

CRYOLIFE INC
Form DEF 14A
April 07, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CRYOLIFE, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

1655 ROBERTS BOULEVARD, NW

KENNESAW, GEORGIA 30144

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF CRYOLIFE, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of CRYOLIFE, INC. (the "Annual Meeting") will be held at CryoLife, Inc.'s Corporate Headquarters, 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, on May 20, 2010 at 10:00 a.m., Atlanta time, for the following purposes:

1. To elect as Directors the seven nominees named in the attached proxy statement to serve until the next Annual Meeting of Stockholders or until their successors are elected and have been qualified.
2. To approve an amendment to the CryoLife, Inc. Employee Stock Purchase Plan (the "ESPP") to increase the total number of shares authorized for issuance under the ESPP.
3. To ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm for the company for the fiscal year ending December 31, 2010.
4. To transact such other business as may be properly brought before the meeting or any adjournments thereof.

Only record holders of CryoLife's common stock at the close of business on March 23, 2010 will be eligible to vote at the meeting.

Your attendance at the Annual Meeting is very much desired. However, if there is any chance you may not be able to attend the meeting, please execute, complete, date, and return the enclosed proxy card in the envelope provided or vote by telephone or Internet as directed on the enclosed proxy card. If you attend the meeting, you may revoke your proxy and vote in person.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on May 20, 2010. Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by: (i) sending you this full set of proxy materials, including a proxy card; and (ii) notifying you of the availability of our proxy materials on the internet. **This proxy statement, the related proxy card and our 2009 Annual Report to Stockholders are available on our corporate website and may be accessed at www.cryolife.com by clicking on About CryoLife, then Investor Relations and then Annual Meeting Materials.** In accordance with such rules, we do not use cookies or other software that identifies visitors accessing these materials on our website.

By Order of the Board of Directors:

STEVEN G. ANDERSON,
Chairman of the Board, President,

and Chief Executive Officer

Date: April 7, 2010

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A copy of CryoLife's 2009 Annual Report to Stockholders, which includes CryoLife's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, containing financial statements, is enclosed.

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KENNESAW, GEORGIA 30144

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is furnished for the solicitation of proxies by the Board of Directors of CryoLife, Inc. (CryoLife, the company, we, or us) for CryoLife's Annual Meeting of Stockholders to be held on May 20, 2010, at 10:00 a.m., Atlanta time. The meeting will be held in the auditorium at CryoLife Corporate Headquarters, 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144. The sending in of a signed proxy will not affect a stockholder's right to attend the meeting and vote in person. A signed proxy may be revoked by the sending in of a timely, but later dated, signed proxy. Any stockholder sending in or completing a proxy may also revoke it at any time before it is exercised by giving timely notice to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144, (770) 419-3355.

Holders of record of CryoLife's common stock at the close of business on March 23, 2010 will be eligible to vote at the meeting. CryoLife's stock transfer books will not be closed. At the close of business on March 23, 2010, CryoLife had outstanding a total of 28,635,833 shares of common stock, excluding a total of 1,008,979 shares of treasury stock held by CryoLife, which are not entitled to vote. Each outstanding share of common stock will be entitled to one vote, non-cumulative, at the meeting.

Other than the matters set forth herein, management is not aware of any other matters that may come before the meeting. If any other business should be properly brought before the meeting, the persons named on the enclosed proxy card will have discretionary authority to vote the shares represented by the effective proxies and intend to vote them in accordance with their best judgment.

This proxy statement and the attached proxy card were first mailed to stockholders on behalf of CryoLife on or about April 7, 2010. Properly executed proxies, timely returned, will be voted as indicated by the stockholder where the person solicited specifies a choice with respect to any matter to be acted upon at the meeting. If the person solicited does not specify a choice with respect to election of Directors, approval of the amendment to the Employee Stock Purchase Plan, or ratification of the company's independent registered public accounting firm, the shares will be voted for management's nominees for election as Directors, for approval of the amendment to the Employee Stock Purchase Plan, and for ratification of the company's independent registered public accounting firm. In addition to the solicitation of proxies by the use of the mails, Directors and officers of CryoLife may solicit proxies on behalf of management by telephone, email, and personal interview. Such persons will receive no additional compensation for their solicitation activities, and will be reimbursed only for their actual expenses incurred. CryoLife has requested brokers and nominees who hold stock in their names to furnish this proxy material to their customers, and CryoLife will reimburse such brokers and nominees for their related out-of-pocket expenses. The costs of soliciting proxies will be borne by CryoLife.

VOTING PROCEDURES AND VOTE REQUIRED

The Secretary of CryoLife, in consultation with the inspector of election, who will be an employee of CryoLife's transfer agent, shall determine the eligibility of persons present at the Annual Meeting to vote and whether the name signed on each proxy card corresponds to the name of a stockholder of CryoLife. The Secretary, based on such consultation, shall also determine whether or not a quorum of the shares of common stock of CryoLife, consisting of a majority of the shares entitled to vote at the Annual Meeting, exists at the Annual Meeting. Abstentions from voting will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting authority and has not received voting instructions from the beneficial owner. Broker non-votes will be disregarded with respect to all proposals.

Nominees for election as Directors will be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election. Since there are seven Directorships to be filled, this means that the seven individuals receiving the most votes will be elected. Abstentions and broker non-votes will therefore not be relevant to the outcome.

The affirmative vote of a majority of the votes cast, either for, against, or abstain, by the holders of the shares of common stock voting in person or by proxy at the meeting is required to approve the amendment to the Employee Stock Purchase Plan, in order to comply with the requirements of both Florida law and the New York Stock Exchange (NYSE) rules. Accordingly, abstentions will have the effect of a vote against the proposal to approve the amendments to the Employee Stock Purchase Plan and broker non-votes will be disregarded. In addition, NYSE rules also require that at least 50% of the shares outstanding as of the record date actually cast a vote (either for, against, or abstain) with respect to the proposal to approve the amendment to the Employee Stock Purchase Plan. Broker non-votes will not be counted as votes cast for purposes of the NYSE 50% vote requirement.

The votes cast for the ratification of the appointment of Deloitte & Touche LLP as the company's independent registered accounting firm must exceed the votes cast against the ratification in order for it to be approved. Accordingly, abstentions and broker non-votes will not be relevant to the outcome.

Shares represented at the annual meeting in person or by proxy are counted for quorum purposes, even if they are not voted on one or more matters. Please note that brokers holding shares for a beneficial owner that have not received voting instructions with respect to the ratification of the appointment of Deloitte & Touche LLP will have discretionary voting authority with respect to that matter; however, such brokers who do not receive voting instructions with respect to the election of Directors or approval of the amendment to the Employee Stock Purchase Plan may not vote the beneficial owner's shares with respect to these matters.

There are no rights of appraisal or similar dissenters' rights with respect to any matter to be acted upon pursuant to this proxy statement.

ANNUAL MEETING ADMISSION

Attendance at the Annual Meeting will be limited to stockholders as of the record date, their authorized proxy holders, and guests of CryoLife. Admission will be by ticket only. If you are a registered stockholder (your shares are held of record in your name) and plan to attend the meeting, please detach your Admission Ticket from the bottom portion of the proxy card and bring it with you to the meeting. If you are a beneficial owner (your shares are held in the name of a bank, broker, or other holder of record) and you plan to attend the meeting, you can obtain an Admission Ticket in advance by writing to Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144. Please be sure to enclose proof of ownership, such as a bank or brokerage account statement. Stockholders and proxy holders who do not obtain tickets in advance may obtain them upon verification of ownership or proxy authority at the reception desk on the day of the meeting. Tickets may be issued to others at the discretion of CryoLife. If you are a beneficial owner, in order to vote your shares at the meeting you must obtain a proxy from the record holder of your shares.

RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors of CryoLife recommends a vote FOR the election of each nominee for Director named below, FOR approval of the amendment to the Employee Stock Purchase Plan and FOR ratification of the independent registered public accounting firm.

ELECTION OF DIRECTORS

Directors of CryoLife elected at the Annual Meeting to be held on May 20, 2010 will hold office until the next Annual Meeting or until their successors are elected and qualified.

Each of the seven nominees is currently a Director of CryoLife and has consented to serve on the Board of Directors, if elected. Should any nominee for the office of Director become unable to accept nomination or election, it is the intention of the persons named on the proxy card, unless otherwise specifically instructed in the proxy, to vote for the election of such other person as the Board may recommend. Mr. John M. Cook, currently a member of the CryoLife Board of Directors, is not standing for reelection and will retire from the Board effective as of the Annual Meeting.

The following table sets forth the name and age of each nominee, the period during which each such person has served as a Director, the number of shares of CryoLife's common stock beneficially owned, either directly or indirectly, by such person, and the percentage of outstanding shares of CryoLife's common stock such ownership represented at the close of business on March 23, 2010, according to information received by CryoLife:

Name of Nominee	Service as		Shares of	Percentage of
	Director	Age	CryoLife Stock Beneficially Owned (1)	Outstanding Shares of CryoLife Stock
Steven G. Anderson	Since 1984	71	1,655,639(2)	5.7%
Thomas F. Ackerman (8)	Since 2003	55	45,000(3)	*
James S. Benson (9)	Since 2005	71	40,000(4)	*
Daniel J. Bevevino (10)	Since 2003	50	45,000(5)	*
Ronald C. Elkins, M.D. (11)	Since 1994	73	72,250(6)	*
Ronald D. McCall, Esq. (12)	Since 1984	73	163,664(7)	*
Harvey Morgan (13)	Since 2008	68	16,250(6)	*

* Ownership represents less than 1% of the outstanding shares of CryoLife common stock.

(1) Except as otherwise noted, the nature of the beneficial ownership for all shares is sole voting and investment power.

(2) This amount includes:

107,924 shares held by Ms. Ann B. Anderson, Mr. Anderson's spouse,

254,541 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2010, and

73,542 shares of unvested restricted stock as of March 23, 2010.

(3) This amount includes 20,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2010. This amount also includes 10,000 shares of unvested restricted stock as of March 23, 2010.

(4) This amount includes 10,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2010. This amount also includes 10,000 shares of unvested restricted stock as of March 23, 2010.

(5) This amount includes 20,000 shares subject to options that are either presently exercisable or will become exercisable within 60 days after March 23, 2010. This amount also includes 10,000 shares of unvested restricted stock as of March 23, 2010.

(6) This amount includes 10,000 shares of unvested restricted stock as of March 23, 2010.

(7) This amount includes:

16,000 shares of common stock owned of record by Ms. Marilyn B. McCall, Mr. McCall's spouse,

options to acquire 13,200 shares of common stock that are either presently exercisable or will become exercisable within 60 days after March 23, 2010, and

13,000 shares of unvested restricted stock as of March 23, 2010.

(8) Mr. Ackerman is a member of the Audit Committee.

(9) Mr. Benson is a member of the Nominating and Corporate Governance Committee and the Regulatory Affairs and Quality Assurance Policy Committee.

(10) Mr. Bevevino is currently a member of the Nominating and Corporate Governance Committee and the Audit Committee. Following the 2010 Annual Meeting, Mr. Bevevino is expected to be a member of the Audit Committee and the Compensation Committee.

(11) Dr. Elkins is a member of the Compensation Committee and the Regulatory Affairs and Quality Assurance Policy Committee.

(12)

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Mr. McCall is the Presiding Director of the Board and a member of the Compensation Committee and the Nominating and Corporate Governance Committee. Following the 2010 Annual Meeting, Mr. McCall is also expected to join the Regulatory Affairs and Quality Assurance Policy Committee.

