

THERMOGENESIS CORP

Form DEF 14A

October 26, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
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 Section 240.14a-11(c) or Section 240.14a-12

THERMOGENESIS CORP.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(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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 - Fee paid previously with preliminary materials.
 - Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

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**ThermoGenesis Corp.
2711 Citrus Road
Rancho Cordova, CA 95742
Telephone (916) 858-5100**

To the Stockholders of ThermoGenesis Corp.:

You are cordially invited to attend the Annual Meeting of Stockholders of ThermoGenesis Corp. (the Company) to be held at 9:00 a.m. (PST), on December 11, 2006, at Sacramento Marriott, Rancho Cordova, located at 11211 Point East Dr., Rancho Cordova, Ca. 95742.

At the meeting, you will be asked (i) to elect five (5) directors of the Company, (ii) to approve the adoption of the 2006 Equity Incentive Plan, (iii) to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2007 fiscal year, and (iv) to consider any other matters that properly come before the meeting. These matters are disclosed in detail in the attached proxy statement. Your Board of Directors believes these four proposals are in the best interest of the Company and its stockholders and recommends that you vote for them.

The accompanying Notice of the Annual Meeting of Stockholders and Proxy Statement contain information about the matters to be considered and acted upon, and you should read the material carefully.

We hope you will be able to attend the meeting. However, whether or not you plan to attend the meeting in person, to help assure us of a quorum, please complete, date and sign the enclosed proxy card and mail it in the postage-paid envelope provided as promptly as possible. Your proxy may be revoked at any time prior to the time it is voted.

/s/ Philip H. Coelho
Philip H. Coelho,
Chairman of the Board and
Chief Executive Officer

October 26, 2006
Rancho Cordova, California

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**ThermoGenesis Corp.
2711 Citrus Road
Rancho Cordova, CA 95742
Telephone (916) 858-5100
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD DECEMBER 11, 2006**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of ThermoGenesis Corp. (the Company), a Delaware corporation, will be held at the Sacramento Marriott, Rancho Cordova, located at 11211 Point East Dr., Rancho Cordova, Ca. 95742, on Monday, December 11, 2006, at 9:00 a.m. (PST) for the following purposes:

1. To elect five (5) directors to hold office until the next Annual Meeting of Stockholders or until their successors are elected and qualified;
2. To approve the adoption of the 2006 Equity Incentive Plan;
3. To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2007 fiscal year; and
4. To transact such other business as may properly come before the meeting.

The Board of Directors of the Company has fixed the close of business on October 17, 2006, as the record date for determining those stockholders who will be entitled to vote at the meeting or any postponement or adjournment thereof. Stockholders are invited to attend the meeting in person.

Please sign and date the accompanying proxy card and return it promptly in the enclosed postage-paid envelope whether or not you plan to attend the meeting in person. If you attend the meeting, you may vote in person if you wish, even if you previously have returned your proxy card. The proxy may be revoked at any time prior to the time it is voted.

By Order of the Board of Directors
/s/ David C. Adams
David C. Adams
Corporate Secretary

October 26, 2006
Rancho Cordova, California

YOUR VOTE IS IMPORTANT
YOU ARE URGED TO COMPLETE, DATE, SIGN AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. ANY PROXY GIVEN BY YOU MAY BE REVOKED BY WRITTEN NOTIFICATION TO THE COMPANY'S CORPORATE SECRETARY, BY FILING A DULY EXECUTED PROXY BEARING A LATER DATE, OR BY ATTENDING THE ANNUAL MEETING IN PERSON AND VOTING BY BALLOT.

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**ThermoGenesis Corp.
2711 Citrus Road
Rancho Cordova, CA 95742
Telephone (916) 858-5100**

PROXY STATEMENT

INFORMATION CONCERNING THE SOLICITATION

We are furnishing this proxy statement to you in connection with the fiscal year 2006 Annual Meeting of Stockholders of ThermoGenesis Corp. (the Company) to be held on Monday, December 11, 2006, at 9:00 a.m. (PST) at the Sacramento Marriott, Rancho Cordova, located at 11211 Point East Dr., Rancho Cordova, CA 95742, and at any postponement or adjournment thereof (the Meeting).

Only stockholders of record on October 17, 2006, are entitled to notice of and to vote at the Meeting. As used in this Proxy Statement, the terms we, us and our also refer to the Company.

The proxy solicited hereby, if properly signed and returned to us and not revoked prior to its use, will be voted at the Meeting in accordance with the instructions contained therein. If no contrary instructions are given, each proxy received will be voted FOR the nominees for the Board of Directors, FOR the approval of the 2006 Equity Incentive Plan, FOR ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2007, and at the proxy holder's discretion, on such other matters, if any, which may properly come before the Meeting (including any proposal to adjourn the Meeting). Any stockholder giving a proxy has the power to revoke it at any time before it is exercised by: (i) filing with the Company written notice of its revocation addressed to: Corporate Secretary, ThermoGenesis Corp., 2711 Citrus Road, Rancho Cordova, California 95742, (ii) submitting a duly executed proxy bearing a later date, or (iii) appearing at the Meeting and giving the Corporate Secretary notice of his or her intention to vote in person.

