporate marketing knowledge as well as his diverse experience in the medical device industry working for a large medical device company.

Gregory Barrett has served as a member of our Board since October 2011. Mr. Barrett has been the President and CEO of DFINE, Inc., a private medical device equipment company since September 2013. Mr. Barrett was the Chairman, President and CEO of BÂRRX Medical, Inc., a private medical device company that was acquired by Covidien, a manufacturer and distributor of products to treat gastrointestinal diseases. Prior to joining BÂRRX Medical in February 2004, from January 2001 through August 2003, Mr. Barrett served as President and CEO of ACMI Corporation, a developer of medical visualization and energy systems; Group Vice President at Boston Scientific Corporation; Vice President, Global Sales and Marketing at both Orthofix Corporation (formerly American Medical Electronics) and Baxter Healthcare. Mr. Barrett holds a B.A. in Marketing from the University of Texas, Austin. We believe Mr. Barrett's qualifications to serve on our Board include his more than 34 years of diverse experiences in the medical device industry, including time spent serving as president and CEO of several medical device companies.

Table of Contents

W. Mark Lortz has served as a member of our Board since June 2004. Mr. Lortz served as the Chairman, President and CEO of TheraSense until June of 2004 after its acquisition by Abbott Laboratories. Prior to TheraSense, Mr. Lortz held several positions at LifeScan, including Vice President, Operations and Group Vice President, Worldwide Business Operations. Prior to LifeScan, Mr. Lortz had 18 years of experience with the General Electric Company in several divisions. Mr. Lortz currently serves as a member of the Board of Insulet, a publicly-traded manufacturer of insulin infusion systems. Within the past five years, Mr. Lortz also served on the Board of NeuroMetrix, a publicly-traded manufacturer of neurological diagnostic and therapeutic devices, and IntraLase, a manufacturer of lasers for the medical industry and for eye surgery which was acquired by Advanced Medical Optics as well as two privately-held companies in the healthcare industry. Mr. Lortz holds an M.B.A. in Management from Xavier University and a B.S. in Engineering Science from Iowa State University. We believe Mr. Lortz's qualifications to serve on our Board include his executive leadership and management experience as a former CEO, as well as his experience serving on the boards of other public and private companies.

Jerry P. Widman has served as a member of our Board since March 2004. From 1982 to 2001, Mr. Widman served as the CFO of Ascension Health, a not-for-profit multi-hospital system. Mr. Widman currently serves as a member of the Board of three other privately-held companies in the healthcare industry. Within the past five years, Mr. Widman also served on the Board of ArthroCare Corporation, United Surgical Partners International and the Trizetto Group. Mr. Widman holds a B.B.A. from Case Western Reserve University, an M.B.A. from the University of Denver, and a J.D. from Cleveland State University and is a Certified Public Accountant. We believe Mr. Widman's qualifications to serve on our Board include his financial expertise and prior experience as a CFO, as well as his experience serving on the boards of various public and private companies.

Table of Contents

PROPOSAL TWO—RATIFICATION OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected BDO USA, LLP as the Independent Registered Public Accounting Firm to perform the audit of the Company's consolidated financial statements for the fiscal year ending December 31, 2014. E&Y audited the Company's consolidated financial statements for the fiscal year 2013 and 2012.

The Board is asking the stockholders to ratify the selection of BDO as the Company's Independent Registered Public Accounting Firm for 2014. Although not required by law, by rules of Nasdaq, or by the Company's bylaws, the Board is submitting the selection of BDO to the stockholders for ratification as a matter of good corporate practice. Even if the selection is ratified, the Audit Committee in its discretion may select a different Independent Registered Public Accounting Firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

We have requested that representatives of BDO be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from the Company's stockholders.

Board of Directors' Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE SELECTION OF BDO AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.

-19-

---

Prior Changes in Independent Registered Public Accountant

On April 2, 2014, the Audit Committee of the Board dismissed E&Y as the Company's independent registered public accountant. The reports of E&Y on the financial statements of the Company as of and for the fiscal years ended December 31, 2013 and 2012 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the Company's fiscal years ended December 31, 2013 and 2012 and through April 2, 2014, (i) there were no disagreements with E&Y on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to E&Y's satisfaction, would have caused E&Y to make reference to the subject matter of such disagreements in its reports on the Company's consolidated financial statements for such years, and (ii) there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

We provided E&Y with a copy of the disclosures we proposed to make in a current report on Form 8-K dated April 2, 2014, and requested from E&Y a letter indicating whether or not they agree with such disclosures. A copy of E&Y's letter was filed as an exhibit to the Form 8-K reporting the change in our auditors.

Based on the Audit Committee's recommendation, the Company engaged BDO on April 3, 2014, as the Company's independent registered public accountant for the fiscal year ending December 31, 2014. During the Company's two most recent fiscal years ended December 31, 2013 and 2012 and through April 3, 2014, neither the Company nor anyone on its behalf consulted BDO regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided to the Company that BDO concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable event as defined in Item 304(a)(1)(iv) and Item 304(a)(1)(v), respectively, of Regulation S-K.

Audit and Non-Audit Services

To help ensure the independence of the Independent Registered Public Accounting Firm, the Audit Committee has adopted a policy for the pre-approval of all audit and non-audit services to be performed for the Company by its Independent Registered Public Accounting Firm. Pursuant to this policy, all audit and non-audit services to be performed by the Independent Registered Public Accounting Firm must be approved in advance by the Audit Committee. The Audit Committee may delegate to one or more of its members the authority to grant the required approvals, provided that any exercise of such authority is presented to the full Audit Committee at its next regularly scheduled meeting.

The Audit Committee has reviewed all non-audit services provided by E&Y in 2013 and has concluded that the provision of such services was compatible with maintaining their independence in the conduct of their auditing functions.

All of the services provided by E&Y described in the table below were approved by the Audit Committee.

The aggregate fees incurred by the Company for audit and non-audit services in 2013 and 2012 were as follows:

Service Category	2013	2012
Ernst & Young LLP:		
Audit Fees <sup>(1)</sup>	\$521,239	\$403,092
All Other Fees <sup>(2)</sup>	13,300	—
Total Ernst & Young LLP	\$534,539	\$403,092

In accordance with the SEC's definitions and rules, audit fees are comprised of billed and unbilled fees for professional services related to the audit of financial statements and internal control over financial reporting for the (1) Company's 2013 and 2012 fiscal years as included in the annual report on Form 10-K; and the review of financial statements for interim periods included in the quarterly reports on Form 10-Q within those years.