- (13) Mr. Morgan is currently a member of Audit Committee and the Regulatory Affairs and Quality Assurance Policy Committee. Following the 2010 Annual Meeting, Mr. Morgan is expected to be a member of the Audit Committee and the Nominating and Corporate Governance Committee.

Steven G. Anderson, a founder of CryoLife, has served as CryoLife's Chairman of the Board, President, and Chief Executive Officer since its inception. Mr. Anderson has more than 25 years of experience in tissue preservation and more than 40 years of experience in the medical device industry. Prior to founding CryoLife, Mr. Anderson was Senior Executive Vice President and Vice President, Marketing, from 1976 until 1983, of Intermedics, Inc. (now Boston Scientific Corporation), a manufacturer and distributor of pacemakers and other medical devices. Mr. Anderson is a graduate of the University of Minnesota.

The Board has determined that Mr. Anderson, a founder of the Company, should serve as Director of CryoLife because of his business acumen and vast experience in our industry and personal knowledge of our company and its history. Further, we believe that it is appropriate and useful to have the Chief Executive Officer of CryoLife serve as a member of the Board.

Thomas F. Ackerman has served as a Director of CryoLife since December 2003. Mr. Ackerman is Executive Vice President and Chief Financial Officer of Charles River Laboratories International, Inc. (NYSE: CRL), a position he has held since 2005. Charles River Laboratories is a leading global provider of solutions that accelerate the drug discovery and development process, including research models and associated services, and outsourced preclinical services. From 1999 to 2005 he served as Senior Vice President and Chief Financial Officer and from 1996 to 1999 he served as Vice President and Chief Financial Officer of Charles River Laboratories, where he has been employed since 1988. Mr. Ackerman is a Director of the University of Massachusetts Amherst Foundation. Mr. Ackerman received a B.S. in Accounting from the University of Massachusetts and became a certified public accountant in 1979 (his license is currently inactive).

The Board has determined that Mr. Ackerman should serve as a Director of CryoLife because of his expertise in accounting and financial reporting, particularly in the biotechnology industry.

James S. Benson has served as a Director of CryoLife since December 2005. Mr. Benson retired from the Advanced Medical Device Association (AdvaMed , formerly known as The Health Industry Manufacturers Association, HIMA) in July 2002 as Executive Vice President for Technical and Regulatory Affairs. He was employed by AdvaMed from January 1993 through June 2002. Prior to that, he was employed by the Food and Drug Administration (FDA) for 20 years, where he held a number of senior positions. He retired from the FDA as Director of the Center for Devices and Radiological Health (CDRH) in December of 1992. Prior to his position as Center Director, he served as Deputy Commissioner from July 1988 through July 1991. During that period, he served as Acting Commissioner for one year, from December 1989 through November 1990. Prior to his position as Deputy Commissioner, he served as Deputy Director of the Center for Devices and Radiological Health from 1978 to 1982. Mr. Benson currently serves on the Board of Directors for two other companies: CytoMedix, Inc., a publicly traded company (OTCBB: CYME), where he is the Presiding Director, and Medical Device Consultants, Inc., a private company. In 2003 Mr. Benson was engaged by the law firm representing a Special Litigation Committee of the Board of Directors of the company to serve as an expert witness in connection with the Special Litigation Committee's independent investigation into allegations made by the plaintiffs in the stockholder derivative lawsuit filed against the company's Directors, which was settled in 2005. Mr. Benson also was engaged to serve as an expert witness by a different law firm representing the company in the securities class action stockholder lawsuit filed against the company, which was also settled in 2005. Mr. Benson received a B.S. in Civil Engineering from the University of Maryland in 1962 and an M.S. in Nuclear Engineering from the Georgia Institute of Technology in 1969.

The Board has determined that Mr. Benson should serve as a Director of CryoLife because of his past business experience in the biotechnology industry and his distinguished tenure with the FDA, as well as the particular knowledge and expertise he acquired in these positions with respect to regulatory issues in the healthcare field.

Daniel J. Bevevino has served as a Director of CryoLife since December 2003. From 1996 until March of 2008, Mr. Bevevino served as the Vice President and Chief Financial Officer of Respiroics, Inc. (Nasdaq: RESP), a company that develops, manufactures and markets medical devices used primarily for the treatment of patients suffering from sleep and respiratory disorders, where he was employed since 1988. In March 2008, Respiroics was acquired by Royal Philips Electronics (NYSE: PHG), whose businesses include a variety of medical solutions including medical diagnostic imaging and patient monitoring systems, as well as businesses focused on energy efficient lighting and consumer products. From March 2008 to December 31, 2009, Mr. Bevevino was employed by Philips as the Head of Post-Merger Integration Respiroics, as well as in various operating capacities, to help facilitate the integration of the combined companies. He is currently an independent consultant providing interim chief financial officer services in the life sciences industry. He began his career as a certified public accountant with Ernst & Young (his license is currently inactive). Mr. Bevevino received a B.S. in Business Administration from Duquesne University and an M.B.A. from the University of Notre Dame.

The Board has determined that Mr. Bevevino should serve as a Director of CryoLife because of his expertise in accounting and financial reporting, particularly in the medical device industry.

Ronald C. Elkins, M.D. has served as a Director of CryoLife since January 1994. Dr. Elkins is Professor Emeritus, Section of Thoracic and Cardiovascular Surgery, University of Oklahoma Health Sciences Center. Dr. Elkins has been a physician at the Health Science Center since 1971, and was Chief, Section of Thoracic and Cardiovascular Surgery, from 1975 to 2002. Dr. Elkins is a graduate of the University of Oklahoma and Johns Hopkins Medical School.

The Board has determined that Dr. Elkins should serve as a Director of CryoLife because of his education and experience in the medical field, particularly with respect to cardiovascular surgery.

Ronald D. McCall, Esq. has served as a Director of CryoLife since January 1984 and served as its Secretary and Treasurer from 1984 to 2002; however, Mr. McCall has never been an employee of the company and did not receive any compensation for his service as Secretary and Treasurer of the company other than the company's standard compensation provided to Directors. From 1985 to the present, Mr. McCall has been the owner of the law firm of Ronald D. McCall, P.A., based in Tampa, Florida. Mr. McCall was admitted to the practice of law in Florida in 1961. Mr. McCall received a B.A. and a J.D. from the University of Florida.

The Board has determined that Mr. McCall should serve as a Director of CryoLife because of his legal training and experience. Also, we believe that his long-standing involvement with CryoLife provides him with a unique perspective on current issues facing our company.

Harvey Morgan has served as a Director of CryoLife since May 2008. Mr. Morgan has more than 40 years of investment banking experience, with significant expertise in strategic advisory services, mergers and acquisitions, private placements, and underwritings. He has been a Managing Director of the investment banking firm Bentley Associates, L.P. since 2004, and from 2001 to 2004, he was a Principal of Shattuck Hammond Partners, an independent investment banking and financial advisory firm. Mr. Morgan also serves on the Boards of Family Dollar Stores, Inc. (NYSE: FDO) and Cybex International, Inc. (Nasdaq: CYBI). Mr. Morgan received his undergraduate degree from The University of North Carolina at Chapel Hill and an M.B.A. from The Harvard Business School.

The Board has determined that Mr. Morgan should serve as a Director of CryoLife because of his past business experience, particularly with respect to investment banking and capital markets.

CORPORATE GOVERNANCE

Information about the Board of Directors

Our Board of Directors believes that the purpose of corporate governance is to maximize stockholder value in a manner consistent with legal requirements and the highest standards of integrity. The Board has adopted and adheres to corporate governance practices that the Board and senior management believe promote this purpose, are sound, and represent best practices. The Board reviews these practices on an ongoing basis.

Director Independence

The Board has adopted certain categorical standards that provide that the following relationships, if existing within the preceding three years, will be considered material relationships that would impact a Director's independence, measured consistently with the NYSE's interpretation of independence in Section 303A.02 of the NYSE's listing standards:

The Director is or was employed by us, or an immediate family member of the Director is or was employed by us, as an executive officer;

The Director or an immediate family member of the Director received or receives more than \$120,000 per year in direct compensation from us, other than Director and committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service;

The Director was employed by or affiliated with our present or former internal or independent auditors;

An immediate family member of the Director was a partner at our present or former internal or independent auditors or, as an employee of our present or former internal or independent auditors, personally worked on our audit;

The Director or an immediate family member of the Director is or was employed as an executive officer of another company where any of our current executive officers serve on that company's compensation committee; or

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The Director is an executive officer or employee, or an immediate family member of the Director is an executive officer, of another company that makes payments to or receives payments from us, for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million or two percent of the other company's consolidated gross revenues.

The Board has adopted categorical standards that provide that the following commercial or charitable relationships will not be considered to be material relationships that would impair a Director's independence:

If a CryoLife Director is a partner, executive officer, or controlling stockholder of another company or business that does business with us, and the annual amount paid to, or received from, us in the preceding calendar year, or expected to be paid or received in the current calendar year, is less than \$120,000 and is also less than fifteen percent of the annual revenues of the other company or business in that year;

If a CryoLife Director provides professional services to CryoLife, such as legal, investment banking, or consulting services, either individually or through a personal corporation, and the annual amount received from us in the preceding calendar year, or expected to be received in the current calendar year, is less than \$120,000 and is also less than fifteen percent of the gross annual income of the Director in the year received;

If a CryoLife Director is an executive officer of another company that is indebted to us, or to which we are indebted, and the total amount of either company's indebtedness to the other is less than five percent of the total consolidated assets of the other company; and

If a CryoLife Director serves as an officer, Director, or trustee of a charitable organization, and our discretionary charitable contributions to the organization are less than two percent of its total annual charitable receipts. Any automatic matching of employee charitable contributions will not be included in the amount of our contributions for this purpose.

In connection with its annual review based on the information available to it, the Board has determined that, with the exception of Mr. Anderson, none of the Directors currently in office has a material relationship with CryoLife. Accordingly, the Board has determined that these individuals qualify as independent Directors under the NYSE's current Listing Standards.

Other than Mr. Ackerman and Dr. Elkins, none of the Directors who were determined to be independent has any relationships with us or our management other than his position on our Board of Directors.

See Compensation Committee Interlocks and Insider Participation at page 51 for a discussion of payments made by CryoLife to Mr. Ackerman's employer, Charles River Laboratories International, Inc. The Board determined that Mr. Ackerman's relationship with Charles River Laboratories is not a material relationship that could impair his independence based on the relatively small dollar amounts involved when compared to CryoLife's 2009 revenues and expenses and Charles River Laboratories International, Inc.'s fiscal 2009 revenues, the fact that the purchases from Charles River Laboratories were made on an arm's length basis, and the Board's understanding that Mr. Ackerman's compensation is in no way impacted by the size or amount of the business transacted between the two companies.

Dr. Elkins is a former Chief of the Section of Thoracic and Cardiovascular Surgery at the University of Oklahoma Health Sciences Center and is a Professor Emeritus of the Center, for which he is paid \$1 per year. Dr. Elkins receives annual payments from the University of Oklahoma College of Medicine Professional Practice Plan for clinical practice services and for professional fees associated with medical liability reviews. In 2009, the Center paid CryoLife for tissue preservation services and BioGlue provided by CryoLife. Dr. Elkins' son, Charles Craig Elkins, M.D., is a cardiac surgeon who has implanted CryoLife preserved cardiac tissues at Integris Baptist Medical Center in Oklahoma City. Integris paid CryoLife for tissue preservation services and BioGlue in 2009, and we expect this relationship to continue. The Board considered these relationships and determined that they are not material relationships that could impair Dr. Elkins' independence. The Board's basis for this determination was that Dr. Elkins' and his son's interests in these transactions were not material and that the dollar amounts accruing to them from the transactions were relatively small.