This proxy is solicited on behalf of the Board of Directors of the Company. The Company will bear the entire cost of preparing, assembling, printing and mailing proxy materials furnished by the Board of Directors to stockholders. Copies of proxy materials will be furnished to brokerage houses, fiduciaries and custodians to be forwarded to beneficial owners of the Company's stock entitled to vote. In addition to the solicitation of proxies by use of the mail, some of our officers, directors and employees may, without additional compensation, solicit proxies by telephone or personal interview.

Our Annual Report on Form 10-K for the fiscal year ended June 30, 2006, including financial statements, is included in this mailing. Such report and financial statements are not a part of this proxy statement except as specifically incorporated herein.

This Proxy Statement and form of proxy were first mailed on November 10, 2006 to stockholders of record as of October 17, 2006.

Help Us Reduce Costs of Our Annual Meeting

To help the Company reduce costs related to our annual meeting, we ask all stockholders who vote through the Internet to consent to electronic delivery of mailings related to future stockholder meetings. Companies may make their proxy statements and annual reports available online and eliminate mailing hard copies of these documents to those stockholders who consent in advance to electronic

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distribution. If you hold shares in your own name and you are voting via the Internet, you can consent online when you vote. If you hold shares through an intermediary, such as a broker or bank, please refer to the information provided by your bank or broker for instructions on how to consent to electronic distribution.

RECORD DATE AND VOTING RIGHTS

The Company is currently authorized to issue up to 80,000,000 shares of Common Stock, \$0.001 par value and 2,000,000 shares of Preferred Stock, \$0.001 par value. As of October 17, 2006, 54,940,675 shares of Common Stock were issued and outstanding and no shares of Preferred Stock were outstanding. Each share of Common Stock shall be entitled to one (1) vote on all matters submitted for stockholder approval. The record date for determination of stockholders entitled to notice of and to vote at the Meeting is October 17, 2006.

A majority of the outstanding shares of Common Stock of the Company, entitled to vote must be represented in person or by proxy at the Meeting to constitute a quorum for the transaction of business.

Under Delaware law, abstentions and broker non-votes are counted as present for determining quorum. For the election of directors, the nominees for director who receive the most votes will become our directors. There are no cumulative voting rights. A majority of quorum is required to approve all other proposals. Abstentions are treated as a vote against the proposal and broker non-votes will not be counted either for or against any proposal to determine if a proposal is approved.

PROPOSAL 1 ELECTION OF DIRECTORS

General Information

Our bylaws presently provide that the authorized number of directors may be fixed by resolution of the Board from time to time, with a minimum of not less than three (3) directors and a maximum of seven (7) directors. The Board currently has fixed the authorized number of directors at five (5) and is actively seeking possible additional candidates for the Board whose experience and relationships will materially add to those attributes possessed by the five members currently proposed for the Board.

At the Meeting, stockholders will be asked to elect the nominees for director listed below, each of whom is a current member of the Company's Board of Directors.

Nominees for Director

The nominees for director have consented to being named as nominees in this Proxy Statement and have agreed to serve as directors, if elected. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the five (5) nominees named below. If any nominee of the Company is unable or declines to serve as a director at the time of the Meeting, the proxies will be voted for any nominee designated by the present Board of Directors to fill the vacancy. The Board of Directors has no reason to believe that any of the nominees will be unavailable for election. The Directors who are elected shall hold office until the next Annual Meeting of Stockholders or until their earlier death, resignation or removal, or until their successors are elected and qualified.

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The following sets forth the persons nominated by the Board of Directors for election and certain information with respect to those individuals:

Nominee	Age
George J. Barry	53
Philip H. Coelho	62
Hubert E. Huckel, M.D.	75
Patrick McEnany	59
Woodrow A. Myers Jr, M.D.	52

Biographies**George J. Barry** Director since 2002

Mr. Barry has served as one of our directors since January 2002. He is a Managing Director with CCA, Inc. a health care development corporation. Mr. Barry was Mediware Information Systems, Inc.'s Chief Executive Officer, President and member of the Board of Directors from January 2001 until October 2005. He previously served as Mediware Information Systems' Chief Financial Officer from 1997 through 1998 and acted as an advisor to the Board of Directors thereafter. Mr. Barry has been a senior manager of public technology companies for over 18 years. He was employed as Vice President and Chief Financial Officer of Silvon Software, Inc. from 1999 through 2000 and Chief Financial Officer at Microware Systems from 1994 to 1996. Mr. Barry is a Certified Public Accountant and holds a Masters in Business Administration from the University of Wisconsin-Madison.

Philip H. Coelho Director since 1986

Mr. Coelho has served as the Company's Chief Executive Officer and Chairman of the Board since 1989. From October 1986 to September 1989, Mr. Coelho was Vice President and Director of Research, Development and Manufacturing. Mr. Coelho was President of Castleton, Inc. from October 1983 until October 1986. Castleton developed and previously licensed the Insta Cool technology to the Company. Mr. Coelho serves on the Board of Directors of Catalyst Pharmaceuticals, Inc. and previously served on the Board of Directors of Kourion Therapeutics, GMBH and Mediware Information Systems Inc. Mr. Coelho has a Bachelor of Science degree in Mechanical Engineering from the University of California, Davis and is the inventor or co-inventor on the majority of the Company's patents.