- (2) All Other Fees for 2013 related to the review of the Company's responses to SEC comment letters by E&Y.

-20-

---

Table of Contents

PROPOSAL THREE—NON-BINDING ADVISORY VOTE ON THE COMPENSATION OF NAMED EXECUTIVE OFFICERS

General

As required pursuant to Section 14A of the Securities Exchange Act of 1934, the Board is asking you to approve, on an advisory and non-binding basis, the executive compensation programs and policies and the resulting 2013 compensation of our Named Executive Officers listed in the 2013 Summary Compensation Table on page 33 (our “NEOs”) as described in this proxy statement.

This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our NEOs’ compensation as a whole. This vote is not intended to address any specific item of compensation or any specific NEO, but rather the overall compensation of all of our NEOs and the philosophy, policies and practices described in this proxy statement. We only have two NEOs because our company is a small company and all our employees report into our CEO or CFO. Because the vote is advisory, the result will not be binding on our Compensation Committee and it will not affect, limit or augment any existing compensation or awards. The say-on-pay vote will, however, provide information to the Compensation Committee and our Board regarding investor sentiment about our executive compensation philosophy, policies and practices, which they will take into account when considering future compensation arrangements. Our Board and the Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the compensation of the NEOs as disclosed in this proxy statement, they will consider our stockholders’ concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

We recommend you should read the Compensation Discussion and Analysis and compensation tables and also consider the factors below in determining whether to approve this proposal.

Summary of Our Executive Compensation Program

Pay-for-Performance and Stockholder Alignment

The impact of our growth in revenue, operating results and the stock price on executive compensation is significant. For example, in 2013, 54% of the CEO’s compensation was performance-based, with 50% of his compensation being granted in the form of equity.

Commencing with 2012, the Compensation Committee changed the equity award structure for the NEOs and started granting PSUs, instead of time based vesting RSUs. PSUs are earned only if certain revenue and Net Income targets are achieved. In 2013, PSUs represented 22% of our CEO’s compensation.

Key Features of Our Executive Compensation Program

WHAT WE DO

- ü We pay reasonable salaries and appropriate benefits
- ü We incent and pay for performance to align compensation with shareholder goals.
- ü We retain an independent compensation consultant to benchmark compensation at reasonable intervals.
- ü We consider market conditions and peer groups in establishing compensation
- ü We have stock ownership guidelines

WHAT WE DON’T DO

- û We do not enter into multi-year employment contracts.
- û We do not allow repricing of underwater stock options for our executive officers.
- û We do not have single-trigger equity vesting in the event of a change-in-control
- û We do not provide excessive perquisites
- û We do not provide any tax reimbursements or gross-ups on any severance or change-in-control payments or benefits.





Table of Contents

Following is a summary of some of the key features of our 2013 executive compensation program. For a detailed discussion about our compensation philosophy, policies and practices, and other changes that we have made to our corporate governance policies, see the section titled “Named Executive Officers and Executive Compensation” below beginning on page 23.

The primary objectives of our executive compensation programs are that they be fair, objective and consistent. Further that compensation be directly and substantially linked to measurable corporate and individual performance and that compensation remains competitive so that we can attract, motivate, retain and reward the key executives whose knowledge, skills and performance are necessary for our success.

- We seek to foster a culture where individual performance is aligned with organizational objectives.
- Our NEOs are compensated with cash, equity and non-equity incentives, and other customary employee benefits.

We evaluate and reward our NEOs based on the comparable industry specific and general market compensation for their respective positions in the Company and an evaluation of their contributions to the achievement of short-and long-term organizational goals.

Executive compensation is reviewed annually by the Compensation Committee, and adjustments are made to reflect performance-based factors and competitive conditions.

Our Compensation Committee engages outside compensation consultant to review our executive compensation programs, in comparison to a peer group of companies, and recommend modifications to it.

Our NEOs have Change of Control and Severance Agreements and, except for these arrangements, we do not have employment agreements with any of our NEOs.

- We have stock ownership guideline for our NEOs.

We believe that the information provided above and within the Executive Compensation section of this proxy statement demonstrates that our executive compensation program has been designed appropriately and is working to ensure our NEOs’ interests are aligned with our stockholders’ interests to support long-term value creation.

Accordingly, we ask our stockholders to vote “FOR” the following resolution at the Annual Meeting:

“RESOLVED, that the Company’s stockholders approve, on an advisory and non-binding basis, the compensation of the NEOs, as disclosed in the Company’s Proxy Statement for the Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the other related disclosure.”

Consistent with the preference of our stockholders, as reflected in the advisory vote on the frequency of future say-on-pay votes conducted at our 2011 Annual Meeting of Stockholders, the Board has adopted a policy providing for annual advisory votes on the compensation of the NEOs.

Board of Directors’ Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE ADVISORY (NON-BINDING) VOTE APPROVING THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.



Table of Contents

NAMED EXECUTIVE OFFICERS AND EXECUTIVE COMPENSATION

Set forth below is certain information as of the Record Date, which is April 22, 2014, concerning our NEOs.

Name	Age	Position(s)
Kevin P. Connors	52	President, CEO and Director
Ronald J. Santilli	54	EVP and CFO

Further information regarding Kevin P. Connors is provided above under “Director Nominees.”

Ronald J. Santilli has served as our CFO since September 2001. In addition, Mr. Santilli has performed the role of EVP since April 2007 to present and prior to that he held the position of Vice President of Finance and Administration. Prior to joining Cutera, from April 2001 to August 2001, Mr. Santilli served as Senior Director of Financial Planning and Accounting at Lumenis, a manufacturer of medical lasers. From May 1993 to March 2001, Mr. Santilli held several positions at Coherent Inc., including Sales Operations Manager, Controller of the Medical Group and, most recently, Director of Finance and Administration. Mr. Santilli holds a B.S. in Business Administration from San Jose State University and an M.B.A. in Finance from Golden Gate University.

Compensation Discussion and Analysis

Overview

The primary objectives of our compensation programs are:

- that they be fair, objective and consistent across the employee population;
- that compensation be directly and substantially linked to measurable corporate and individual performance; and
- that compensation remains competitive, so that we can attract, motivate, retain and reward the key employees whose knowledge, skills and performance are necessary for our success.

We seek to foster a culture where individual performance is aligned with organizational objectives. We evaluate and reward our NEOs based on the comparable industry specific and general market compensation for their respective positions in the Company and an evaluation of their contributions to the achievement of short-term and long-term organizational goals. Executive compensation is reviewed and evaluated annually by the Compensation Committee and once every few years by an independent compensation consultant hired by the Compensation Committee. Based on input received from the compensation consultant, and the results of the stockholder vote on say-on-pay, the Compensation Committee makes adjustments to the components of, as well as, the total compensation of the NEOs.