Board Leadership Structure

The Chief Executive Officer of CryoLife serves as the Chairman of the Board. We believe this structure provides for an appropriate level of continuity and fluid communication between the Board and management. Also, given Mr. Anderson's longstanding role with CryoLife as founder and CEO and his vast knowledge of our company, we believe he is well-suited to fill both roles and that the Board benefits from his leadership.

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In order to foster Board independence from management, the Board's leadership structure also includes a Presiding Director, a position occupied by an independent Director. Mr. McCall assumed the role of Presiding Director in December 2005. The

Presiding Director has frequent contact with Mr. Anderson and other members of management on a broad range of matters and has additional corporate governance responsibilities for the Board, including:

Acting as chairman of, coordinating and developing agendas for, and moderating each of the non-management Director executive sessions;

Presiding at Board meetings when the Chairman of the Board is not present;

Receiving and processing communications from concerned parties wishing to contact the non-management Directors;

Preparing the agenda for each Board and Committee meeting;

Coordinating the activities of the independent Directors;

Determining appropriate schedules for Board meetings;

Seeking to encourage that the independent Directors perform their duties responsibly while not interfering with the flow of the company's operations;

Assessing the quality, quantity, and timeliness of the flow of information from the company's management that is necessary for the independent Directors to effectively and responsibly perform their duties;

Directing the retention of consultants who report directly to the Board;

Overseeing the Nominating and Corporate Governance Committee's activities with respect to compliance with and implementation of the company's corporate governance policies;

Overseeing the Audit and Regulatory Affairs and Quality Assurance Policy Committees' activities respecting compliance with and implementation of the company's policies and procedures for the development and implementation of improved safety processes and procedures for new and existing products;

Acting as principal liaison between the independent Directors and the Chief Executive Officer on sensitive issues;

Evaluating, along with the members of the Compensation Committee and the Nominating and Corporate Governance Committee, the Chief Executive Officer's performance and meeting with the Chief Executive Officer to discuss the Board's evaluation;

Overseeing the recommendations regarding membership of the various Board committees, as well as selection of the committee chairpersons, by the Nominating and Corporate Governance Committee; and

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Having the authority to retain such counsel or consultants as the Presiding Director deems necessary to perform his responsibilities.

Risk Oversight

The Board believes that risk is a necessary component of a healthy company; however, one of the primary oversight functions of the Board is to ensure that CryoLife is maintaining an appropriate level of risk, commensurate with both the short and long-term goals of the company, and that we have not incentivized excessive or inappropriate risk taking in any area of our company. In order to effectively fulfill this role, the Board relies on various individuals and committees within management and among our Directors. Management is primarily responsible for risk management and management reports directly to the Audit Committee and the Board with respect to risk management.

Because some hazards are more likely to be initially perceived by employees involved in the day-to-day aspects of our company, we have established within our Code of Business Conduct and Ethics a process by which employees can report violations of the Code or the law to our General Counsel, or if the violation involves the General Counsel, to the Chairman of the Board. Employees may also report violations anonymously online or contact a hotline with any questions or concerns. Other problematic issues may first be recognized by senior level management. In such instances, the Presiding Director may be contacted directly by any concerned party and he or she can act as a liaison with the non-management Directors.

While some problems will necessarily be reported up from employees and management, the Board also believes that our committees should function to eliminate inappropriate levels of risk within their respective areas of delegated authority. The Compensation Committee is responsible for ensuring that our executive compensation policies and practices do not incentivize excessive or inappropriate risk-taking by employees or Directors. The Audit Committee is primarily responsible for coordination with our independent auditor, establishment and maintenance of our internal controls, the operation of our internal audit, and various regulatory and compliance functions. The Nominating and Corporate Governance Committee monitors risk by ensuring that proper corporate governance standards are maintained and that the Board is comprised of qualified Directors. The Regulatory Affairs and Quality Assurance Policy Committee assists the Audit Committee with its regulatory and compliance function. The Presiding Director coordinates the flow of information from each respective committee to the independent Directors and participates in the preparation of the agenda for each Board and Committee meeting.

As part of the Board's risk oversight function, and in addition to the Compensation Committee's ongoing responsibilities with respect to our executive compensation policies and programs, management has reviewed our compensation policies and practices as they relate to all CryoLife employees, with particular focus on the incentives they may create and any offsetting factors that may reduce the likelihood of excessive risk taking. The purpose of our review was to determine whether any of our compensation policies or practices presents a material risk to our company. This review included an assessment of risks that we face, regardless of whether such risks are reasonably likely to have a material adverse effect on us, and how these risks may be affected by our compensation policies and practices. Although management reviewed base compensation paid to employees and how that compensation affected risk taking, management primarily focused on incentive compensation paid to employees. Our goal was to determine whether the incentive plans and programs might encourage inappropriate behavior by employees, and if so, evaluate how that behavior related to our identified risks. We followed this review with an analysis of whether and to what extent the specific incentive compensation policies and procedures that we reviewed were subject to controls that monitored or mitigated any risk created. In addition, we reviewed other policies, procedures and programs that we have in place to monitor and mitigate the identified risks, including training programs, internal controls and other controls. Based on this review, management, in consultation with the Audit and Compensation Committees and the full Board, has determined that CryoLife's compensation policies and practices are not reasonably likely to have a material adverse impact on our company.

Board and Committee Meetings

During 2009, no Director attended fewer than 75% of the sum of the total number of meetings of the Board of Directors plus the total number of meetings held by all committees of the Board on which he served. In general, members of the Board of Directors are appointed to committees at the meeting of Directors immediately following the Annual Meeting of Stockholders.

During 2009, the Board of Directors held seven meetings.

Board attendance at the Annual Meeting of Stockholders is encouraged, but not required. All eight of the current Board members who were nominated for re-election at the 2009 annual meeting attended the meeting.

Director Compensation

See Fiscal 2009 - Director Compensation at page 50 for a discussion of compensation received by Directors during 2009.

Standing Committees of the Board of Directors

During 2009, the Board of Directors had four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Regulatory Affairs and Quality Assurance Policy Committee. In 2009, the Audit Committee met five times, the Compensation Committee met five times, the Nominating and Corporate Governance Committee met four times, and the Regulatory Affairs and Quality Assurance Policy Committee met four times. These committees are described below.

Audit Committee CryoLife's Audit Committee currently consists of four non-employee Directors: Mr. Cook, Chairman, Mr. Bevevino, Mr. Ackerman, and Mr. Morgan, each of whom served on the Audit Committee for all of 2009. The Audit Committee reviews the general scope of CryoLife's annual audit and the nature of services to be performed for CryoLife in connection with it, acting as liaison between the Board of Directors and the independent registered public accounting firm. The Audit Committee also formulates and reviews various company policies, including those relating to accounting practices and internal control systems of CryoLife. In addition, the Audit Committee is responsible for reviewing and monitoring the performance of CryoLife's independent registered public accounting firm, for engaging or discharging CryoLife's independent registered public accounting firm, and for assisting the Board in its oversight of legal and regulatory requirements. Each of the members of the Audit Committee meets the

requirements of independence of Section 303A.02 of the current NYSE Listing Standards and also meets the criteria of Section 303A.06, as set forth in Rule 10A-3 promulgated under the Securities Exchange Act of 1934, regarding listing standards related to audit committees. No member of the Audit Committee serves on the Audit Committee of more than three public companies. In addition, the Board of Directors has determined that all of the current members of the Audit Committee satisfy the definition of an audit committee financial expert, as promulgated in Securities and Exchange Commission regulations. Following Mr. Cook's retirement from the Board at the May 2010 Annual Meeting, the Audit Committee is expected to consist of Mr. Ackerman, Mr. Bevevino, and Mr. Morgan, with Mr. Bevevino serving as the committee chair.

The Audit Committee operates under a written charter. The charter gives the Audit Committee the authority and responsibility for the appointment, retention, compensation, and oversight of CryoLife's independent registered public accounting firm, including pre-approval of all audit and non-audit services to be performed by CryoLife's independent registered public accounting firm. The Audit Committee also oversees and must review and approve all significant related party transactions. See Policies and Procedures For Review, Approval, or Ratification of Transactions with Related Parties at page 12. The Report of the Audit Committee is on page 13 of this proxy statement.

Compensation Committee The Compensation Committee operates under a written charter that sets out the committee's functions and responsibilities. Our Compensation Committee currently consists of three non-employee Directors: Dr. Elkins, Chairman, Mr. Cook, and Mr. McCall. Dr. Elkins and Mr. Cook served on the Compensation Committee for all of 2009 and Mr. McCall joined the Compensation Committee on May 19, 2009. During fiscal 2009, Mr. Ackerman served on the Compensation Committee from January 1, 2009 until May 19, 2009. Each member of the Compensation Committee meets the independence requirements of Section 303A.02 of the current NYSE Listing Standards, and is a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and a disinterested director within the meaning of Section 162(m) of the Internal Revenue Code of 1986. Following Mr. Cook's retirement from the Board at the May 2010 Annual Meeting, the Compensation Committee is expected to consist of Dr. Elkins, Mr. McCall, and Mr. Bevevino, with Dr. Elkins serving as the committee chair.

Pursuant to the Compensation Committee Charter, the Compensation Committee is responsible for reviewing the performance of executive officers and setting the annual compensation for all senior officers, including the salary and the compensation package of executive officers. The committee, among its other responsibilities:

Establishes the corporate goals and objectives upon which the compensation of CryoLife's Chief Executive Officer is based;

Determines the proper relationship of all executive compensation to the performance of CryoLife;

Evaluates annually the performance of CryoLife's CEO in a joint session with the Nominating and Corporate Governance Committee;

Evaluates the performance of other executive officers by consulting with the CEO and reviewing officer evaluations;

Recommends to the full Board the total amount and form of annual and other compensation paid to CryoLife's non-employee Directors;

Establishes and periodically reviews CryoLife's policies regarding management perquisites; and

Recommends executive compensation plans to the Board for approval, approves grants under CryoLife's executive bonus plans, and approves grants of stock options, restricted stock awards, and other stock rights and cash incentives under CryoLife's stock and incentive plans.

The committee consults with Mr. Anderson, the President and CEO of CryoLife, with respect to compensation for all officers. The CEO negotiates with candidates for employment as officers, and the negotiated compensation is reflected in each candidate's employment agreement or other arrangement, subject to approval by the committee. Management develops bonus and equity compensation plans at the direction of the committee and submits these plans to the committee to review and approve.

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The committee has the power to retain, determine the terms of engagement and compensation of, and terminate any consulting firm that may assist it in the evaluation of compensation decisions. The committee engaged Pearl Meyer & Partners, a compensation consultant, for evaluation of compensation decisions made in 2009 for the named executive officers. Pearl Meyer prepared an executive compensation study in October 2008, which it supplemented in February 2009, which was used by the committee in making its 2009 compensation decisions. Pearl Meyer also prepared an executive compensation study in October 2009, which it supplemented in February 2010, that was used by the committee in making compensation decisions in January and February 2010. The committee has continued its engagement with Pearl Meyer for decisions regarding executive compensation for fiscal 2010.