Hubert E. Huckel, M.D. Director since 1997

Dr. Huckel joined the Board of Directors in 1997. He is a co-founder of Catalyst Pharmaceuticals, Inc., formed in January 2002, and is a member of the board of directors. In addition, he is on the Board of Directors of Titan Pharmaceuticals, Inc., Amarin Pharmaceuticals, plc and Valera Pharmaceuticals, Inc. He spent 29 years with the Hoechst Group (Hoechst now Sanofi-Aventis), and was at the time of his retirement, Executive Chairman of the Board of Hoechst-Roussel Pharmaceuticals, Inc. Dr. Huckel received his M.D. degree from the University of Vienna, Austria, and is a member of the Rockefeller University Council.

Patrick McEnany Director rejoined in 1997

Mr. McEnany is co-founder, Chairman, President and Chief Executive Officer of Catalyst Pharmaceuticals Inc., a drug development company. Mr. McEnany has served as Catalyst's CEO and a director since its formation in January 2002. From 1991 to April of 1997, Mr. McEnany was Chairman and President of Royce Laboratories, Inc., a Miami, Florida based manufacturer of generic prescription

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drugs. From 1997 to 1998, after the merger of Royce Laboratories, Inc., into Watson Pharmaceuticals, Inc., Mr. McEnany served as President of the wholly-owned Royce Laboratories subsidiary and Vice President of Corporate Development for Watson Pharmaceuticals, Inc. From 1993 through 1997, he also served as Vice Chairman and director of the National Association of Pharmaceutical Manufacturers. He currently serves on the Board of Directors for Renal CarePartners, Inc., an operator of kidney dialysis centers, the Jackson Memorial Hospital Foundation and Excalibur Health Systems. Mr. McEnany also served on the Board of Directors of Med/Waste, Inc. from March 2000 until February 13, 2002, when that company filed for voluntary bankruptcy protection under federal bankruptcy laws.

Woodrow Myers, M.D.

Director since 2006

Dr. Myers joined the Board of Directors in June 2006. Dr. Myers founded Myers Ventures LLC to facilitate his interests in international health, where he currently provides healthcare consulting and investments. From 2000 to 2005, Dr. Myers served as Executive Vice President and Chief Medical Officer of WellPoint Health Networks, managing WellPoint's Healthcare Quality Assurance Division, which had responsibility for medical policy, clinical affairs and member advocacy. From 1996 to 2000, Dr. Myers served as Director of Health Care Management at Ford Motor Company. Currently Dr. Myers serves on the board of directors of Genomic Health [GHDX], and Stanford University Hospital, he is a Visiting Professor of Medicine at UCLA School of Medicine, a member of the Institute of Medicine and the National Academy of Science and a Master of the American College of Physicians. Dr. Myers received a Doctor of Medicine degree from Harvard medical School, a MBA and BS from Stanford University and is a former Robert Wood Johnson Foundation Clinical Scholar.

RECOMMENDATION OF THE BOARD

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE NOMINEES LISTED ABOVE.

PROPOSAL 2: APPROVAL OF THE 2006 EQUITY INCENTIVE PLAN

General

During the past fiscal year the Company registered and sold securities for general, working capital and strategic purposes. Current review of operations indicates that the Company has raised sufficient working capital and therefore, intends to file a post-effective amendment to the shelf registration statement previously filed to eliminate any remaining shares.

The Board of Directors recently established a Governance and Nominating Committee, which was charged with evaluating succession plans; executive development, hiring and retention; annual evaluation of directors and the Chief Executive Officer; and recommendations for Board of Directors membership nominations, among other things. This committee was formed in part due to the Company's progression and strategic shift as the Company positions itself for a period of commercial growth and expansion of market opportunities. The strategic shift poses various new organizational implications, including new executive hires, retention, and long-term strategic planning for growth and execution of developing business plans.

The Company has historically engaged in significant research and development of new product platforms for emerging and developing markets, principally in the cell therapy and surgical wound care markets. The development of initial product platforms has been completed and commercialization of the key products initiated. The Company more recently signed significant contracts to market certain key products through GE Healthcare, Medtronic, Biomet, Asahi Medical and others, which relationships are

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anticipated to be the start of new and stronger distribution channels for generating revenue. As such, the Company is in transition from its prior research efforts to performance based metrics and revenue growth. Of significance, continuing research and development will remain an important component of the Company's long-term strategy. To effect this transition, management and the Board believe that key additions and retention at the executive level, as well as middle management level, are necessary.

Reasons for the Proposal

In order to attract, hire, and retain the caliber of executives that management and the Board believe will be required to help transition the Company, the Company will need to have the flexibility to grant restricted stock, stock options, and other equity instruments. The Board of Directors believes that equity incentive compensation is also an important component of our overall compensation and incentive strategy for employees, directors, and executives. Without a broad based equity plan, we believe that we will be impaired in our efforts to offer competitive compensation packages to hire new executives of the caliber that we believe is required, and will not be able to offer competitive packages to retain critically important executives.