Financial Highlights

Fiscal 2013 was a year for building a stronger foundation for improving future growth in our business. Through adding product specialists to focus on and close Excel V sales, primarily to core physicians, we successfully increased our revenue from this product line. However, this growth was more than offset by the significant challenges that we faced including, an annual decline in our Japan sourced revenue due to the devaluation of the Japanese Yen by approximately 22% versus U.S. Dollar as well as a contraction in the podiatry segment of our business. In managing through the challenges in 2013, we improved our business as follows:

- Improved revenue from our international locations outside of Japan, including, improved international distributor revenue through better collaboration and more focus, higher revenue from our direct business in France and the success of our Excel V business.



## Table of Contents

Increased gross margins from 54% in 2012 to 56% in 2013, on a lower revenue base. This was achieved through the implementation of several management initiatives including, improved reliability of our products and product cost reductions.

Invested in our research and development team to develop two new innovative products that were introduced in March 2014—Excel HR for hair removal and Enlighten for the tattoo and benign pigmented lesion markets.

Improved our Earnings Before Interest Tax Depreciation and Amortization (“EBITDA”) by \$1.2 million in 2013, compared to 2012.

Generated Cash from Operations of \$2.8 million through the continued conservative management of our working capital and overall business.

Repurchased \$10 million of Cutera common stock through our stock repurchase plan.

We ended the year with cash and investments of \$83.1 million – with no debt, a strong diversified portfolio of products. We have implemented several changes to our sales and marketing functions, including the appointment of David A. Gollnick as our Vice President of North American Sales. We will continue to make additional improvements, to increase our market share in the growing aesthetic equipment market.

## Executive Compensation Actions

In 2012, our Compensation Committee conducted a review of our executive compensation policies and practices and engaged an outside compensation consultant to study the design, pay mix, and pay levels of our executives; compare our program to that of our peers; and then make recommendations for changes to our policies or practices that were inconsistent with “best practices.” As part of this review, our executives also directly contacted some of our major stockholders to solicit their input on our executive compensation policies and practices.

In 2013, after reviewing the modifications made to the executive compensation packages of our NEOs in 2012, the Compensation Committee recommended, and our Board approved, the following changes to our executive’s compensation arrangements.

**Base Salary and Bonus:** The Compensation Committee increased the CEO’s annual base compensation in 2013 to bring it up to the 50<sup>th</sup> percentile of the peer group and reduced his target bonus percentage from 95% to 75%. The Compensation Committee maintained the base salary and target bonus percentage of our CFO at the levels set in 2012.

**Equity awards:** In response to the say-on-pay results in 2011 our Compensation Committee discontinued the grant of RSUs to our CEO starting from 2012 and granted PSUs instead that would vest based on the achievement of certain financial goals (as detailed below). In 2013, the Board granted, based on recommendations from the Compensation Committee, market based stock options, RSUs to our CFO, and PSUs to both our CEO and CFO.

**Other Benefits-** There were no changes made to the benefits provided, which are reasonable and customary as discussed in detail below in the section titled “Benefits.”

Based on the recommendations of the Compensation Committee and approval by the Board, the cash compensation changes made to the CEO’s base salary and the CEO’s target bonus percentage, as well as the value of the equity awards granted to the NEO’s in 2013, the total compensation for our NEOs was at approximately the 50<sup>th</sup> percentile of the peer group established in 2012.

The Compensation Committee concluded that the changes to the compensation of our NEOs strengthen the alignment of their interests with those of our stockholders, should be sufficient to maintain competitiveness with the executives in comparable positions at the companies in our Peer Group, and promote their retention. Further, the Compensation Committee also took into consideration the fact that, consistent with our compensation objectives, the equity awards granted increase our NEOs’ stake in the Company, thereby reinforcing their incentive to manage our business as owners and subjecting a significant portion of their total compensation to fluctuations in the market price of Cutera

common stock in alignment with stockholder interests.

-24-

---

## Table of Contents

### Corporate Governance Highlights

We endeavor to maintain good corporate governance standards consistent with our executive compensation policies and practices. The following policies and practices were in effect during 2013:

The Compensation Committee is comprised solely of independent directors who have established effective means for communicating with stockholders regarding executive compensation issues and concerns.

We have a Nominating and Corporate Governance Committee that is comprised of independent directors who review and make recommendations to the Board on matters concerning corporate governance, director composition, identification, evaluation and nomination of director candidates, Board committees, director compensation and conflicts of interest.

The Compensation Committee conducts an annual review and approval of our compensation strategy. We ensure that our compensation practices remain current with market conditions by having them reviewed by compensation consultants from time to time. Our compensation philosophy and related corporate governance features are complemented by several elements that are designed to align our executive compensation with long-term stockholder interests, including the following:

We do not currently offer, nor do we have plans to provide, pension arrangements, retirement plans or nonqualified deferred compensation plans or arrangements to our executive officers, including our NEOs;

We provide limited perquisites to our executive officers, including our NEOs. Our executive officers participate in broad-based Company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees;

Executive officers are not entitled to any tax reimbursement payments (including “gross-ups”) on any severance or change-in-control payments or benefits;

All change-in-control payments and benefits are based on a “double-trigger” arrangement (i.e., requiring both a change-in-control of the Company plus a qualifying termination of employment before payments and benefits are paid);

- We use performance-based short-term and long-term incentives; and

- We adopted stock ownership guidelines for our executive officers and non-employee directors.

### Role of Our Compensation Committee

#### Compensation Committee Charter

The Compensation Committee establishes the compensation for our NEOs, who are our CEO and CFO, and administers our equity incentive plans, which are currently the 2004 Equity Incentive Plan and the 2004 Employee Stock Purchase Plan. The Compensation Committee has a written charter, which was adopted by our Board in January 2004, and was amended in April 2007 and again in April 2008. A copy of this charter, as amended, can be found on our website, which is [www.ir.cutera.com](http://www.ir.cutera.com).