Nominating and Corporate Governance Committee CryoLife's Nominating and Corporate Governance Committee currently consists of three non-employee Directors: Mr. McCall, Chairman, Mr. Benson, and Mr. Bevevino, each of whom served on the Nominating and Corporate Governance Committee for all of 2009. During fiscal 2009, Mr. Morgan served on the Nominating and Corporate Governance Committee from January 1, 2009 until May 19, 2009. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. Among other things, the committee recommends potential candidates for the Board. It also oversees the annual self-evaluations of the Board and its committees. Each year the Nominating and Corporate Governance Committee evaluates the performance of CryoLife's CEO and the other executive officers in a joint session with the Compensation Committee. The Nominating and Corporate Governance Committee also recommends to the Board how the other Board committees should be structured and which Directors should be members of those committees. The committee also reviews and makes recommendations to the Board of Directors regarding the development of and compliance with the company's corporate governance guidelines. Following the May 2010 Annual Meeting, the Nominating and Corporate Governance Committee is expected to consist of Mr. McCall, Mr. Benson, and Mr. Morgan, with Mr. McCall serving as the committee chair.

Regulatory Affairs and Quality Assurance Policy Committee CryoLife's Regulatory Affairs and Quality Assurance Policy Committee currently consists of three non-employee Directors: Mr. Benson, Chairman, Dr. Elkins, and Mr. Morgan. Mr. Benson and Dr. Elkins served on the Regulatory Affairs and Quality Assurance Policy Committee for all of 2009 and Mr. Morgan joined the Committee on May 19, 2009. During fiscal 2009, Mr. McCall served on the Regulatory Affairs and Quality Assurance Policy Committee from January 1, 2009 until May 19, 2009. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. Among other things, the Regulatory Affairs and Quality Assurance Policy Committee assists the Audit Committee in its oversight of CryoLife's regulatory affairs and quality assurance relating to its tissue processing, biologicals and devices, both new and existing. Pursuant to its charter, the committee is directed to:

Meet with CryoLife's internal regulatory compliance auditors and regulatory affairs and tissue processing quality assurance administrators on a quarterly basis and receive updates concerning:

CryoLife's development and implementation of improved safety processes and procedures for tissue processing, biologicals and devices; and

CryoLife's adherence to FDA and other regulatory bodies' rules, regulations and guidelines that are applicable to CryoLife;

Become familiar with CryoLife's internal policies concerning the development and implementation of improved safety processes and procedures for tissue processing, biologicals and devices, and make recommendations of appropriateness to the Audit Committee regarding such processes and procedures; and

Keep adequate and proper records and/or minutes of all such discussions, meetings and recommendations and make the same available to all Board members.

Following the May 2010 Annual Meeting, the Regulatory Affairs and Quality Assurance Policy Committee is expected to consist of Mr. Benson, Dr. Elkins, and Mr. McCall, with Mr. Benson serving as the committee chair.

Policies and Procedures for Stockholders Who Wish to Submit Nominations or Recommendations for Board Membership

Stockholders may submit the names of potential candidates for Director to the Nominating and Corporate Governance Committee. The policy of the Nominating and Corporate Governance Committee is to give the same consideration to nominees submitted by stockholders that it gives to individuals whose names are submitted by management or other Directors, provided that the nominees submitted by stockholders are submitted in compliance with Article XIV of CryoLife's Bylaws, as discussed below.

Factors to be considered by the committee include:

Whether the committee sees a need for an additional member of the Board, or to replace an existing member;

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The overall size of the Board of Directors;

The skills and experience of the nominee, as compared to those of the other members of the Board; and

Whether the nominee is the holder of or is associated with a holder of a large number of shares of CryoLife common stock.

Stockholders may also directly nominate a candidate for election to the Board by complying with Article XIV of CryoLife's Bylaws. The Nominating and Corporate Governance Committee also requires compliance with Article XIV as a prerequisite for its consideration of a potential nominee. A summary of certain provisions of Article XIV as it relates to nominations for Director at the 2011 annual meeting of stockholders is set forth below, but you are urged to read Article XIV in its entirety:

We must receive all required information no later than February 19, 2011 but no earlier than January 20, 2011, in order for it to be considered timely see Stockholder Proposals at page 57 of this proxy statement;

The sponsoring stockholder should provide information sufficient to inform us that the sponsor qualifies as a stockholder;

The sponsoring stockholder should also provide disclosure, as described in the Bylaws, of certain underlying motives that may give rise to a Director nomination, such as any material monetary agreements, arrangements or understandings between a stockholder and his or her nominee; and

The nominee should provide the candidate's written consent to be considered and to serve if elected, a detailed questionnaire that includes questions regarding the background and qualification of the candidate, and a written representation and agreement disclosing certain arrangements that could prevent the candidate from acting in the best interests of CryoLife.

Based on its review of the information provided, the committee may contact the candidate confidentially, and may require that the candidate:

Be available upon request to meet with the committee and management with reasonable notice;

Execute a non-disclosure agreement; and

Provide several references.

The Board may from time to time identify nominees on its own and/or utilize a third party search firm to identify nominees. All nominees are evaluated according to the same criteria. The committee and the Board have determined that nominees to the Board should be of known integrity, have a good moral and ethical background, and have an appropriate level of education, training, or experience to be able to make a contribution to furthering the goals of CryoLife while being compatible with management and the other Board members. Special knowledge, education, training, and experience that complement the experience of other Board members will be considered. A candidate's capacity for independent judgment will also be considered.

The current Board policy requires each Director to offer to voluntarily resign upon a change in such Director's principal employment or line of business. The Nominating and Corporate Governance Committee will then review whether he or she continues to meet the needs of the Board and will make a recommendation to the Board regarding whether or not it should require the Director to tender his or her resignation.

Current Board policy also limits the number of other public company boards of Directors on which CryoLife Directors may serve. Non-employee Directors may serve on no more than two public company boards of Directors in addition to service on CryoLife's Board. The CEO may serve on no more than one public company board of Directors in addition to service on CryoLife's Board.

Although the Board and the Nominating and Corporate Governance Committee have no formal policy with respect to the consideration of diversity in Board membership, in addition to the specific criteria the Board and the Committee consider with respect to individual nominees and Directors, the Board also seeks to maintain an overall mix of Board members with diverse talents and backgrounds in order to maximize the Directors' aggregate contribution to the effective oversight of CryoLife. In considering nominees for election and reelection, we may consider one or more potential members of the Board who possess a background in the biotechnology or healthcare fields. Along with attracting and retaining Directors who are well-acquainted with our industry, we may also consider individuals with more general backgrounds in business, legal, and/or regulatory affairs. Also, because of the importance of evaluating our financial performance, capital needs, and potential acquisitions, we may also consider individuals with experience in accounting and financial reporting, investment banking, and corporate finance.

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The Board also considers the need to maintain the appropriate level of experienced membership on each of its committees as it fosters diversity within its ranks. We evaluate the Board as a whole, however, and do not generally choose Directors in order to fill designated slots or positions.

The Nominating and Corporate Governance Committee has not received any recommended Director nominees for election at the 2010 Annual Meeting from any CryoLife security holder or group of security holders.

Stockholders may communicate the necessary information to the Nominating and Corporate Governance Committee or the Board by following the procedures set forth below at [Communication with the Board of Directors and Its Committees](#) on page 13.

Code of Business Conduct and Ethics

CryoLife has established a Code of Business Conduct and Ethics that clarifies the company's standards of conduct in potentially sensitive situations; makes clear that CryoLife expects all employees, officers, and Directors to understand and appreciate the ethical considerations of their decisions; and reaffirms the company's long-standing commitment to a culture of corporate and individual accountability and responsibility for the highest ethical and business practices.

This Code of Business Conduct and Ethics also serves as the code for the company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, and all other financial officers and executives. In the event that the company amends or waives any of the provisions of the Code of Business Conduct and Ethics applicable to its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, or Controller, the company intends to disclose that information on the company's website at www.cryolife.com/investornew.htm.

Policies and Procedures for Review, Approval, or Ratification of Transactions with Related Parties

The Board has adopted written policies and procedures for review, approval, or ratification of transactions with related parties.

Types of Transactions Covered

It is our policy to enter into or ratify related party transactions only when the Board of Directors, acting through the Audit Committee or as otherwise described herein, determines that the related party transaction in question is in, or is not inconsistent with, the best interests of CryoLife and its stockholders. We follow the policies and procedures below for any transaction in which we are, or are to be, a participant and the annual amount involved exceeds \$50,000 and in which any related party, as defined below, had, has, or will have a direct or indirect interest. Pursuant to the policy, compensatory arrangements with an executive officer or Director that are approved or ratified by the Compensation Committee or compensation received under our employee benefit plans that are available to all employees do not require additional Audit Committee approval.

The company subjects the following related parties to these policies: Directors (and nominees), executive officers, beneficial owners of more than 5% of our stock, any immediate family members of these persons, and any entity in which any of these persons is employed or is a general partner or principal or has a similar position or in which the person has a 10% or greater beneficial ownership interest.

Standards Applied and Persons Responsible for Approving Related Party Transactions

The CEO and the Corporate Secretary are responsible for maintaining a list of all related parties known to them and for submitting to the Audit Committee for its advance review and approval any related party transaction into which we propose to enter. If any related party transaction inadvertently occurs before the Committee has approved it, the CEO or the Corporate Secretary shall submit the transaction to the Committee for ratification as soon as he or she becomes aware of it. If the Committee does not ratify the transaction, it shall direct for the transaction to be either rescinded or modified as soon as is practicable. The CEO or the Corporate Secretary may delegate his or her duties under the policy to another officer of CryoLife if he or she gives notice of the delegation to the Committee at its next regularly scheduled meeting.

When reviewing a related party transaction, the Committee shall examine all factors it deems relevant, including, among other things:

Whether the transaction has a business purpose;

Whether the transaction is to be entered into on an arms-length basis;

The prior course of dealing between the parties, if any;

Whether such a transaction would violate any provisions of the CryoLife Code of Business Conduct and Ethics or otherwise create the appearance of impropriety;

The impact on a Director's independence in the event the related party is a Director;

The terms available to unrelated third parties or to employees generally;

Management's recommendations regarding the transaction;

Advice of counsel regarding the legality of the transaction;

The financial impact on CryoLife; and

Whether or not it is advisable for the approval to comply with Section 607.0832 of the Florida Business Corporation Act, which addresses Director conflict of interest transactions.

If the CEO or the Corporate Secretary determines that it is not practicable or desirable to wait until the next Audit Committee meeting, they shall submit the related party transaction for approval or ratification to the chair of the Committee, who possesses delegated authority to act between Committee meetings. The chair shall report any action he or she has taken under this delegated authority to the Committee at its next regularly scheduled meeting.

The Committee, or the chair, shall approve only those related party transactions that they have determined in good faith are in, or are not inconsistent with, the best interests of CryoLife and its stockholders.

Review of Ongoing Transactions

At the Committee's first meeting of each fiscal year, the Committee reviews all related party transactions, other than those approved by the Compensation Committee as contemplated in the policy, that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from CryoLife of more than \$50,000 annually. Based on all relevant facts and circumstances, taking into consideration the factors discussed above, the Audit Committee shall determine if it is in, or not inconsistent with, the best interests of CryoLife and its stockholders to continue, modify, or terminate the related party transaction.