Interest of Executives

As part of the current proposed 2006 Equity Incentive Plan, the Corporate Governance and Nominating Committee, in conjunction with the Compensation Committee, the Plan's administrator, proposes, upon stockholder approval of the plan, to grant an aggregate of 500,000 shares of restricted common stock to our Chief Executive Officer. These shares would vest ratably over three years and provide for acceleration of vesting upon fulfillment of certain objectives to be established by the Board Committees. These objectives would include: making certain executive hires, planning and implementing a strategic succession plan which would include commitment from our Chief Executive Officer to continue involvement with the Company for a period of time and in a capacity acceptable to the Board of Directors and development of transition plans that will create the foundation for corporate growth acceptable to the Board of Directors. The Board Committees believe that searches for certain executives will be challenging as the personalized medicine fields of cell therapy and surgical wound care are relatively new, rapidly growing and evolving. The extensive industry knowledge, experience and relationships gained through years of unique contributions to the technology, science and clinical research by our Chief Executive Officer will need to be adequately transferred to new executives. This process will take time and diligence and the proposed grant is intended to provide appropriate incentive for our Chief Executive Officer to continue to perform in his existing position while focusing on the timely search and hiring of key executives and the development and execution of effective transition plans, including a succession plan for the Chief Executive Officer, that will allow the new executives to direct the Company on its desired path towards performance growth and profitability. The Board Committees have also determined that the proposed grant would also be subject to acceleration of vesting based on a change of control of the Company, consistent with other grants generally under the plan.

Background of the Proposal

You are being asked to approve the adoption of the 2006 Equity Incentive Plan (the "2006 Plan"). A copy of the 2006 Plan is attached as [Exhibit A](#). Under the 2006 Plan, the number of shares of common stock equal to six percent (6%) of the number of outstanding shares of the Company are authorized to be issued under the 2006 Plan ("Evergreen Provision"), of which up to 2,000,000 may be reserved for incentive stock option awards. Under the Evergreen Provision, the number of shares available to grant for awards will increase at the beginning of each fiscal year if additional shares of common stock were issued in the preceding fiscal year, as long as the 2006 Plan is in effect. This will allow the Company the continuing ability to award and motivate participants with awards. If any shares covered by an award are

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not purchased or are forfeited, or if an Award otherwise terminates without delivery of any common stock, then the number of shares of common stock counted against the aggregate number of shares available under the Award will, to the extent of any such forfeiture or termination, again be available for making awards under the Plan. In addition, if the exercise price of an option, or the withholding obligation of a Grantee with respect to any Award, is satisfied by tendering shares or withholding shares the number of shares tendered or withheld will not reduce the number of shares available under the 2006 Plan.

The Board of Directors believes that equity incentive compensation is an important component of our overall compensation and incentive strategy for employees, directors, officers and consultants. We are committed to broad-based participation in the equity incentive grants by employees at all levels and by directors, officers and consultants. We believe that the equity incentive program is important in order to maintain our culture, employee ownership, employee motivation and continued success.

DESCRIPTION OF THE 2006 EQUITY INCENTIVE PLAN

Structure. The 2006 Plan allows for the grant of options, restricted stock, stock bonuses and stock appreciation rights at the discretion of the Plan Administrator. The principal features of the program are described below.

Administration. The Compensation Committee of the Board of Directors will serve as the Plan Administrator with respect to the 2006 Plan. The Plan Administrator has the authority to interpret the 2006 Plan and the rights underlying any grants or awards made subject to the 2006 Plan. Any decision or action of the Plan Administrator in connection with the 2006 Plan is final and binding.

No director shall be liable for any action, excepting willful misconduct and gross negligence, or bad faith and without reasonable belief arising out of or related to the 2006 Plan provided the director was acting in good faith and for a purpose believed to have been in the best interests of the Company or its subsidiaries.

Eligibility. Employees, directors, officers and consultants in the service of the Company or any parent or subsidiary corporation (whether now existing or subsequently established) are eligible to participate in the 2006 Plan. Determinations as to eligibility shall be made by the Plan Administrator.

Valuation. For purposes of establishing the exercise or purchase price, and for all other valuation purposes under the 2006 Plan, the fair market value per share of common stock on any relevant date under the 2006 Plan is the closing price as reported by the Nasdaq SmallCap, Nasdaq National Market or other exchange where the common stock is listed for trading.

Terms and Conditions of Option Grants. One or more options may be granted to each eligible person. The options granted under the 2006 Plan will be evidenced by an award agreement. The Plan Administrator shall specify the grant date, exercise price, terms and conditions for the exercise of the options. No option under the 2006 Plan shall terminate later than ten (10) years after the date of grant.

Limitations on Awards. The maximum number of shares of stock that may be granted during any one calendar year under the Plan to any one Participant shall be 500,000, except that the may make an additional one-time grant of such Award to a newly-hired individual for up to 200,000 shares for a maximum annual grant of 700,000.

Exercise of the Option. Options may be exercised by delivery to the Company of a written stock option exercise agreement together with payment in full of the exercise price for the number of shares

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being purchased. The exercise price shall be at least 100% of the fair market value of the shares on the date of grant. Payment for shares purchased pursuant to the 2006 Plan may be made in cash, or, at the sole discretion of the Administrator by surrender of shares of the Company owned by the participant more than six (6) months or lesser period if the surrender of shares is otherwise exempt from Section 16 of the Exchange Act. At the sole discretion of the Administrator, payment may also be made by deemed net-stock exercise in which the optionee exercises by forfeiting the option shares at their exercise price. A broker-assisted payment may also be made in which the broker has irrevocable instructions to deliver the amount of sale proceeds necessary to pay the exercise price and tax withholding obligations.