#### Duties of the Compensation Committee

The responsibilities of the Compensation Committee include:

(i) Establishing the following for our NEOs and such other executive officers as appropriate:

(a) annual base salary;

(b) annual incentive bonus, which may include the setting of specific goals and target amounts;

(c) equity compensation;

(d) agreements for employment, severance and change-of-control payments and benefits; and



(e) any other benefits, compensation or arrangements, other than benefits generally available to our employees.  
-25-

---

Table of Contents

- (ii) Reviewing and making recommendations to our Board, at such intervals as may be decided by the Compensation Committee from time to time, regarding:
  - (a) general compensation goals and guidelines for our employees and the criteria by which bonuses and stock compensation awards to our employees are determined; and,
  - (b) other policies and plans for the provision of compensation to our employees, directors and consultants.
- (iii) Acting as Administrator of our 2004 Equity Incentive Plan, 2004 Employee Stock Purchase Plan and any other equity compensation plans adopted by our Board.
- (iv) Reviewing and making recommendations to our Board with respect to policies relating to the issuance of equity incentives to employees, directors and consultants.
- (v) Evaluating the compensation of the independent members of our Board.
- (vi) Preparing the report that follows this Compensation Discussion and Analysis.

Compensation Committee Members

The members of the Compensation Committee are appointed by our Board. The members of the Compensation Committee as of the Record Date were Dr. David B. Apfelberg, Mr. Jerry P. Widman and Mr. Gregory Barrett (chairman). Each member of the Compensation Committee is an “outside director” for purposes of Section 162(m) of the Internal Revenue Code, a “non-employee director” for purposes of Exchange Act Rule 16b-3 and satisfies the independence requirements imposed by Nasdaq.

Role of the Compensation Committee and its Consultant in Setting Executive Compensation

The Compensation Committee establishes the compensation for our NEOs to ensure consistency with market compensation rates for similar positions, our compensation philosophy and corporate governance guidelines. Following the SEC’s reforms relating to executive compensation disclosure, the Compensation Committee assumed an active role in reviewing market data and working with a compensation consultant on executive compensation matters. Because certain components of executive compensation—such as bonus targets—are driven by operational priorities, as to which management has greater insight than our Board or the Compensation Committee, the Compensation Committee has directed management to interface with the Committee and the compensation consultant to help establish appropriate target levels.

The Compensation Committee engaged Compensia in December 2011 to perform the following activities for each of our NEOs:

- Review the components of the total compensation package;
- Evaluate and develop a group of public companies that would be suitable to use as a Peer Group;
- Gather competitive market data with respect to compensation of executive officers of the Peer Group;
- Compare our NEOs’ 2011 compensation against the Peer Group;
  - Recommend any adjustments that should be considered for cash-based and equity-based compensations; and
  - Recommend compensation components that would make the compensation variable based on the performance of the Company

Due to the significant cost associated with services provided by a compensation consultant, we decided not to engage a compensation consultant in 2013, but rather to engage one once every few years. This decision will be evaluated

regularly and will be based on the Compensation Committee's evaluation of whether the prior report obtained, along with the publicly-available information about the executive compensation practices of other public companies from our Peer Group, is sufficient to allow it to make informed and reasonable decisions with regard to executive-compensation matters.

-26-

---

Table of Contents

Role of our Executives in Setting Compensation

On occasion, the Compensation Committee meets with members of our management team, including our CEO and CFO, to obtain recommendations with respect to Company compensation programs, practices and packages for our executive officers, other employees and directors. Management may make recommendations to the Compensation Committee on all components of compensation. The Compensation Committee considers, but is not bound to and does not always accept, management’s recommendations with respect to these matters. The Compensation Committee has the ultimate authority to make decisions with respect to the compensation of our NEOs and does not delegate any of its compensation functions to others.

Competitive Positioning

In developing, reviewing, and approving the annual compensation for our NEOs, the Compensation Committee develops and maintains a peer group of public companies from which to gather competitive market data. The Compensation Committee, with the assistance of Compensia, refined its approach to reviewing market compensation data for our NEOs and approved a set of selection criteria for determining the companies to comprise the compensation peer group. Going forward, companies should meet the following criteria to be included in our compensation peer group (the “Peer Group”):

- U.S.-based companies with a primary focus on health care equipment and supplies;
- revenue of between 0.5x to 2.0x Cutera (approximately \$39 million and \$154 million); and
- market capitalization of between 0.5x to 2.5x Cutera (approximately \$64 million and \$320 million).

This set of selection criteria led us to revise in 2012 the then-existing Peer Group to include the following companies:

Atrion Corporation	Exactech	Solta Medical*
AtriCure	Kensey Nash	Spectranetics
Biolase, Inc.	Lemaitre Vascular	Synergetics USA
Cardiovascular Systems	Palomar Medical Technologies*	Theragenics
Cryolife	Photomedex	Young Innovations
Cynosure*	RTI Biologics	Zeltiq Aesthetics

---

\* Acquired subsequent to 2012 but was part of the then existing Peer Group .

Compensation Components

Our NEOs are compensated with cash, equity and non-equity incentives, and other customary employee benefits.

Cash Compensation

Cash compensation consists of base salary, participation in a bonus program and participation in a profit-sharing plan. Our cash compensation goals for our NEOs are based upon the following principles:

- Cash Compensation should generally be set at or above the 50<sup>th</sup> percentile of the Peer Group;
- Base salary should be positioned to reflect each individual’s experience, performance and potential;
- A significant portion of cash compensation should be “at risk”; and
- The amount of bonuses payable for any quarter should be based on revenue growth, compared with the same quarter in the prior year, and the operating profit before stock-based compensation and non-operational expenses, or “adjusted operating profit”, as a percentage of revenue.



Table of Contents

Base Salary and Total Target Cash Compensation

Total target cash compensation for each Named Executive Officer includes his annual base salary, annual target bonus opportunity (described below) and annual profit-sharing payments.

Bonus Program

In addition to base salary, we provided cash bonus opportunities for our NEOs in 2013 pursuant to which cash bonuses were determined quarterly based on the Company's performance for the then-preceding quarter.

Target Bonus Opportunities

For 2013, the target cash bonuses were designed to reward our NEOs based on the Company's overall financial performance and were established based on the recommendation of the compensation consultants provided to the Compensation Committee. As in prior years, the Compensation Committee determined that the target cash bonus for each NEO should be determined as a percentage of their base salary. In 2013, the Compensation Committee reduced Mr. Connor's target bonus percentage from 95% to 75% and increased his annual base compensation. The Compensation Committee maintained the target bonus percentage of Mr. Santilli at 55%.

The target bonus opportunity is reviewed annually by the Compensation Committee and is based on several factors, including the scope of the NEO's performance, contributions, responsibilities, experience, prior years' target cash bonus and market conditions.

