

**CYBERONICS, INC.**  
**COMPENSATION COMMITTEE CHARTER**  
**(as amended and restated as of February 26, 2013)**

The Board of Directors (“Board”) of Cyberonics, Inc. (the “Company”) has established the Compensation Committee of the Board.

**Purposes**

The purposes of the Compensation Committee are to:

1. Review, evaluate, and approve the agreements, plans, policies, and programs of the Company to compensate the officers and directors of the Company;
2. Review, evaluate, and approve all awards by the Company of equity securities or derivatives of equity securities, including, but not limited to, restricted stock, stock option, and phantom stock awards, to executive officers, non-executive employees, and others as permitted under the Company’s equity award plans;
2. Review and discuss with the Company’s management the Compensation Discussion and Analysis (“CD&A”) to be included in the Company’s proxy statement for its annual meeting of stockholders (“Proxy Statement”) and to determine whether to recommend to the Board that the CD&A be included in the Proxy Statement, in accordance with applicable rules and regulations;
3. Produce the Compensation Committee Report for inclusion in the Company’s Proxy Statement, in accordance with applicable rules and regulations;
4. Otherwise discharge the Board’s responsibilities relating to compensation of the Company’s officers and directors; and
5. Perform such other functions as the Board may assign to the Compensation Committee from time to time.

**Composition**

The Compensation Committee shall consist of at least three members, all of whom are members of the Board. One of the members shall serve as the chairperson of the Compensation Committee. Each member of the Compensation Committee shall be “independent,” as defined from time to time by the listing requirements of the NASDAQ Stock Market LLC and by applicable regulations of the Securities and Exchange Commission. In addition, each member of the Compensation Committee shall be a “Non-Employee Director” for the purposes of Rule 16b-3 (“Rule 16b-3”) under the Securities Exchange Act of 1934, as in effect from time to time (the “Exchange Act”), as well as an “outside director” for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time (“Section 162(m”).

A member of the Compensation Committee may not accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof. Compensatory fees shall not include: (i) fees received as a member of the Compensation Committee, the Board,

or any other Board committee; or (ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).

The Board shall appoint the members of the Compensation Committee based on the recommendation of the Nominating & Governance Committee. The chairperson of the Compensation Committee shall be designated by the Board or, if no such designation is made, shall be selected by the affirmative vote of the majority of the Compensation Committee. The Board may remove or replace the chairperson and any other member of the Compensation Committee at any time.

## **Authority and Responsibilities**

### **A. Authority**

1. The Compensation Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee, or advisor of the Company to meet with the Compensation Committee or with any advisor engaged by the Compensation Committee.
2. The Compensation Committee shall have the authority to retain or obtain the advice of a compensation consultant, legal counsel, and other advisor as it deems necessary or appropriate to fulfill its responsibilities. The Compensation Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any such advisor retained by the Compensation Committee. The Compensation Committee is empowered, without further action of the Board, to cause the Company to pay the compensation of such advisors as the Compensation Committee so engages. The Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel, or other adviser to the Compensation Committee, other than in-house legal counsel, only after taking into consideration the following factors:
  - (i) the provision of other services to the Company by the person who employs the compensation consultant, legal counsel, or other adviser;
  - (ii) the amount of fees received from the Company by the person who employs the compensation consultant, legal counsel, or other adviser, as a percentage of the total revenue of the person who employs the compensation consultant, legal counsel, or other adviser;
  - (iii) the policies and procedures of the person who employs the compensation consultant, legal counsel, or other adviser that are designed to prevent conflicts of interest;
  - (iv) any business or personal relationship of the compensation consultant, legal counsel, or other adviser with a member of the Compensation Committee;
  - (v) any stock of the Company owned by the compensation consultant, legal counsel, or other adviser; and

(vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser, or the person employing the adviser with an executive officer of the Company.

3. The Compensation Committee shall have the authority to delegate to any subcommittee it may form, consisting of no fewer than two of its members, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances.

***B. Responsibilities***

1. Each year, the Compensation Committee shall:

- review and approve corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer ("CEO"),
- evaluate the performance of the CEO in light of those goals and objectives, and
- set the compensation of the CEO, as described in paragraph 3 below, based on this evaluation.

The CEO shall not be present during deliberations or voting on his or her compensation.

2. Each year, the Compensation Committee shall review and set the compensation of the Company's executive officers other than the CEO, as described in paragraph 3 below, with the CEO present for such review and determination.

3. Each year, the Compensation Committee shall review and approve, for the CEO and the other executive officers of the Company, all annual and other compensation arrangements and components, which may include the following:

- the annual base salary,
- the annual incentive opportunity,
- the long-term incentive opportunity, and
- any special or supplemental benefits.

In determining the long-term incentive component of compensation, the Compensation Committee may consider, as and to the extent deemed appropriate, the Company's performance and relative stockholder return, the value of similar incentive awards to chief executive officers and other executive officers of a peer group of companies, and the awards given to the CEO and the other executive officers in past years.

4. Each year, the Compensation Committee shall review and make a recommendation to the Board regarding the compensation of all directors.

5. When and as appropriate, the Compensation Committee shall review and make recommendations to the Board with respect to incentive compensation plans and equity-based

plans. Stockholders shall be given the opportunity to vote on equity compensation plans, as required by (i) law, (ii) applicable listing standards, (iii) the Company's certificate of incorporation or bylaws, or (iv) the Company's Corporate Governance Guidelines.

6. When and as appropriate, the Compensation Committee shall review and approve, for the CEO and the other executive officers, all employment agreements, severance arrangements, and change-in-control agreements and provisions.

7. The Compensation Committee shall review and approve, or as to any director, review and recommend to the Board for its approval of, any transaction in equity securities of the Company, or derivatives of those equity securities, between the Company and any executive officer, non-executive employee, director, or other equity award grantee as permitted under the Company's equity award plans.

8. The Compensation Committee shall review and discuss with the Company's management the CD&A to be included in the Company's Proxy Statement and, based on that review, determine whether to recommend to the Board that the CD&A be included in the Proxy Statement, in accordance with applicable rules and regulations.

9. Each year, the Compensation Committee shall prepare a Compensation Committee Report and publish the report in the Company's Proxy Statement, in accordance with applicable rules and regulations.

## **Procedures**

1. **Meetings.** The Compensation Committee shall meet at the call of its chairperson, two or more members of the Compensation Committee, or the Chairman of the Board. Meetings may, at the discretion of the Compensation Committee, include members of the Company's management, independent consultants, and such other persons as the Compensation Committee or its chairperson may determine. The Compensation Committee may meet in person, by telephone conference call, or in any other manner in which the Board is permitted to meet under law or the Company's bylaws.

2. **Quorum and Approval.** A majority of the members of the Compensation Committee shall constitute a quorum. The Compensation Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. Except as to the approval of equity awards, the Compensation Committee may also act by unanimous written consent in lieu of a meeting.

3. **Rules.** The Compensation Committee may determine additional rules and procedures, including designation of a chairperson pro tempore in the absence of the chairperson, at any meeting thereof.

4. **Reports.** The Compensation Committee shall make regular reports to the Board, directly or through the chairperson.

5. **Review of Charter.** Each year, the Compensation Committee shall review the need for changes in this Charter and recommend any proposed changes to the Board for approval.

6. ***Performance Review.*** Each year, the Compensation Committee shall review and evaluate its own performance and shall submit itself to the review and evaluation of the Board.

7. ***Fees.*** Each member of the Compensation Committee shall be paid the fee set by the Board for his or her services as a member of, or chairperson of, the Compensation Committee.