Communication with the Board of Directors and Its Committees

Interested parties may communicate directly with the Board of Directors, the Presiding Director, the non-management Directors as a group, Committee Chairs, Committees, and individual Directors by mail. CryoLife's current policy is to forward all communications to the addressees, unless they clearly constitute unsolicited general advertising. Please send all communications in care of Suzanne K. Gabbert, Corporate Secretary, CryoLife, Inc., 1655 Roberts Boulevard, NW, Kennesaw, Georgia 30144.

Availability of Corporate Governance Documents

You may view current copies of the charters of the Audit, Compensation, Nominating and Corporate Governance, and Regulatory Affairs and Quality Assurance Policy Committees, as well as the company's Corporate Governance Guidelines and Code of Business Conduct and Ethics, on the CryoLife website at www.cryolife.com/investornew.htm.

Notwithstanding anything to the contrary set forth in any of CryoLife's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate other CryoLife filings, including this proxy statement, in whole or in part, neither of the following Reports of the Audit Committee and the Compensation Committee shall be incorporated by reference into any such filings.

REPORT OF THE AUDIT COMMITTEE

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The Board of Directors maintains an Audit Committee comprised of four Directors. The Board of Directors and the Audit Committee believe that the Audit Committee's current member composition satisfies the rules of the NYSE that govern audit committee composition, including the requirement that audit committee members all be Independent Directors as that term is

defined by Sections 303A.02 and 303A.06 of the current NYSE Listing Standards and Rule 10A-3 promulgated under the Securities Exchange Act of 1934.

The Audit Committee oversees CryoLife's financial processes on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements included in CryoLife's Annual Report on Form 10-K for fiscal 2009 with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Board and the Audit Committee have adopted a written Audit Committee Charter. Since the first quarter of 2004, CryoLife has retained a separate accounting firm to provide internal audit services. The internal audit function reports directly to the Audit Committee and, for administrative purposes, to the Chief Financial Officer.

During the course of fiscal 2009, management completed the documentation, testing and evaluation of CryoLife's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Audit Committee received periodic updates provided by management and Deloitte & Touche LLP at each regularly scheduled Audit Committee meeting. The Audit Committee also reviewed the report of management on internal control over financial reporting contained in CryoLife's Annual Report on Form 10-K for fiscal 2009, as well as Deloitte & Touche LLP's Report of Independent Registered Public Accounting Firm included in CryoLife's Annual Report on Form 10-K for fiscal 2009 related to its audit of (i) CryoLife's consolidated financial statements and financial statement schedules, (ii) management's assessment of the effectiveness of the company's internal control over financial reporting, and (iii) the effectiveness of the company's internal control over financial reporting. The Audit Committee continues to oversee CryoLife's efforts related to its internal control over financial reporting and management's preparations for the evaluation in fiscal 2010.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of CryoLife's accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61. In addition, CryoLife's independent registered public accounting firm provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee discussed with the independent registered public accounting firm that firm's independence from management and CryoLife.

The Audit Committee discussed with CryoLife's independent registered public accounting firm the overall scope and plans for its audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of its examination, its evaluation of CryoLife's internal controls and the overall quality of CryoLife's financial reporting.

Aggregate fees paid to Deloitte & Touche LLP for the year ended December 31, 2009 were \$553,000. See "Ratification of the Independent Registered Public Accounting Firm" at page 56 for further details. The Audit Committee determined that the payments made to its independent registered public accounting firm for non-audit services for 2009 were consistent with maintaining Deloitte & Touche LLP's independence. In accordance with its Audit Committee Charter, CryoLife's Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, specified tax services and other services.

In reliance on the reviews and discussions referred to above, the Audit Committee members did not become aware of any misstatement in the audited financial statements and recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the Securities and Exchange Commission. The Audit Committee will also select CryoLife's independent registered public accounting firm for fiscal 2010.

Audit Committee

JOHN M. COOK, CHAIRMAN

THOMAS F. ACKERMAN

DANIEL J. BEVEVINO

HARVEY MORGAN

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION & ANALYSIS

Analysis of Total Compensation

The Compensation Committee generally makes formal compensation decisions in February of each year. The committee uses an informal tally sheet to better understand the total compensation package of each named executive officer and to determine whether CryoLife should make any adjustments to better align each named executive officer's compensation with CryoLife's goals and objectives. The tally sheet utilized by the committee is an itemized worksheet of each element of the named executive officers' compensation that includes a total of all compensation earned during the prior year. The worksheet includes not only the executives' base salaries and bonuses, but also the fair value of restricted stock and option grants, as well as other elements of compensation. The materials used by the committee also include internal pay equity analyses and summaries of prior compensatory items, such as the in-the-money value of accumulated option and restricted stock grants. The committee included these wealth accumulation items to help it better understand whether the company is effectively incentivizing its executives with continued equity award grants. The committee also reviews peer group information prepared by its independent executive compensation consultant and independent salary survey information. The committee also conducts its formal performance evaluation of executive officers, conducted jointly with the Nominating and Corporate Governance Committee, in February of each year in order to coincide with the committee's compensation decisions.

Compensation Philosophy and Objectives

CryoLife's executive compensation programs are designed to attract, motivate, and retain executives who are critical to our long-term success and the creation of stockholder value. The committee believes the actions of our executive officers have a profound impact on the short-term and long-term profitability of CryoLife. Therefore, the committee gives significant attention to the design of CryoLife's compensation package. The committee's fundamental philosophy is to provide competitive salaries and link the executive officers' incentive compensation to the achievement of annual and long-term performance goals related to both personal and company performance without incentivizing excessive or inappropriate risk taking. The committee has designed the compensation arrangements in a way that maintains an appropriate balance between base salary and annual and long-term incentive compensation. It is the policy of the committee not to award bonuses or other compensation to company officers for the purpose of satisfying margin call obligations owed by such officers without first obtaining stockholder approval. As with all CryoLife insiders, executive officers of the company are prohibited at all times from trading in publicly traded options, puts, calls, straddles, or similar derivative securities of CryoLife, whether or not issued directly by CryoLife or by any exchange, and from effecting short sales of CryoLife's securities.

To help fulfill these objectives, the committee designed the CryoLife executive incentive plan and related bonus programs to motivate executive officers to achieve strategic business objectives and personal goals, as well as to continue to perform at the highest levels in the future. Similarly, the committee designed the equity-based compensation programs to align the long-term interests of employees with those of stockholders. The committee's goal is to achieve total pay levels that are perceived both internally and externally as competitive and fair.

Elements of Compensation Program

CryoLife's compensation package consists of four primary elements:

Base salary;

Performance bonus;

Stock-based incentive compensation; and

Severance/change of control payments.

The named executive officers also receive certain other perquisites, including payment of dues and business expenses at certain private clubs and, with respect to Mr. Anderson, auto and gas expense reimbursement.

Peer Group and Benchmarking

General

When making compensation decisions, we look at the compensation of our CEO and the other named executive officers relative to the compensation paid to similarly-situated executives at companies that we consider to be our peers. This is often referred to as benchmarking. We believe, however, that a benchmark should be just that a point of reference for measurement but not the determinative factor for our executives compensation. The purpose of the comparison is not to supplant the analyses of internal pay equity, wealth accumulation, and the individual performance of the executive officers that we consider when making compensation decisions.

Because the comparative compensation information is just one of the several analytic tools that are used in setting executive compensation, the Compensation Committee has discretion in determining the nature and extent of its use. Further, given the limitations associated with comparative pay information for setting individual executive compensation, including the difficulty of assessing and comparing wealth accumulation through equity gains and post-employment amounts, the committee may elect to not use the comparative compensation information at all in the course of making compensation decisions.

Radford Salary Survey

In evaluating base salaries, the Compensation Committee utilizes the most current edition of the Radford Global Life Sciences Survey to benchmark specific executive positions.

Executive Compensation Consultant

February 2009 decisions

In September 2008, the committee engaged Pearl Meyer as its compensation consultant. For compensation decisions made in February 2009, the committee and Pearl Meyer utilized the previous year's peer group companies for benchmarking purposes, subject to the exclusion of Foxhollow Technologies, Inc., which was acquired by ev3, Inc. in October 2007. We refer to these companies as the 2009 peer group. The committee and Pearl Meyer also utilized six 2007/2008 compensation surveys of biotech and healthcare companies. The data presented by Pearl Meyer to the committee in its October 2008 and February 2009 executive compensation studies was an even blend of the 2009 peer group and the compensation survey information, trended forward to January 1, 2009 by a factor of 4.3%. We refer to the blended 2009 peer group and survey compensation data as the 2009 peer group information. Components of compensation considered in Pearl Meyer's October 2008 and February 2009 executive compensation studies included:

Base salary;

Target and actual total cash compensation, with target total cash compensation calculated as base salary plus target bonus, and actual total cash compensation calculated as base salary plus actual bonus earned for 2007 but paid in 2008, including the portion paid in stock; and

Target total direct compensation, calculated as target total cash compensation plus the grant value of equity awards granted during 2008 (using the Black-Scholes Option Pricing Model for stock options and the grant date stock price for non-option awards).

The studies also analyzed CryoLife's performance relative to its peers, equity overhang, and annual equity grant rates. In selecting the surveys for 2009 benchmarking, the committee and Pearl Meyer chose a group of companies with targeted revenues of \$175 million.

October 2009 and first quarter 2010 decisions

For compensation decisions made in October 2009 and first quarter 2010, the committee and Pearl Meyer continued to utilize the 2009 peer group for benchmarking purposes, subject to the exclusion of the following companies:

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Arthrocare Corporation, which was delisted from the NASDAQ Stock Market in 2009 and had not disclosed its 2008 executive compensation information as of October 2009;

Atherogenics, Inc., which ceased business and was liquidated in 2009;

LifeCell Corporation, which was acquired by Kinetic Concepts, Inc. in 2008; and

Omrix Biopharmaceuticals, Inc., which was acquired by Johnson & Johnson in 2008.

To offset these departures, the committee and Pearl Meyer added two new peer group members:

Kensey Nash Corporation; and

Orthovita, Inc.

We refer to this group of companies as the 2010 peer group. The committee and Pearl Meyer also utilized six 2008/2009 compensation surveys of biotech and healthcare companies. The data presented by Pearl Meyer to the committee in its September 2009 and February 2010 executive compensation studies was an even blend of the 2010 peer group and the compensation survey information, trended forward to January 1, 2010 by a factor of 2.7%. We refer to the blended 2010 peer group and survey compensation data as the 2010 peer group information. Components of compensation considered in Pearl Meyer's September 2009 and February 2010 executive compensation studies included:

Base salary;

Target and actual total cash compensation, with target total cash compensation calculated as base salary plus target bonus, and actual total cash compensation calculated as base salary plus actual bonus earned for 2008 but paid in 2009; and

Target total direct compensation, calculated as target total cash compensation plus the grant value of equity awards granted during 2009 (using the Black-Scholes Option Pricing Model for stock options and the grant date stock price for non-option awards).

As in the prior year, the Pearl Meyer studies also analyzed CryoLife's performance relative to its peers, equity overhang, and annual equity grant rates. They also addressed long-term incentive plan grant philosophy. In selecting the surveys for 2010 benchmarking, the committee and Pearl Meyer chose a group of companies with targeted revenues of \$150 million in order to more closely reflect the company's annual revenue.