Corporate Performance Measures

For 2013, the Compensation Committee selected revenue growth and adjusted operating profits as the corporate performance measures that best supported our annual operating plan and enhanced long-term value creation for purposes of paying annual cash bonuses. For these purposes, "adjusted operating profits" was defined as operating profit less stock-based compensation expense and non-operational expenses. The Compensation Committee decided that non-operational expenses should be excluded from the operating profit amount as they were deemed unrelated to quarterly "operating" performance.

Using these measures, each fiscal quarter the Compensation Committee compared our performance against the same fiscal quarter in the prior year, 2012, and applied a multiplier of 5.0 to the percentage increase for that quarter to determine our quarterly performance for that measure. If the percentage growth for a fiscal quarter in 2013 was negative (when compared to the same fiscal quarter for the prior year), the multiplier for that measure was zero. For example, at 10% revenue growth and 10% adjusted operating profit, an individual would be eligible to receive 100% of his or her target bonus opportunity for that quarter. At 15% revenue growth and 15% adjusted operating profit, an individual would be eligible to receive 150% of his or her target bonus opportunity.

Based on the actual quarterly revenue growth and adjusted operating profit for each of the quarters in 2013, the NEOs earned the following bonus payout multipliers of their respective target bonus opportunity.

Table of Contents

Fiscal Period	Revenue Growth (expressed as a percentage)	Factor	Revenue Growth Multiplier	Adjusted Operating Profit (expressed as a percentage)	Factor	Adjusted Operating Profit Multiplier	Total Payout Multiplier
First quarter	1.53%	5	7.63%	-9.40%	5	—	7.63%
Second quarter	-0.16%	5	—	0.90%	5	4.50%	4.50%
Third quarter	-14.08%	5	—	0.00%	5	—	—
Fourth quarter	-1.30%	5	—	5.40%	5	27.00%	27.00%

On an annual basis, the cash bonus opportunity, and the amount actually earned, for fiscal 2013 was as follows:

Named Executive Officer	Annual Cash Bonus Target	Annual Cash Bonus Paid for 2013 <sup>(1)</sup>
Mr. Connors	\$383,000	\$37,888
Mr. Santilli	\$170,500	\$16,700

The Annual Cash Bonus Target represents the amount that would be payable for 100% achievement of the (1) corporate performance measures of (i) revenue growth, and (ii) Adjusted Operating Profit as a percentage of revenue.

#### Profit-Sharing Program

We also have a profit sharing program for our NEOs and other employees pursuant to which quarterly cash payments are made. Target profit-sharing payments are calculated based upon half of the quarterly pre-tax adjusted operating profit percentage (pre-tax adjusted operating profit divided by revenue) multiplied by the Named Executive Officer's gross salary earned during that quarter.

In 2013, our CEO and our CFO earned \$4,000 and \$2,444 in profit sharing payments respectively.

#### Long-Term Incentive Program

We believe that equity-based compensation promotes and encourages long-term successful performance by our NEOs that is aligned with the organization's goals and the generation of stockholder value. Our equity compensation goals for our NEOs are based upon the following principles:

- Stockholder and executive officer interests should be aligned;
  - Key and high-performing employees, who have a demonstrable impact on our performance and /or stockholder value, should be provided this benefit;
- The program should be structured to provide meaningful retention incentives to participants;
  - The equity awards should reflect each individual's experience, performance, potential and be comparable to what the Peer Group awards for the respective position; and
- Actual awards should be tailored to reflect individual performance and attraction/retention goals.

#### Equity Incentive Compensation

Under our 2004 Equity Incentive Plan, we are permitted to grant stock options, stock appreciation rights, restricted shares, RSU awards, performance shares and other stock-based awards. Under this Plan, we grant options to our executive officers, directors and employees to purchase shares of Cutera common stock at an exercise price equal to the fair market value of such stock on the date of grant. The grant date for stock options to our NEOs is typically the date of a regularly scheduled Board meeting, or, for annual merit grants, on or around June 1 of each year. Our non-employee directors are granted RSUs annually on the date of our Annual Meeting of Stockholders that vest on the one-year anniversary of the grant date. We have no program, plan or practice to select option grant dates (or set board meeting and annual stockholder meeting dates) to correspond with the release of material non-public information.

-29-

---



Table of Contents

In July 2013, our Board, with the approval of our non-employee directors, granted the following number of stock options, RSUs and PSU awards to our NEOs. In granting these awards, our Board considered the recommendations of the compensation consultants hired by the Compensation Committee; individual performance and contribution to the Company's performance; its own subjective assessment of market conditions; its ability to retain the individual Named Executive Officer; and the goal of increasing the value of the Company, in arriving at the amounts awarded to each Named Executive Officer.

Names	Stock Option Awards: Number of Securities Underlying Options	Number of Restricted Stock Unit Awards – Shares <sup>(1)</sup>	Number of Performance Share Unit Awards- Shares <sup>(2)</sup>	Exercise	Grant
				Price for Stock Options and Base Price of RSU and PSU Awards	Date Fair Value of All Equity Award
Mr. Connors	83,333	—	27,001	\$ 8.91	\$534,886
Mr. Santilli	43,333	6,750	6,750	\$ 8.91	\$273,324

(1) These RSU awards vest as to one-third of the shares on each of June 1, 2014, 2015 and 2016, subject to the recipient's continuing service.

(2) The PSU awards reflect the number of shares of stock that would get issued assuming 100% achievement of each of the performance targets discussed below.

Stock Option:

Each of the stock options granted to our NEOs had a vesting commencement date of June 1, 2013, a term of seven years and vest as follows: one-third of the total number of shares subject to the stock option vest one full calendar year following the vesting commencement date of June 1, 2013 and 1/36th of the total number of shares subject to the stock option vest on the last day of each full calendar month thereafter, until all such shares have vested, subject to the Named Executive Officer continuing to provide services to the Company through each such date.

Restricted Stock Unit Awards:

The RSU awards granted to our CFO vest as to one-third of the shares on each of June 1, 2013, 2014 and 2015, subject to the recipient's continuing service.

Performance Stock Unit Awards:

In June 2013, our Board, upon the recommendation of our Compensation Committee, granted PSUs to the NEOs. The number of PSUs awarded to the NEOs will result in a varying number of shares of common stock that may be paid out on June 1, 2014 based on the achievement of three performance goals as set forth below and subject to the recipient continuing to provide service to the company through the vesting date. Each of the three performance goals is equally weighted and the PSU awards represent the aggregate number of shares that may be earned from achievement of the three performance goals at targets that have been pre-determined by the Board. For each performance goal, the Board has established certain minimum performance level for there to be payout and has capped the maximum payout percentage at 200%.