Transferability of Options. No option shall be transferable other than by will or by the laws of descent and distribution and during the lifetime of the participant, only the participant, his or her guardian or legal representative may exercise an option. The Plan Administrator may provide for transfer of a non-qualified stock option without payment of consideration to designated family members and certain other entities specified in the 2006 Plan. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment. A request to assign an option may be made only by delivery to the Company of a written stock option assignment request.

Termination of Directorship. If a participant ceases to be a director of the Company or a subsidiary, vested stock options may be exercised at any time, but in no event after the termination of the option as specified in the award agreement or ten years from the Grant Date.

Restricted Stock Awards. The Plan Administrator shall determine all terms and conditions of the restricted stock award. Unless the Plan Administrator provides otherwise, holders of restricted stock shall have the right to vote such restricted stock and the right to receive any dividends declared or paid with respect to such restricted stock. All shares of restricted stock that have not vested shall be forfeited without further obligation on the part of the Company upon failure to affirmatively accept the grant of a Restricted Stock Award by execution of a Restricted Stock Award Agreement, termination of employment during the applicable restriction period, failure to satisfy the restriction period or failure to satisfy a performance goal during the applicable restriction period. Unless the Plan Administrator provides otherwise, no grant of restricted shares may be assigned, encumbered or transferred except in the event of death or by will or the laws of descent and distribution.

Unrestricted Stock Awards. The Plan Administrator may award Unrestricted Stock to any participant as a stock bonus or otherwise pursuant to which such Participant may receive shares of Stock free of restrictions or limitations that would otherwise be applied.

Stock Appreciation Rights. A stock appreciation right (SAR) may be awarded pursuant to an award agreement and shall be based upon such factors as the Plan Administrator may determine. The Plan Administrator will determine the time period during which a SAR may be exercised. Exercise of the right shall be by written notice and entitles the participant to receive a number of shares, cash, or a combination thereof. The number of shares which may be issued upon exercise of the SARs shall be determined by dividing the number of shares as to which the SAR is exercised, multiplied by the amount by which the fair market value of the shares on the exercise date exceeds the fair market value of a share on the date of grant of the SAR, by the fair market value of a share on the exercise date. However, the Plan Administrator may, in its sole discretion, pay cash in lieu of shares. Any SAR that has not vested prior to the date of termination of employment will automatically expire, and all of the rights, title and interest of the Participant thereunder will be forfeited in their entirety. No SAR may be transferred other than by will or the laws of descent and distribution, and during the lifetime of the participant, only to individuals and entities as specified in the 2006 Plan. Assignment shall be by written request, and the terms applicable to assigned SARs remain the same as those in effect for the award immediately before the assignment.

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GENERAL PLAN PROVISIONS

Dissolution, Liquidation, or Merger and Change of Control. In the event of an occurrence after which the Company no longer survives as an entity, the Plan Administrator may, in its discretion, cancel each outstanding award upon payment to the participant of adequate consideration as specified in the 2006 Plan. The Plan Administrator may also accelerate the time within which each outstanding award may be exercised. After a merger, consolidation, combination or reorganization in which the Company is the survivor, the Plan Administrator shall determine any appropriate adjustments to outstanding awards.

In the event of a change of control of the Company, as defined in the 2006 Plan, the Plan Administrator will have the authority, in its absolute discretion exercisable either in advance of any actual or anticipated change of control, to fully vest all outstanding Awards. A change of control generally occurs when one transaction or series of transactions results in the issuance of 50% of voting securities, the Company is acquired in some form of merger or consolidation in which the Company does not survive, or when substantially all the assets of the Company are sold.

The acceleration of vesting in the event of a change in the ownership or control of the Company may be seen as an anti-takeover provision and may have the effect of discouraging a merger proposal, a takeover attempt or other efforts to gain control of the Company.

Changes in Capitalization. In the event any change is made to the outstanding shares of common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change in corporate structure effected without the Company's receipt of consideration, appropriate adjustments will be made to (i) the maximum number and/or class of securities issuable under the 2006 Plan, and (ii) the number and/or class of securities and the exercise price per share in effect under each outstanding award in order to prevent the dilution or enlargement of benefits thereunder.

Special Tax Election. The Plan Administrator may, in its discretion, permit participants to have the Company withhold a portion of the shares of common stock otherwise issuable to such individuals in satisfaction of the income and employment withholding taxes to which they become subject in connection with the exercise of those awards. Alternatively, the Plan Administrator may allow such individuals to deliver existing shares of common stock in satisfaction of such withholding tax liability.

Amendment and Termination. The Board may amend, suspend or terminate the 2006 Plan at any time and for any reason; provided however, that shareholder approval shall be required for any increase in the maximum number of common stock issuable under the Plan except for a proportional increase in the maximum number as a result of stock split or stock dividend or a change in the class of employees entitled to be granted incentive stock options. Further, the Board may, in its discretion, determine that any amendment should be effective only if approved by the stockholders even if such approval is not expressly required by the 2006 Plan or by law. But no amendment, suspension or termination shall be made which would impair the right of any person under any outstanding awards without such person's consent not unreasonably withheld.

Unless sooner terminated by the Board, the 2006 Plan will in all events terminate ten years from the date the Plan is approved by the Board. Any awards outstanding at the time of such termination will remain in force in accordance with the provisions of the instruments evidencing such awards.