2009 and 2010 peer group companies

The committee believes that the peer group companies are representative of the current array of biological implantable devices distributed by CryoLife and the complexities of its business. With the assistance of its compensation consultant, the committee reviews the composition of the peer group periodically to ensure that the companies are relevant for comparative purposes. Our peer group consists of the following companies:

Peer Group Companies

Abiomed, Inc.
Atherogenics, Inc.*
Arthrocare Corp.*
Atrion Corp.
Enzon Pharmaceuticals, Inc.
ev3, Inc.
Immucor, Inc.
Kensey Nash Corporation**
Lifecell Corp.*

Medical Action Industries, Inc.
Micrus Endovascular Corp.
OMRIX biopharmaceuticals LTD*
Orthovita, Inc.**
RTI Biologics, Inc.
Stereotaxis, Inc.
Synovis Life Tech, Inc.
Thoratec Corp.

- * 2009 peer group only
- ** 2010 peer group only

Compensation surveys included in 2009 peer group information

2008 Mercer U.S. Executive Compensation Database
2007/2008 Watson Wyatt Report on Top Management Compensation
2007 CHiPS Executive and Senior Management Total Compensation Survey
2007 Presidio Pay Advisors Biotechnology Industry Executive Compensation Survey
2007/2008 Pearl Meyer Private Biotechnology Industry Survey
2008 Pearl Meyer Private Life Sciences Industry Survey

Compensation surveys included in 2010 peer group information

2009 Mercer U.S. Executive Compensation Database
2008/2009 Watson Wyatt Report on Top Management Compensation
2008 CHiPS Executive and Senior Management Total Compensation Survey
2008/2009 Pearl Meyer Private Biotechnology Industry Survey
2009 Pearl Meyer Private Life Sciences Industry Survey
2009 Pearl Meyer Private Long-Term Incentive Survey

Base Salary

In July 2008, the committee determined that for all officers, other than the CEO, it would replace their employment agreements, as they expired, with change of control agreements. See Employment and Change of Control Agreements below. Mr. Lee's and Mr. Seery's employment agreements expired in 2008 and we replaced them with change of control agreements. Dr. Heacox's and Mr. Fronk's employment agreements expired in May 2009, and we replaced them with change of control agreements as well. With the exception of Mr. Anderson, the committee has the authority to reduce each named executive officer's base salary as it deems appropriate. With respect to Mr. Anderson, his amended and restated employment agreement provides that we may only reduce his base salary in the event of a general wage reduction, and then only to the same extent as all executive officers' base salaries are reduced. Mr. Anderson's employment agreement also provides that he will receive an annual base salary increase that shall be, at a minimum, equal to the annual cost of living increase. As discussed below, however, Mr. Anderson waived this provision with respect to 2010.

The committee reexamines base salaries each February as part of its comprehensive compensation review. In February 2009, the committee reviewed a tally sheet showing each named executive officer's total compensation for 2008. In addition, the committee reviewed the 2009 peer group information, comparing base salaries, target, and actual total cash compensation, and target total direct compensation. The committee also reviewed the 2008 Radford Global Life Sciences Survey and internal pay equity analyses between the CEO and the other officers with respect to annual base salary, bonus, equity grants, and total annual compensation. With respect to decisions made in February 2010, the committee reviewed similar tally sheet information and internal pay equity information, updated to 2009, as well as the 2009 Radford Global Life Sciences Survey and the 2010 peer group information.

Set forth below are the base salaries for each named executive officer as in effect in February of 2008, 2009, and 2010. The committee did not make any changes to the base salaries of the named executive officers in February 2009 or February 2010. Mr. Anderson was not contractually entitled to a salary increase in 2009, because the annual cost of living index specified by his amended and restated employment agreement did not increase. With respect to 2010, Mr. Anderson waived his cost of living increase, which is calculated based on the Consumer Price Index, Atlanta, Georgia, All Items published by the U.S. Department of Labor, in partial consideration of the amendments to his employment agreement. See Employment and Change of Control Agreements Employment Agreement with Mr. Anderson.

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Name of Executive Officer	2008 Base Salary	2009 Base Salary	2010 Base Salary	% Change	
				(2010 over 2009)	(2009 over 2008)
Steven G. Anderson	\$ 619,229	\$ 619,229	\$ 619,229	0%	0%
D. Ashley Lee	\$ 350,897	\$ 350,897	\$ 350,897	0%	0%
Gerald B. Seery	\$ 275,000	\$ 275,000	\$ 275,000	0%	0%
Albert E. Heacox	\$ 281,589	\$ 281,589	\$ 281,589	0%	0%
David M. Fronk	\$ 254,400	\$ 254,400	\$ 254,400	0%	0%

Analysis

Mr. Anderson

2009 Analysis

The committee determined that, despite its evaluation of Mr. Anderson's performance as excellent, an additional increase in Mr. Anderson's salary was unnecessary. The committee based this decision on the then-current economic climate and its review of the 2008 Radford survey and the 2009 peer group information, both of which indicated that Mr. Anderson's base salary was above the 75th percentile. The committee also reviewed the internal pay equity information and determined that the current base salary differentials between Mr. Anderson and the other officers were appropriate.

2010 Analysis

As in 2009, the committee determined that, despite its evaluation of Mr. Anderson's performance as excellent, an increase in Mr. Anderson's salary in 2010 was unnecessary. This decision was based primarily on the committee's consideration of continuing economic challenges, the salary control initiatives recently implemented by the company with respect to non-executive employees, and the committee's review of the 2009 Radford survey and the 2010 peer group information, which showed that Mr. Anderson's base salary continued to be above the 75th percentiles.

Other Named Executive Officers

2009 Analysis

As with Mr. Anderson, the committee determined that base salary increases were not warranted for the other named executive officers in 2009. This decision was primarily based on consideration of the current economic climate and a review of the 2008 Radford survey information and the 2009 peer group information, which showed all of the named executive officers other than Mr. Anderson to be near or slightly above the 50th percentiles for base salary.

2010 Analysis

As in 2009, the committee determined that base salary increases were not warranted for the other named executive officers in 2010. This decision was primarily based on continuing economic challenges, the salary control initiatives recently implemented by the company with respect to non-executive employees, and a review of the 2009 Radford survey information and the 2010 peer group information, which showed all of the named executive officers other than Mr. Anderson to be near or somewhat above the 50th percentiles.

Bonus

2009 Bonus Program

In late 2008, the committee requested that Pearl Meyer make recommendations regarding potential changes to the 2008 bonus program that should be incorporated into the 2009 bonus program. The 2009 bonus program was prepared pursuant to CryoLife's executive incentive plan and was modeled after the 2008 program, with the changes discussed below. The 2009 bonus program provided for bonuses based on three performance categories: adjusted revenues, adjusted net income, and personal performance. See Annual Performance-Based Bonus Plans 2009 Bonus Program at page 35 for a discussion of the 2009 bonus program. In February 2010, the committee approved paying the 2009 bonus 100% in cash.

Analysis

In adopting the 2009 program, the committee considered various factors, including its continued belief that the program would motivate executives to increase CryoLife's revenues, net income, and operating cash flow without incentivizing excessive or inappropriate risk taking. The committee also reviewed the 2009 peer group information, which showed actual total cash compensation for 2007 for all named executive officers, including the cash and stock portions of the 2007 bonus paid in 2008, to be above the 75th percentile. This positioning relative to the peer group with respect to total cash compensation was primarily the result of the large bonuses paid in February 2008 for the company's exceptional 2007 performance. As had been the case in 2008, the committee concluded that this type of exceptional payment for exceptional performance was appropriate and should be carried forward in the design of the 2009 program, with the changes discussed below. As a result, based on consultations with management,

and with Pearl Meyer regarding the appropriateness of the 2009 performance and bonus payout levels, and based on the committee's review of the 2009 peer group information, the committee subjectively approved the performance measures discussed at Annual Performance-Based Bonus Plans 2009 Bonus Program at page 35 as appropriate targets to achieve our goals of increases in 2009 revenues, net income, and operating cash flow, as well as to drive personal performance and provide appropriate incentives to satisfy employee retention goals.

As in 2008, in designing the adjusted revenue measures, management and the committee attempted to identify those revenue sources that most closely related to CryoLife's material ongoing operations and excluded revenue sources that we expected to discontinue or deemphasize. With respect to adjusted net income performance measures, management and the committee determined that it was appropriate to exclude items over which the officers were not likely to have significant control or which we expected to be volatile or difficult to predict. The committee's decision to add Hemostase® revenues to the adjusted revenues performance measure for 2009 was made at the recommendation of management in order to reflect increased revenues from that product, which we began distributing in 2008. The exclusion of research and development expenses from the adjusted net income measure for 2009 was based on the committee's subjective view that this component had a disproportionate impact on bonus levels in prior years and that a number of variables prevented management from forecasting it with precision. The committee adopted management's performance targets and payout levels as proposed without modification. Management based the increases in performance target levels on CryoLife's projections provided to the public. The expansion of the range over which adjusted net income bonuses were payable was driven by the current economic climate and management's and the committee's subjective belief that forecasts of 2009 results were subject to much more uncertainty than in previous years.

Individual target bonus percentages for Mr. Anderson and Mr. Lee were carried forward from the 2008 bonus program. The committee increased each of the other named executive officer's target bonus percentages from 30% or 35% to 40% in order to bring their bonus opportunities more in line with those of Mr. Anderson and Mr. Lee based on the committee's review of the internal pay equity information and discussions with Pearl Meyer. The committee believed that the 2009 bonus target percentages provided each executive with a proper bonus potential given his position with and importance to CryoLife and that they were appropriately sized based on 2009 peer group information and the internal pay equity information reviewed by the committee. Based on the 2009 bonus target percentages, target total cash compensation for fiscal 2009 for each named executive officer was at or above the 50th percentile of the 2009 peer group information except with respect to Mr. Anderson and Mr. Lee, whose target total cash compensation was above the 75th percentile. The committee viewed these levels as appropriate given that each named executive officer's target total direct compensation, including that of Mr. Anderson and Mr. Lee, was below the 50th percentile of the 2009 peer group information.

The committee eliminated the additional adjusted net income bonus for the 2009 bonus program based on its belief that this additional bonus was primarily driven by the goal of incentivizing management to return CryoLife to profitability. With this goal having been achieved, the committee determined that this portion of the bonus program was no longer appropriate; however, the committee did remove the cap from the adjusted net income portion of the 2009 bonus program as a result of its discontinuation of the additional adjusted net income bonus. These actions accomplished the committee's and management's goal of moving away from a sizeable cliff-vested additional bonus and moving toward a pro rata bonus payment for increasing levels of adjusted net income performance.

The committee paid the 2009 bonuses in accordance with the bonus program formulas established in February 2008 and the committee's determination that CryoLife's cash position supported paying the bonus 100% in cash. The committee determined individual performance bonus components for all named executive officers except Mr. Anderson in consultation with Mr. Anderson, and accepted his recommendations without modification. The committee determined Mr. Anderson's performance bonus component in consultation with the Nominating and Corporate Governance Committee.

2010 Bonus Program

In early 2010, the committee requested management to propose a bonus program for the upcoming year. The 2010 bonus program was prepared pursuant to CryoLife's executive incentive plan and was modeled after the 2009 program. The 2010 bonus program provides for bonuses based on the three performance categories used in prior years: adjusted revenues, adjusted net income and personal performance, with the changes discussed below. See Annual Performance-Based Bonus Plans 2010 Bonus Program at page 37 for a discussion of the 2010 bonus program.