Table of Contents

The three revenue and profitability performance goals of the Company are:

- (1) Actual revenue for 2013, compared to budgeted revenue per the Company’s operating plan approved by the Board.
- (2) Actual Net Income (on GAAP basis) for 2013, compared to budgeted Net Income per the Company’s operating plan approved by the Board.
- (3) Actual revenue generated from the Company’s planned launch of the Picosecond laser for the tattoo and pigmented lesions market—Enlighten—during the time period from the product launch date through May 31, 2014.

The following matrix provides an example of the number of common stock that would be issued on June 1, 2014 based on the performance at varying degrees of achievement of all three performance criteria:

Name	Number of Shares of Common Stock that Would be Paid Out on June 1, 2014				
	Minimum Thresholds	At 90% of Target Performance	At 100% of Target Performance	At 110% of Target Performance	Maximum Payout (at 200%)
Mr. Connors	— 18,001	27,001	45,926	54,002	
Mr. Santilli	— 4,500	6,750	11,481	13,500	

Benefits

We provide the following benefits to our NEOs generally on the same basis as the benefits provided to all employees:

- Health, dental and vision insurance;
- Life insurance;
- Short-term and long-term disability insurance;
- 401(k) plan with 25% employer matching contributions, capped at 6% of total cash compensation; and
- Flexible Spending Accounts.

These benefits are consistent with those offered by other companies and specifically with those companies with which we compete for employees.

We also maintain a 2004 Employee Stock Purchase Plan that provides eligible employees with the opportunity to purchase shares of Cutera common stock at a 15% discounted price to the lower of the fair market value at either the beginning or the end of the applicable offering period.

Post-Employment Compensation

Except for Change of Control and Severance Agreements, we do not have employment agreements with any of our NEOs. We have Change of Control and Severance Agreements with each of our NEOs. The purpose of these agreements is to provide incentives to our NEOs to continue their employment with the Company and not be distracted by the possibility of loss of employment as a result of an acquisition of the Company or for other reasons. For a summary of the material terms and conditions of these Change of Control and Severance agreements, see Potential Payments upon Termination or Change in Control below.

Internal Revenue Code Section 162(m) and Limitations on Executive Compensation

Section 162(m) of the Internal Revenue Code may limit our ability to deduct for federal income tax purposes compensation paid to either our CEO or to our three other most highly paid executive officers (other than our CFO) in any fiscal year that is, for each such person, in excess of \$1,000,000. None of our executive officers received any such compensation in excess of this limit during 2013, or any prior year.

-31-

---

Table of Contents

Stock options granted under the 2004 Equity Incentive Plan are not subject to the deduction limitation; however, to preserve our ability to deduct the compensation income associated with stock options granted to such executive officers pursuant to Section 162(m) of the Internal Revenue Code, our 2004 Equity Incentive Plan provides that no optionee may be granted option(s) to purchase more than 500,000 shares of Cutera common stock in any one fiscal year. However, in the fiscal year in which the optionee is hired, an optionee may be granted an option to purchase up to 1,000,000 shares of Cutera common stock. In the future, the Compensation Committee may, in its judgment, authorize compensation payments that do not comply with an exemption from the deductibility limit when it believes that such payments are appropriate to attract and retain executive talent.

## Accounting for Stock-Based Compensation

We follow Financial Accounting Standard Board Accounting Standards Codification Topic 718 (“ASC 718”) for our stock-based compensation awards. ASC 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options, based on the grant date “fair value” of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based awards in their income statements over the period that an employee is required to render service in exchange for the award.

## Securities Authorized for Issuance Under Equity Compensation Plans

Our stockholders have approved each of our equity compensation plans, including our 2004 Equity Incentive Plan (as amended). The following table provides information regarding the shares of Cutera common stock that may be issued upon the exercise of stock options, RSU and PSU awards granted under our 2004 Equity Incentive Plan as of December 31, 2013.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,792,162	\$ 9.42	709,483
Equity compensation plan not approved by security holders	—	—	—
Total	3,792,162	\$ 9.42	709,483

## Other Compensation Practices and Policies

## Stock Ownership Guidelines

To enhance our overall corporate governance practices and executive compensation program, our Board adopted stock ownership guidelines for our executive officers, which the Compensation Committee intends to review annually.

Edgar Filing: CUTERA INC - Form DEF 14A

These guidelines are designed to align our executive officers' interests with our stockholders' long-term interests by promoting long-term ownership of Cutera common stock, which reduces the incentive for excessive short-term risk taking. These guidelines provide that, within five years of the later of the adoption of the guidelines or his or her first date of employment, our CEO and CFO must hold shares of Cutera common stock having a value not less than three times and one time respectively of their annual salary.

-32-

---

Table of Contents

As of April 22, 2014, the NEOs' holdings and targeted guidelines were as follows:

Named Executive Officer	Stock Ownership as of April 22, 2014	Minimum Stock Ownership Required by April 27, 2017 <sup>(1)</sup>
Mr. Connors	506,624	142,791
Mr. Santilli	20,057	28,651

(1) Based on the closing stock price of \$10.82 on April 22, 2014.

## Insider Trading Compliance Program

According to our Insider Trading Compliance Program, no employee of the Company, including, but not limited to, our executive officers and directors, may invest in derivatives of the Company's securities. This prohibition includes, but is not limited to, trading in put or call options related to securities of the Company.

## 2013 Summary Compensation Table

The following table sets forth summary compensation information for the fiscal years ended December 31, 2013, 2012 and 2011 for our NEOs.

Name and Principal Position	Salary	Bonus <sup>(1)</sup>	Option Awards <sup>(2)</sup>	Stock Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation <sup>(3)</sup>	All Other Compensation <sup>(4)</sup>	Total
Kevin P. Connors, President and CEO							
2013	\$481,667	\$41,914	\$294,307	\$240,579	\$	\$ 12,435	\$1,070,902
2012	428,750	569,048	218,336	247,680		23,520	1,487,334
2011	420,000		359,508	95,920	226,365		1,101,793
Ronald J. Santilli, EVP and CFO							
2013	\$310,000	\$19,156	\$153,039	\$120,285	\$	\$ 3,825	\$606,305
2012	301,667	247,087	77,977	86,000		15,032	727,763
2011	290,000		239,672	65,400	117,389		712,461

(1) The amounts reported in this column represent the bonus earned for each of the years covered in the table in accordance with our bonus plans.