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Predecessor Option Agreements. All outstanding options under predecessor option agreements continue to be governed solely by the terms of the documents evidencing such options, and no provisions of the 2006 Plan affect or otherwise modify the rights or obligations of the holders of those options.

Securities Laws. No award shall be effective unless made in compliance with all federal and state securities laws, rules and regulations and in compliance with any rules on any exchange on which shares are quoted.

Other Provisions. The award agreements may contain such other terms, provisions and conditions not inconsistent with the 2006 Plan as may be determined by the Board of Directors or the Plan Administrator.

FEDERAL INCOME TAX CONSEQUENCES OF AWARDS UNDER THE 2006 PLAN

The following discussion is a summary of the federal income tax consequences relating to the grant and exercise of awards under the 2006 Plan and the subsequent sale of common stock that will be acquired under the 2006 Plan. The tax effect of exercising awards may vary depending upon the particular circumstances, and the income tax laws and regulations change frequently. The following discussion addresses only the general federal income tax consequences of awards. Participants are urged to consult their own tax advisors regarding the impact of federal, state and local taxes, the federal alternative minimum tax, and securities laws restrictions, given their individual situations.

Options granted under the 2006 Plan may be either incentive stock options which satisfy the requirements of Section 422 of the Internal Revenue Code or non-qualified options which are not intended to meet such requirements.

Non-Qualified Options. No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will, in general, recognize ordinary income in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for the taxable year of the Company in which such ordinary income is recognized by the optionee.

Incentive Stock Options. No taxable income is recognized by the optionee at the time of the option grant and no taxable income is generally recognized at the time the option is exercised (except for purposes of the alternative minimum tax in which case any applicable taxation is calculated based on the same amount as taxed for nonqualified stock options). The optionee will, however, recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of a taxable disposition. For Federal tax purposes, dispositions are divided into two categories: (i) qualifying and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made after the optionee has held the shares for more than two (2) years after the option grant date and more than one (1) year after the exercise date. If either of these two holding periods is not satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition of the shares, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for those shares. If there is a disqualifying disposition

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of the shares, then the excess of (i) the fair market value of the shares on the exercise date over (ii) the exercise price paid for those shares will be taxable as ordinary income to the optionee. Any additional gain or loss recognized upon the disposition will be taxable as a capital gain or loss.

If the optionee makes a disqualifying disposition of the purchased shares, then the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the excess of (i) the fair market value of such shares on the options exercise date over (ii) the exercise price paid for the shares. In no other instance will the Company be allowed a deduction with respect to the optionee's disposition of the purchased shares.

Restricted Stock Awards. The recipient receives no taxable income upon the receipt of a restricted stock award. The recipient is taxed at the time the restrictions lapse, with the amount of such tax being based on the fair market value of the shares of the stock at such time. As an alternative, the Internal Revenue Service allows a recipient, at his or her option, to make an election to include the value of the restricted stock award in income in the year in which the shares are allocated to the recipient. In the event a recipient makes such an election, a Section 83(b) election must be filed with the IRS within 30 days of the shares being allocated to the recipient. Under Section 83(b) an electing recipient will realize ordinary income, at the time of the election, equal to the fair market value of the shares of stock on the date of receipt. As a result, when the shares of restricted stock vest, there is no additional taxable income. When the shares are subsequently sold, any gain or loss, based on the amount previously reported as income, will be a capital gain or loss. If a recipient who has made a Section 83(b) election subsequently forfeits the shares, the recipient will not be entitled to any deductions; however, he or she may be entitled to realize a loss. The Company recognizes a deduction for income tax purposes at the time the recipient recognizes income.

Stock Appreciation Rights. The grant of a SAR is not expected to result in any taxable income for the recipient. Upon exercising a SAR, the amount of any cash received and the fair market value on the exercise date of any shares of common stock received are taxable to the recipient as ordinary income and deductible by the Company.

Withholding Taxes. The Company is entitled to take appropriate measures to withhold from the shares of common stock, or to otherwise obtain from the recipients, sufficient sums in cash, check or shares of stock as the Plan Administrator deems necessary to satisfy any applicable federal, state and local withholding taxes, including FICA taxes, before the delivery of the common stock to the recipient.

Business Deduction for the Company. In connection with the various awards, the Company will generally be entitled to a business expense deduction in the same amount and generally if and when the participant recognizes ordinary income. Section 162(m) of the Code limits publicly-held companies to an annual deduction for federal income tax purposes of \$1,000,000 for compensation paid to their chief executive officer and the four highest compensated executive officers (other than the chief executive officer) determined at the end of each year. However, performance-based compensation is excluded from this limitation. The 2006 Plan is designed to permit the Plan Administrator to grant awards that qualify as performance-based compensation under section 162(m). The Plan Administrator is authorized to establish performance goals that qualify as performance-based awards under Section 162(m) of the Code.

Impact of Recent Tax Law Changes. Recently adopted, Section 409A of the Code has implications that affect traditional deferred compensation plans, as well as certain equity-based awards, such as certain stock options and stock appreciation rights. Section 409A requires compliance with specific rules regarding the timing of exercise or settlement of equity-based awards and, unless explicitly set forth in a plan document or award agreement, no acceleration of payment is permitted. The

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U.S. Department of Treasury has provided preliminary guidance and proposed regulations with respect to Section 409A and more definitive guidance is anticipated in the near future. Awards granted under the Plan with a deferral feature will be subject to the requirements of Section 409A. If an award subject to 409A fails to comply, an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation will apply. The 2006 Plan provides the

Plan Administrator with discretion to provide that awards comply with the provisions of Section 409A.