Analysis

As in 2009, the committee considered various factors in approving the 2010 bonus program, including its continued belief that the program would motivate executives to increase CryoLife's revenues, net income, and operating cash flow without incentivizing excessive or inappropriate risk taking. The committee also reviewed the 2010 peer group information, which showed

actual total cash compensation for 2008, including the 2008 bonus paid in 2009, to be above the 75th percentile for Mr. Anderson and above the 50th percentile for the other named executive officers. Similarly to actual total cash compensation for 2007, this positioning relative to the peer group with respect to total cash compensation was primarily the result of the large bonuses paid in February 2009 for the company's exceptional 2008 performance. As had been the case in February 2009, the committee concluded that this type of exceptional payment for exceptional performance was appropriate and should be carried forward in the design of the 2010 program, with the changes discussed below. The 2010 peer group information also showed that target total cash compensation for 2010 was above the 75th percentile for Mr. Anderson, above the 50th percentile for Mr. Lee, and at the 50th percentile for the other named executive officers. The committee considered this appropriate, given that the 2010 peer group information also showed that Mr. Anderson's target total direct compensation was somewhat above the 50th percentile and each other named executive officer's target total direct compensation was somewhat below the 50th percentile. As a result, based on consultations with management, and with Pearl Meyer regarding the appropriateness of the 2010 performance and bonus payout levels, and the committee's review of the 2010 peer group information, the committee subjectively approved management's recommended performance measures and bonus payouts without modification. See Annual Performance-Based Bonus Plans 2010 Bonus Program at page 37. Management and the committee believe that the 2010 bonus program provides appropriate targets to achieve our goals of increases in 2010 revenues, net income, and operating cash flow, as well as to drive personal performance and provide appropriate incentives to satisfy employee retention goals.

As in 2009, in designing the adjusted revenue measures, management and the committee attempted to identify those revenue sources that most closely related to CryoLife's material ongoing operations and excluded revenue sources that we expected to discontinue or deemphasize. As a result, management recommended, and the committee approved, the addition of BioFoam[®] revenues to this performance measure. With respect to adjusted net income performance measures, management and the committee determined that it was appropriate to exclude items over which the officers were not likely to have significant control or which we expected to be volatile or difficult to predict. The committee adopted management's performance targets and payout levels as proposed without modification. Management based the changes in performance target levels on CryoLife's projections provided to the public. The contraction of the range over which revenue bonuses were payable was driven by the current economic climate and management's and the committee's subjective belief that revenue expansion continues to be a challenge to CryoLife and should therefore be rewarded appropriately. Management recommended, and the committee approved, the exclusion of costs related to potential acquisitions from the calculation of the adjusted net income performance measure, given the unpredictable nature of these expenses and the goal of ensuring that management is not disincented from pursuing desirable acquisition targets.

Individual target bonus percentages were carried forward from the 2009 bonus program. The committee believes that the 2010 bonus target percentages provide each executive with a proper bonus potential given his position with and importance to CryoLife and that they are appropriately sized based on 2010 peer group information and the internal pay equity information reviewed by the committee. With respect to external benchmarking, the committee viewed these levels as appropriate given the 2010 peer group information discussed above.

The committee believes that the 2010 adjusted revenue bonus minimum performance level and target are challenging, but expects the minimum level to be achieved and considers the target to be achievable if the company successfully executes its operating plan. The 2010 adjusted revenue target is within the range of 2010 revenue guidance previously publicly announced by the company, while the minimum performance level is below that range. The Committee believes that the maximum 2010 adjusted revenue performance level will be very difficult to achieve. This performance level significantly exceeds the company's guidance. For 2006, 2007, 2008, and 2009, CryoLife paid adjusted revenue bonuses at approximately 92%, 94%, 81%, and 73% of target, respectively.

The committee believes that 2010 adjusted net income bonus threshold and target performance levels are challenging, but expects the minimum level to be achieved and considers the target to be achievable if the company successfully executes its operating plan. The 2010 adjusted net income target performance level is consistent with the range of 2010 earnings per share guidance previously publicly announced by the company and the 2010 adjusted net income minimum performance level is substantially below the bottom end of the company's 2010 range of earnings per share guidance. The committee believes that adjusted net income performance at levels above the target will be very challenging, but not impossible to achieve. Based on the range of 2010 earnings per share guidance previously publicly announced by the company, however, the committee does not expect the target level of adjusted net income to be significantly exceeded unless CryoLife outperforms this guidance. For 2006, 2007, 2008, and 2009, CryoLife paid adjusted net income bonuses at approximately 172%, 165%, 145%, and 70% of target, respectively. In addition, CryoLife paid additional adjusted net income bonuses at the maximum levels in 2006 and 2007, as well. CryoLife did not pay an additional adjusted net income bonus for 2008. As discussed above, the Committee eliminated the additional adjusted net income bonus beginning in 2009.

Equity Incentives

Equity Grant Policy

The committee has discretionary authority over all stock option and other equity grants. It is the current policy of the committee to make annual grants of options and restricted stock at the beginning of each year, except with respect to new hires, and subject to any special grants deemed necessary by the committee. It is the committee's general policy not to price option grants or deliver stock awards at times when CryoLife's insiders may be in possession of material non-public information. However, in connection with grants to new hires, the committee may price option grants or deliver equity awards as of the date of hire, provided that management has fully disclosed to the committee at the time of grant any material non-public information. In all other instances, in the event the committee approves the grant of an option or equity award at a time when it is in possession of material non-public information, it is the committee's general policy to delay the grant and pricing of the option and/or issuance of the equity award until a date after the public dissemination of all such material non-public information.

In February 2010, the committee determined, at the advice of Pearl Meyer, to switch from a percentage of outstanding shares model to a grant date fair value model with respect to its equity grants.

Annual Grants

2008, 2009, and 2010 Option and Restricted Stock Grants to Named Executive Officers

	2008 Grants		2009 Grants		2010 Grants	
	Stock Options	Restricted Stock	Stock Options	Restricted Stock	Stock Options	Restricted Stock
Steven G. Anderson	63,750	10,625	125,000	21,250	83,333	41,667
D. Ashley Lee	37,500	6,250	37,500	12,500	33,333	16,667
Gerald B. Seery	22,500	3,750	22,500	7,500	23,333	11,667
Albert E. Heacox	22,500	3,750	22,500	7,500	23,333	11,667
David M. Fronk	15,000	2,500	15,000	5,000	23,333	11,667

When setting the 2009 and 2010 equity grant levels and terms, the committee reviewed the most recent peer group information and executive compensation reports prepared by Pearl Meyer, the aggregate equity holdings of each executive, including the value of in-the-money options, and internal pay equity comparisons with respect to equity grants. The committee also consulted with Mr. Anderson regarding equity grants in 2009 and 2010. Beginning in 2010, the committee determined that all stock option grants would be designated as non-qualified options for purposes of Section 422 of the Internal Revenue Code of 1986.

2009 Stock Incentive Plan

The committee recommended, and the Board and the stockholders approved, a new stock incentive plan in 2009.

Analysis

Approval of 2009 Stock Incentive Plan and 2009 Grants

The committee recommended, and the Board approved, the 2009 Stock Incentive Plan in order to provide the committee with the continued flexibility to issue not only stock options, but also restricted stock, stock appreciation rights, and other stock-based awards. The committee determined the number of shares allocated to the plan through an analysis of anticipated usage rates and consultation with advisors regarding the proxy voting standards of influential proxy advisory services.

The committee's 2009 equity grant decisions were based upon consultations with management and Pearl Meyer and the committee's review of the materials discussed above. Management requested increased option grant levels relative to 2008 based on CryoLife's excellent financial performance in 2008 relative to 2007 that had nonetheless resulted in lower bonus levels for 2008 as compared to 2007. The committee considered this request and consulted Pearl Meyer regarding appropriate 2009 equity grant levels. Following this consultation, the committee determined to double the size of each executive officer's restricted stock award but to

maintain the size of option grants for all executive officers except Mr. Anderson. The committee increased the size of Mr. Anderson's 2009 option award to 125,000 shares. The committee based its decisions regarding the size of the restricted stock awards on the considerations discussed above, on its belief, after consultation with Pearl Meyer, that CryoLife's annual burn rate would remain within acceptable limits, and on its review of the target total direct compensation information provided by Pearl Meyer. This information placed each named executive officer's target total direct compensation, after consideration of the increased restricted stock grants but before considering Mr. Anderson's increased option grant, below the 50th percentile of the 2009 peer group. The committee determined to increase the size of Mr. Anderson's 2009 option grant subjectively following consultation with Mr. Anderson, the committee's review of the increase in the money value of Mr. Anderson's accumulated stock options and restricted stock, and the disproportionate impact on Mr. Anderson of the expiration in 2008 of a large number of his underwater options. Because of the special circumstances involved in Mr. Anderson's increased option grant for 2009, the committee chose not to factor the impact of this grant into its analysis of Mr. Anderson's target total direct compensation and its percentile ranking as compared to the 2009 peer group information.

The committee determined vesting schedules in consultation with its executive compensation consultants and believes that they provide the appropriate long-term incentive for continued employment.

Approval of 2010 Grants

The committee's 2010 equity grant decisions were also based upon consultations with management and Pearl Meyer and the committee's review of the materials discussed above. In connection with its September 2009 executive compensation study, Pearl Meyer recommended to the committee that it increase equity grant values in order to achieve target total direct compensation for each of the named executive officers at or above the 50th percentile of the 2010 peer group information. They also suggested that the committee begin determining the size of grants based on grant date fair value as opposed to the number of shares issued, subject to certain controls. The committee had historically believed that use of the grant date fair value of equity awards to determine the size of the awards could undervalue CryoLife's annual equity grants due to the volatility of CryoLife stock, which could result in relatively low market prices being used to value the awards. This could in turn result in the number of shares and options granted being too large. As a result, in the past, the committee agreed with its compensation consultant's recommendations that it consider determining the size of grants based on an analysis of the percentage of the outstanding shares to be granted to the named executive officers. The committee believed that using this approach would avoid the issues involved in valuing equity awards, focus on an annual grant rate, which the committee believed was important to stockholders and proxy advisors, and allow the remaining share reserve to be estimated more precisely. However, given the trading history of CryoLife common stock over recent periods, the committee agreed with Pearl Meyer that the risk of excessively sized awards based on low trading prices was no longer a major concern, and the committee therefore began using a grant date fair value method for determining the size of option and restricted stock grants, subject to reconsideration in the event of unusually low trading prices on or around the grant date. Pearl Meyer provided the committee with several alternative suggestions, varying the mix of options and restricted stock, as well as annual usage rates, but each of which targeted total direct compensation at the 50th percentile of the 2010 peer group information. The committee chose an alternative that was designed to allow for up to four years of share availability under CryoLife's stock incentive plans, with certain modifications to the Pearl Meyer recommendations. Mr. Anderson's total equity grant was increased by 8,000 shares over the recommended levels due to his exemplary performance rating. Mr. Lee's grant was reduced by 9,000 shares given the large increase he received in 2009, and the other named executive officers' grants were modified to each total 35,000 shares, given the comparability of their positions, responsibility and performance. The committee consulted with Pearl Meyer with respect to these modifications, and Pearl Meyer concurred with the changes. The committee determined to grant the equity awards as a mix of two-thirds options and one-third restricted stock based on consultation with Pearl Meyer and its subjective evaluation. Based on the approved grants, target total direct compensation for each of the named executives for 2010 represented the following percentage relative to the median of the 2010 peer group information: Mr. Anderson 109%, Mr. Lee 93%, Mr. Seery 96%, Dr. Heacox 89%, and Mr. Fronk 98%. The decision to designate all 2010 stock option grants as non-qualified options was based on management's recommendation, in order to provide CryoLife with a deduction for tax purposes upon the exercise of the options, which management and the committee believe will have a beneficial impact on CryoLife's effective tax rate.