The amounts reported in this column represent the aggregate grant date fair value of stock awards granted during each of the fiscal years in 2013, 2012 and 2011 calculated in accordance with ASC Topic 718. See Note 6 of the

(2) Consolidated Notes to Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on March 18, 2014 for a discussion of the valuation assumptions for stock-based compensation.

(3) Amounts shown include an annual bonus and profit sharing earned in 2011 and paid in 2012.

(4) Amounts represent 401(k) employer-match contributions and a non-cash benefit associated with a Company sponsored, non-business event for achieving sales targets in accordance with our commission incentive plan.

Table of Contents

2013 Grants of Plan-Based Awards Table

The following table lists grants of plan-based stock options, RSU and PSU awards made to our NEOs during the fiscal year ended December 31, 2013.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards <sup>(1)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup>
		Threshold	Target	Maximum				
Mr. Connors	06/10/2013	—	—	—	27,001	83,333	\$ 8.91	\$534,886
Mr. Santilli	06/10/2013	—	—	—	13,500	43,333	\$ 8.91	\$273,324

(1) The per-share exercise prices of the option awards were based on the closing market price of a share of Cutera common stock on the respective dates of grant.

(2) The amounts reported in this column reflect the grant date fair value of equity awards calculated in accordance with ASC Topic 718. See Note 5 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC on March 18, 2014 for a discussion of the valuation assumptions for our stock-based compensation.

2013 Outstanding Equity Awards at Fiscal Year-End Table

The following table lists the outstanding equity incentive awards held by our NEOs as of December 31, 2013.

Name	Option Awards			Option Exercise Price	Option Expiration Date	Stock Awards		Date Awards Will be Fully Vested
	Number of Securities Underlying Unexercised Earned Options	Number of Securities Underlying Unexercised Unearned Options				Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	
Mr. Connors	30,000	—		\$ 20.25	7/28/2015			
	33,300	—		10.43	5/28/2015			
	100,000	—		10.43	5/28/2015			
	120,000	—		8.66	6/08/2016			
	120,000	—		10.24	5/14/2017			
	100,000	20,000	(1)	8.72	5/27/2018			
	45,501	45,499	(1)	6.88	7/27/2019			
	—		8.91	6/10/2020				
						27,001 <sup>(2)</sup>	274,870 <sup>(2)</sup>	6/01/2014 <sup>(2)</sup>



Mr. Santilli	10,000	—		13.30	7/20/2014		
	15,000	—		20.25	7/28/2015		
	13,700	—		10.43	5/28/2015		
	50,000	—		10.43	5/28/2015		
	55,000	—		8.66	6/08/2016		
	55,000	—		10.24	5/14/2017		
	66,667	13,333	(1)	8.72	5/27/2018		
	16,251	16,249	(1)	6.88	7/27/2019		
	—	43,333	(1)	8.91	6/10/2020		
						6,750 (2)	68,715 (2) 6/01/2014 (2)
						4,166 (3)	42,410 (3) 6/01/2015 (3)
						6,750 (4)	68,715 (4) 6/01/2016 (4)

---

(1) One-third of the shares underlying each of these stock options vest on the first anniversary of the vesting commencement date and 1/36<sup>th</sup> of the underlying shares vest each month thereafter.

(2) These unvested shares represent the PSU awards assuming they are paid at target performance levels and will vest on June 1, 2014.

(3) One-third of the shares underlying this award vest on the first, second and third anniversary of the vesting commencement date of June 1, 2012.

(4) One-third of the shares underlying this award vest on the first, second and third anniversary of the vesting commencement date of June 1, 2013.

Table of Contents

## 2013 Options Exercised and Stock Vested Table

The following table lists the stock options exercised by, and stock awards vested to, our NEOs in the fiscal year ended December 31, 2013.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise <sup>(1)</sup>	Number of Shares Acquired on Vesting	Value Realized Upon Vesting <sup>(2)</sup>
Mr. Connors	3,333	\$16,065	33,621	\$307,632
Mr. Santilli	14,753	\$114,714	9,784	\$89,524

(1) The amounts reported in this column represents the excess of fair market value of the shares of Cutera common stock purchased on the exercise date over the aggregate exercise price of such options.

(2) The amounts reported in this column represent the fair market value of the shares of Cutera common stock on the vesting date of each Named Executive Officer's outstanding RSU awards.

## Pension Benefits

We did not sponsor any defined benefit pension or other actuarial plan for our executive officers, including our NEOs, during 2013.

## Nonqualified Deferred Compensation

We did not maintain any nonqualified defined contribution or other deferred compensation plans or arrangements for our executive officers, including our NEOs, during 2013.

## Employment Agreements

We do not have employment agreements with any of our NEOs.

## Potential Payments Upon Termination or Change in Control

We have entered into Change of Control and Severance Agreements with each of our NEOs. These agreements provide that if a Named Executive Officer's employment with the Company is terminated by the Company without "cause" (as defined in the agreement) or by the Named Executive Officer for "good reason" (as defined in the agreement) either prior to three months before or after 12 months following a Change of Control (as defined in the agreement) of the Company but not in connection with a Change of Control, the Named Executive Officer will receive, subject to signing a release of claims in favor of the Company:

a lump sum severance payment equal to 200% of the annual base salary as in effect immediately prior to such termination for our CEO and 100% of the annual base salary as in effect immediately prior to such termination for our CFO; and  
up to 24 months for our CEO and up to 12 months for our CFO of reimbursement for premiums paid for COBRA coverage.

These agreements also provide that if a Named Executive Officer's employment with the Company is terminated by the Company without "cause" or by the Named Executive Officer for "good reason" and such termination occurs within the period beginning three months before, and ending 12 months following, a Change of Control of the Company and in connection with a Change of Control, the Named Executive Officer will receive, subject to signing a release of claims in favor of the Company:

-35-

---

Table of Contents

a lump sum severance payment equal to 200% of the annual base salary as in effect immediately prior to such termination or, if greater, at the level in effect immediately prior to the Change of Control for our CEO and 100% of the annual base salary as in effect immediately prior to such termination or, if greater, at the level in effect immediately prior to the Change of Control for our CFO;

a lump sum severance payment equal to 100% of the Named Executive Officer's annual target bonus for the fiscal year in which the termination occurs or, if greater, his annual target bonus in effect immediately prior to the Change of Control;

automatic vesting in full of all outstanding and unvested equity awards held by the Named Executive Officer as of the date of the Change of Control; and

up to 24 months for our CEO and up to 12 months for our CFO of reimbursement for premiums paid for COBRA coverage.