RECOMMENDATION OF THE BOARD

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE 2006 EQUITY INCENTIVE PLAN.

PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP (E&Y) as the Company s independent registered public accounting firm for our fiscal year ending June 30, 2007. E&Y also served as the Company s independent registered public accounting firm for our 2006 fiscal year. The Board of Directors concurs with the appointment and is submitting the appointment of E&Y as our independent registered public accounting firm for stockholder ratification at the annual meeting.

A representative of E&Y is expected to be present at the annual meeting. The E&Y representative will have an opportunity to make a statement if he or she wishes to do so and will be available to respond to appropriate questions from stockholders.

Our Bylaws do not require that the stockholders ratify the appointment of E&Y as our independent registered public accounting firm. We are seeking ratification because we believe it is a good corporate governance practice. If the stockholders do not ratify the appointment, the Audit Committee will reconsider whether to retain E&Y, but may retain E&Y in any event. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that a change would be in the best interests of the Company and its stockholders.

RECOMMENDATION OF THE BOARD

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE CURRENT YEAR.

Executive Officers of the Company

Set forth below is information about the executive officers and key employees of the Company:

Name	Position	Age
Philip H. Coelho	Chief Executive Officer	62
Kevin Simpson	President, General Manager of Surgical Wound Care	48
Matthew T. Plavan	Chief Financial Officer	42
John Chapman, Ph.D.	V.P. of Scientific Affairs	52
Dennis F. Marr, Ph.D.	V.P. Research & Development	42

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The Board of Directors appoints the executive officers. Executive officers serve at the pleasure of the Board. There are no family relationships between any of the directors, executive officers or key employees.

Biographies

The biography of Mr. Coelho can be found under Proposal 1 Election of Directors.

Mr. Kevin Simpson joined the Company in January 2003 as President and Chief Operating Officer and was also appointed to the Company's Board of Directors. Mr. Simpson currently serves as President, General Manager of Surgical Wound Care. Mr. Simpson has over 20 years experience in key management positions within life sciences based companies. In 2001 and 2002, Mr. Simpson was General Manager of the Pathogen Reduction Technology Business Unit at Gambro Healthcare, Inc. Prior to that, he was a Managing Consultant in the Strategy Group of Breakaway Solutions Inc., a provider of hosted business to business e-commerce applications and packaged applications from 2000-2001. Prior to that, Mr. Simpson spent eight years at Haemonetics Corporation, most recently as Vice President of the Commercial Plasma Business Unit and Vice President, Sales and Sales Operations for plasma sales. Mr. Simpson holds a Bachelor of Science in Mechanical Engineering from Purdue University and a Masters of Business Administration from Harvard Business School.

Dr. John Chapman, Ph.D. joined the Company in June 2005 as the Executive Director of Scientific Affairs and was promoted to Vice President of Scientific Affairs in March 2006. Prior to joining the Company, Dr. Chapman was Sr. Vice President of Research and Development at V.I. Technologies (Vitex). Prior to joining Vitex, he had 16 years of experience working for Baxter Healthcare in the divisions of Applied Sciences and Transfusion Therapies. Dr. Chapman earned his Bachelor of Science Degree in A&M from West Texas University and his Doctor of Philosophy Degree in Medical Science Toxicology from the University of Arkansas.

Dr. Dennis F. Marr, Ph.D., PMP, joined the Company in August 2004 as Vice President of Research and Development. Prior to joining the Company, Dr. Marr was employed by Baxter Healthcare Corporation. During his employment he served as Director, Device Development & Engineering from September 2001 to August 2004, Manager, Programs R&D from January 2000 to September 2001 and Senior Engineering Specialist from January 1998 to December of 1999. Dr. Marr earned his Bachelor of Science Degree in Chemical Engineering from the University of Illinois Champaign-Urbana, his Doctor of Philosophy Degree in Chemical Engineering from the University of Wisconsin-Madison, and he is a certified Project Management Professional with the Project Management Institute.

Matthew T. Plavan joined ThermoGenesis in May of 2005 as Chief Financial Officer. Before joining the Company, Mr. Plavan served from 2002 to 2005 as Chief Financial Officer of StrionAir, Inc., an air purification product development and marketing company. Prior to that, Mr. Plavan was the Chief Financial Officer for a wireless device management Company, Reason Inc., from 2000 to 2002. During the preceding seven years, 1993 through 2000, Mr. Plavan served in a number of key financial and operating leadership roles within McKesson and McKesson-acquired companies, including most recently, Vice President of Finance for a \$300 million ehealth division. Prior to that, Mr. Plavan was an audit manager in the Audit and Risk Advisory Services group of Ernst & Young LLP. Mr. Plavan became a Certified Public Accountant in 1992. Mr. Plavan earned his bachelor's degree in business economics from the University of California at Santa Barbara.