Stock Ownership Guidelines

In October 2007, the committee requested that Mercer, its executive compensation consultant at that time, update its recommendations regarding executive stock ownership requirements for consideration by the committee at its next scheduled meeting. In December 2007, Mercer recommended to the committee that stock ownership guidelines for the named executive officers be approved that would roughly approximate the following multiples of their 2007 base salaries: Mr. Anderson 5x, Mr. Lee 3x, Mr. Seery and Dr. Heacox 2x, and Mr. Fronk 1x. Using an average trading price of the common stock of \$10.14 and rounding to the nearest 10,000 shares, Mercer recommended the following stock ownership guidelines as an approximation of the recommended base salary multiples: Mr. Anderson 300,000, Mr. Lee 100,000, Mr. Seery and Dr. Heacox 50,000, and Mr. Fronk 20,000. Based on the then-current equity holdings of the named executive officers and expected future option and restricted stock grants, Mercer

recommended that the named executive officers be given five years to meet the ownership guidelines. Following the committee's consultation with Mercer and with Mr. Anderson with respect to the named executive officers other than himself, the committee and the Nominating and Corporate Governance Committee recommended, and the full Board approved, the Mercer recommendations without modification. The new stock ownership guidelines become effective on February 20, 2013. They immediately superseded previous guidelines adopted in July 2007, which were rescinded. The committee continues to believe that these guidelines are appropriate, despite the decrease in the trading price of CryoLife common stock since December 2007, but will continue to review and monitor them on an annual basis.

Employment and Change of Control Agreements

At the beginning of 2008, each of the named executive officers was a party to an employment agreement with CryoLife. During 2008, the committee determined that it would enter into change of control agreements with each of the corporate officers, other than Mr. Anderson, as their employment agreements expired, rather than extending their existing employment agreements or entering into new employment agreements. Mr. Lee's and Mr. Seery's employment agreements expired in 2008, and Dr. Heacox's and Mr. Fronk's employment agreements expired in May 2009. They have all entered into change of control agreements. For a discussion of the terms of the change of control agreements and Mr. Anderson's employment agreement, including amendments thereto approved by the committee in 2009, see *Employment and Change of Control Agreements* at page 30.

Employment Agreement with Mr. Anderson

In May 2007, the committee began a formal review of Mr. Anderson's employment agreement. The committee and the Board approved an amendment and restatement of Mr. Anderson's agreement in July 2007. The committee approved amendments to Mr. Anderson's employment agreement in 2008 in order to bring it into compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. The committee approved additional amendments to Mr. Anderson's employment agreement in 2009. The terms of Mr. Anderson's amended and restated employment agreement, including the 2009 amendments, are summarized at *Employment and Change of Control Agreements* Steven G. Anderson at page 30. Pursuant to the agreement, Mr. Anderson will receive certain compensation upon termination of his employment, other than for cause or upon death, and upon a change of control of CryoLife. The potential payments that could result under each scenario are described at *Potential Payments Upon Termination or Change of Control* starting on page 41.

Analysis

Mr. Anderson's employment agreement had historically contained a provision that paid a severance to him upon his retirement at will equal to two times his salary and bonus. The committee believed that this was appropriate in light of the fact that CryoLife does not provide any pension or similar retirement plan for Mr. Anderson.

In 2007, the committee began its review of Mr. Anderson's employment agreement with its primary goal being to remove the automatic renewal feature from the contract and to modify or remove Mr. Anderson's right to receive the severance payment upon retirement, in addition to clarifying the language contained in Mr. Anderson's employment agreement. Due to the variability of Mr. Anderson's bonus, which was approximately \$590,000 for 2006 and \$0 for 2005, CryoLife had taken an increased accounting charge for this retirement payment during the first quarter of 2007 and would be faced with additional charges in the future should Mr. Anderson's salary and/or bonus increase. In addition, due to the application of provisions in Mr. Anderson's agreement limiting severance payments to three years of salary, bonus, and guaranteed payments, the amount payable to Mr. Anderson upon retirement would have increased on January 1, 2008 by approximately \$460,000, and CryoLife would have incurred an equivalent charge to earnings. Should Mr. Anderson's future bonuses have exceeded his bonus for 2006, CryoLife would have incurred additional charges.

Preliminarily, Mr. Anderson and the committee agreed to proceed to eliminate his right to receive a payment upon retiring at will, believing that the \$1,985,000 then accrued by CryoLife for this payment would be reversed, positively impacting earnings; however, upon discussing the proposed accounting treatment with the CryoLife accounting staff, the committee learned that the \$1,985,000 charge would not be reversed through earnings, but would merely increase paid-in capital. Given that CryoLife would not receive the anticipated financial statement benefit from rescinding Mr. Anderson's right to receive a severance payment upon his retirement, the committee determined to attempt to freeze CryoLife's severance obligation at the accrued amount of \$1,985,000. With this amendment, CryoLife would not be required to accrue any additional expense for Mr. Anderson's retirement payment, regardless of any future increases in his salary or bonus. The committee also determined, based on the advice of its former executive compensation consultant, Mercer, in Mercer's April 2007 review of Mr. Anderson's contract, to offer him a fixed-term contract and to remove the automatic renewal feature. The committee believed that the achievement of these goals justified the additional benefits negotiated by Mr. Anderson, including payment of the retirement benefit at the end of the agreement's term on December 31, 2010, a cost of living increase in his annual salary, and clarification that any change of control retention payment would not be subject to the quantitative limitation on severance payments.

In determining Mr. Anderson's severance and change of control benefits, the committee considered a number of factors, including an April 2007 Mercer review and analysis of Mr. Anderson's prior employment agreement and discussions by Mercer in that analysis of how the terms of his employment agreement related to those that Mercer believed were customary in the marketplace. After reviewing this analysis, discussing the agreement with Mercer, and considering what benefits were appropriate for Mr. Anderson, given his importance to CryoLife, the committee approved the severance, retirement, and change of control benefits described at Potential Payments Upon Termination or Change of Control starting on page 41. The committee particularly considered its belief that a takeover attempt of CryoLife was a realistic possibility. The committee's goal in determining appropriate change of control benefits was for Mr. Anderson to be comfortable enough with his treatment following a change of control that he would be able to address a potential takeover attempt without concern as to how it might negatively impact him personally, and would not feel the need to seek other employment due to his perception that a change of control could be imminent or would have a material negative impact on him. In addition, given his unique ability to influence whether or not a potential change of control is pursued, the committee wished to provide him with an appropriate incentive to further a change of control that might be in the best interests of the stockholders. As a result, the committee determined that a change of control payment that was not conditioned on termination of employment was appropriate for Mr. Anderson.

With respect to the 2009 amendments, the committee's primary goals in 2009 were to extend the term of Mr. Anderson's contract and likewise extend the due date of the \$1,985,000 payment to Mr. Anderson, which is payable upon termination of the contract regardless of whether or not Mr. Anderson's employment with CryoLife terminates. Mr. Anderson agreed to extend the term of the agreement, and the due date for the \$1,985,000 payment, to December 31, 2012. He also agreed, at his own suggestion, to waive his cost of living increase for 2010. In exchange, Mr. Anderson requested that the committee approve an increase in his annual vacation days from 20 days to 30 days, a clarification that he may terminate the agreement and receive full severance for disability, as defined in the agreement, and an increase in the annual maximum medical insurance premium payable for his and his spouse's benefit following termination from \$25,000 to \$30,000. The committee believed these to be reasonable requests in light of Mr. Anderson's agreement to the extensions discussed above, and it recommended, and the Board approved, them without modification. The committee continues to believe that the \$1,985,000 payment to Mr. Anderson is appropriate in light of the fact that he has no pension or similar retirement benefits. Mr. Anderson's employment agreement, as amended in July 2007, contained a provision requiring CryoLife, as soon as practicable following November 3, 2009, to amend the agreement to remove the three times salary and bonus cap on severance, separation and/or similar payments. This cap was placed in the agreement in response to the stipulation of settlement CryoLife entered into in 2005 in connection with a stockholder derivative suit, as discussed at Limitations on Severance, Separation, and Benefit Payments, below. The committee performed a quantitative analysis of the potential impact of this provision at that time, and determined that its future removal was appropriate given the reduced severance payment to which Mr. Anderson had agreed, as discussed above. The committee continues to support this analysis, and it recommended, and the Board approved, the contract amendment in 2009.

Change of Control Agreements

Analysis

In 2008, the committee determined that employment agreements were no longer necessary or appropriate for its officers, other than Mr. Anderson. CryoLife had originally entered into the employment agreements with its other officers following the 2002 FDA recall of certain tissues and the related adverse publicity that severely challenged its business. At that time, the committee felt that employment agreements were necessary to provide its key employees with security and to insure that CryoLife was able to retain them through a very difficult time. With the issues that faced CryoLife during that period largely resolved, the committee now believes, after consultation with Pearl Meyer, that employment agreements are no longer necessary components of CryoLife's total compensation package for its officers below the CEO level. The committee believes that its grants of long-term incentives, coupled with the change of control agreements, provide ample incentives to enable CryoLife to retain these key employees.

It is the committee's intent that provisions in the change of control agreements regarding an executive's termination following or in anticipation of a change of control preserve executive morale and productivity and encourage retention in the face of the disruptive impact of an actual or rumored change of control of CryoLife. In addition, these provisions align executive and stockholder interests by enabling executives to consider corporate transactions that are in the best interests of CryoLife's stockholders and other constituents without undue concern over whether the transactions may jeopardize the executives' own compensation. The committee does not believe that the change of control agreements provide undue incentive for the executive officers to encourage a change of control. Finally, the provisions protect stockholder interests in the event of a change of control by helping increase the likelihood of management continuity through the time of the change of control, which could improve company performance and help maintain stockholder value.

The committee has reviewed the potential costs associated with the gross-up payments called for by the change of control agreements and has determined that they are fair and appropriate for several reasons. The excise tax tends to penalize employees who defer compensation, as well as penalizing those employees who do not exercise options in favor of those who do. In addition, the lapse of restrictions and acceleration of vesting on equity awards can cause an executive to incur excise tax liability before actually receiving any cash severance payments. The committee believes that CryoLife's financial exposure pursuant to the gross-up provisions of the change of control agreements is limited, due to the provision of the agreements that limits aggregate severance, separation and similar payments pursuant to the agreements to the equivalent of the officer's salary, bonus, and guaranteed benefits paid during the three (3) completed fiscal years ended prior to the date of the termination of the officer's employment. In addition, the committee believes that the gross-up payments are necessary to ensure proper consideration of a change of control by the executives.

In consultation with Mercer and Pearl Meyer, the committee determined that single trigger payment provisions did not provide appropriate incentives to CryoLife's key employees, and as a result, the change of control agreements require both a change of control and termination of employment to have occurred before CryoLife is required to make any payments. The committee approved the larger termination payments for Mr. Lee and Mr. Seery relative to Dr. Heacox and Mr. Fronk based upon their senior officer status and their greater ability to influence decisions regarding whether or not a change of control transaction should be pursued.

Limitations on Severance, Separation, and Benefit Pa