Each of these agreements were renewed in 2013 for another initial term of three years, and will extend for an additional year unless the Company or the applicable Named Executive Officer provides written notice at least 60 days prior to the third anniversary of the agreement.

For purposes of these agreements, "cause" means a Named Executive Officer's termination of employment only upon (i) his willful failure to substantially perform his duties (subject to notice and a reasonable period to cure), other than a failure resulting from his complete or partial incapacity due to physical or mental illness or impairment; (ii) his willful act which constitutes gross misconduct and which is injurious to the Company; (iii) his willful breach of a material provision of the agreement (subject to notice and reasonable period to cure); or (iv) his knowing, material and willful violation of a federal or state law or regulation applicable to the business of the Company.

For purposes of these agreements, "good reason" means a Named Executive Officer's termination of employment within 90 days following the expiration of any cure period following the occurrence of one or more of the following, without his consent: (i) a material reduction in his authority, duties, or responsibilities relative to duties, position or responsibilities in effect immediately prior to such reduction; (ii) a material reduction in his base salary as in effect immediately prior to such reduction; or (iii) a material change in the geographic location at which he must perform services (in other words, the relocation of the Named Executive Officer to a facility that is more than 50 miles from his then-current location).

The following table lists our NEOs and the estimated payments and benefits that each of them would have received had their employment with the Company been terminated without "cause" or had they resigned for "good reason" on December 31, 2013.

Name	Estimated Total Value of Cash Payment	Estimated Total Value of Health Coverage Continuation
Mr. Connors	\$1,030,000	\$ 45,629
Mr. Santilli	\$310,000	\$ 19,881

-36-

Table of Contents

The following table lists our NEOs and the estimated payments and benefits that each of them would have received had their employment with the Company been terminated without “cause” or had they resigned for “good reason” in connection with a change in control of the Company on December 31, 2013.

Name	Estimated Total Value of Cash Payment	Estimated Total Value of Health Coverage Continuation	Value of Accelerated Equity <sup>(1)</sup>
Mr. Connors	\$1,519,250	\$ 45,628	\$ 560,050
Mr. Santilli	\$480,500	\$ 19,881	\$ 141,803

---

We estimated the value of acceleration of the outstanding and unvested stock options, RSU and PSU awards (1)(assuming paid at 100% of target) held by each of our NEOs based on a market price of \$10.18 per share for Cutera common stock as of December 31, 2013.

Severance payments upon termination or change in control would be payable to the recipient only if the executive signs and does not revoke a release of claims with the Company (in a form reasonably acceptable to the Company) and provided that such release of claims becomes effective no later than sixty (60) days following the termination date. In addition, the executive would need to have complied with the terms of any confidential information agreement executed by executive in favor of the Company and the provisions of the severance agreements.

Table of Contents

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Cutera's proxy statement.

The foregoing report is provided by the undersigned members of the Compensation Committee.

David B. Apfelberg  
Gregory Barrett  
Jerry P. Widman

- 
- (1) The material in this report is not deemed soliciting material or filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in those filings.

-38-

---

Table of Contents

OTHER MATTERS

We are not aware of any other business to be presented at the meeting. As of the date of this proxy statement, no stockholder had advised us of the intent to present any business at the meeting. Accordingly, the only business that our Board intends to present at the meeting is as set forth in this proxy statement.

If any other matter or matters are properly brought before the meeting, the proxies will use their discretion to vote on such matters in accordance with their best judgment.

By order of the Board of Directors,

/s/ Kevin P. Connors

Kevin P. Connors,  
President and Chief  
Executive Officer

Brisbane, California  
April 25, 2014

Table of Contents

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

2014 ANNUAL MEETING OF STOCKHOLDERS

The undersigned stockholder of Cutera, Inc., a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement each dated April 25, 2014 and hereby appoints Gregory Barrett (Chairman of the Compensation Committee) and Ronald J. Santilli (our Chief Financial Officer), each as proxy and attorney-in-fact, with full power of substitution, on behalf and in the name of the undersigned to represent the undersigned at the 2014 Annual Meeting of Stockholders of Cutera, Inc. to be held on June 18, 2014 at 10:00 a.m., local time, at Cutera's offices located at 3240 Bayshore Blvd., Brisbane, California 94005-1021, and at any postponement or adjournment thereof, and to vote all shares of common stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth below:

SEE REVERSE SIDE

FOLD AND DETACH HERE

-40-

---



Table of Contents

The Board of Directors of Cutera, Inc. recommends a vote FOR the following proposals:

Please mark your votes as indicated: x

1. Election of Directors: Class I Nominees:

Kevin P. Connors	FOR WITHHOLD	2. Ratification of BDO USA, LLP as our Independent Registered Public Accounting Firm for the fiscal year ending December 31, 2014.	FOR AGAINST ABSTAIN
	<input type="radio"/> <input type="radio"/>		<input type="radio"/> <input type="radio"/> <input type="radio"/>
David A. Gollnick	<input type="radio"/> <input type="radio"/>		

3. Non-binding advisory vote on the compensation of our Named Executive Officers.	FOR AGAINST ABSTAIN
	<input type="radio"/> <input type="radio"/> <input type="radio"/>

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED AS FOLLOWS: (1) FOR THE ELECTION OF THE NOMINATED CLASS I DIRECTORS; (2) FOR THE RATIFICATION OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM; (3) FOR THE APPROVAL, BY NON-BINDING ADVISORY VOTE, ON THE COMPENSATION OF NAMED EXECUTIVE OFFICERS OF THE COMPANY; AND (4) AS THE PROXY HOLDERS DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY COME BEFORE THE MEETING.

PLEASE SIGN EXACTLY AS YOUR NAME APPEARS HEREON. IF THE STOCK IS REGISTERED IN THE NAME OF TWO OR MORE PERSONS, EACH SHOULD SIGN. EXECUTORS, ADMINISTRATORS, TRUSTEES, GUARDIANS AND ATTORNEYS-IN-FACT SHOULD ADD THEIR TITLES. IF SIGNER IS A CORPORATION, PLEASE GIVE FULL CORPORATE NAME AND HAVE A DULY AUTHORIZED OFFICER SIGN, STATING TITLE. IF SIGNER IS A PARTNERSHIP, PLEASE SIGN IN PARTNERSHIP NAME BY AUTHORIZED PERSON.

PLEASE SIGN, DATE AND PROMPTLY RETURN THIS PROXY IN THE ENCLOSED RETURN ENVELOPE, WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES.

SIGNATURE(S) SIGNATURE(S) DATE:

NOTE: This Proxy should be marked, signed by the stockholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both should sign.