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Committees of the Board of Directors

Governance and Nominating Committee

The Governance and Nominating Committee was recently formed to address general governance and policy oversight; succession planning; to identify qualified individuals to become prospective Board Members and make recommendations regarding nominations for the Board of Directors; to advise the Board with respect to appropriate composition of Board committees; to advise the Board about and develop and recommend to the Board appropriate corporate governance documents and assist the Board in implementing guidelines; to oversee the annual evaluation of the Board and the Company's Chief Executive Officer, and to perform such other functions as the Board may assign to the committee from time to time. The Governance and Nominating Committee has currently been tasked with evaluation and oversight of succession planning along with retention and recruitment of qualified members of the executive team in furtherance of the Company's strategic goals. The Governance and Nominating Committee consists of four independent directors: Mr. Barry (Governance and Nominating Committee Chairman), Mr. McEnany, Dr. Huckel and Dr. Myers.

Audit Committee

The Audit Committee of the Board of Directors makes recommendations regarding the retention of the independent registered public accounting firm, reviews the scope of the annual audit undertaken by our independent registered public accounting firm and the progress and results of their work, reviews our financial statements, and oversees the internal controls over financial reporting and corporate programs to ensure compliance with applicable laws. The Audit Committee reviews the services performed by the independent registered public accounting firm and determines whether they are compatible with maintaining the registered public accounting firm's independence. The Audit Committee has a Charter, which is reviewed annually and as may be required due to changes in industry accounting practices or the promulgation of new rules or guidance documents. The Audit Committee Charter was filed as Exhibit B to the fiscal 2005 proxy statement. The Audit Committee consists of four independent directors as determined by NASD listing standards: Mr. McEnany (Audit Committee Chairman), Mr. Barry, Dr. Huckel and Dr. Myers. Mr. McEnany and Mr. Barry are qualified as Audit Committee Financial Experts.

Compensation Committee

The Compensation Committee of the Board of Directors reviews and approves executive compensation policies and practices, reviews salaries and bonuses for our officers, administers the Company's stock option plans and other benefit plans, and considers other matters as may, from time to time, be referred to them by the Board of Directors. The members of the Compensation Committee are Dr. Huckel (Compensation Committee Chairman), Mr. McEnany and Dr. Myers.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee were at any time an officer or employee of ours. In addition, none of our executive officers serves as a member of the compensation committee of any entity that has one or more executive officers serving as a member of our Compensation Committee, except that Mr. Coelho serves on the compensation committee of Catalyst Pharmaceuticals, Inc., the Chief Executive Officer of which is Mr. McEnany. In October 2006, Mr. Coelho resigned from the Compensation Committee of Catalyst Pharmaceuticals Inc.

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Nominations to the Board of Directors

Our directors take a critical role in guiding our strategic direction and oversee the management of the Company. Board candidates are considered based upon various criteria, such as their broad-based business and professional skills and experiences, a global business and social perspective, concern for the long-term interests of the stockholders and personal integrity and judgment. In addition, directors must have time available to devote to Board activities and to enhance their knowledge of the medical device industry. Accordingly, we seek to attract and retain highly qualified directors who have sufficient time to attend to their substantial duties and responsibilities to the Company.

The Board of Directors has a nominating committee. The Board believes given the diverse skills and experience required to grow the Company that the input of all members is important for considering the qualifications of individuals to serve as directors. The Governance and Nominating Committee recommends a slate of directors for election at the annual meeting. In accordance with Nasdaq rules, the slate of nominees is approved by a majority of the independent directors. Mr. Barry, Dr. Huckel, Mr. McEnany and Dr. Myers, each members of the Governance and Nominating Committee, are independent as defined in the NASD listing standards.

In carrying out its responsibilities, the Board will consider candidates suggested by stockholders. If a shareholder wishes to formally place a candidate's name in nomination, however, he or she must do so in accordance with the provisions of the Company's Bylaws. Suggestions for candidates to be evaluated by the Governance and Nominating Committee must be sent to Assistant Corporate Secretary, 2711 Citrus Road, Rancho Cordova, California 95742.

In fiscal 2006, the Board of Directors met six (6) times, the Audit Committee met four (4) times and the Compensation Committee met two (2) times. Each director attended all of the meetings of its Board of Directors and of the committees upon which he served. All Directors attended the 2005 annual meeting of stockholders. The Board requires all Directors to attend the annual stockholder meeting unless there is an emergency.

Stockholders may send communications to the Board by mail to the Chairman of the Board, ThermoGenesis Corp., 2711 Citrus Road, Rancho Cordova, California 95742.

Audit Committee Report

The Audit Committee oversees the financial reporting process for the Company on behalf of the Board of Directors. In fulfilling its oversight responsibilities, the Audit Committee (i) reviews the financial statements, (ii) reviews management's and the independent auditor's results of testing of the internal controls over the financial reporting process, (iii) reviews and concurs with management's appointment, termination or replacement of the Chief Financial Officer, (iv) consults with and reviews the services provided by the Company's independent auditors and makes recommendations to the Board of Directors regarding the selection of the independent auditors, and (v) reviews reports received from regulators and other legal and regulatory matters that may have a material effect on the financial statements or related company compliance policies. The Company's management has primary responsibility for preparing the financial statements and establishing the Company's financial reporting process and internal control over financial reporting. Company management is also responsible for its assessment of the effectiveness of internal control over financial reporting. The Company's independent auditors, Ernst & Young LLP, are responsible for expressing an opinion on the conformity of the Company's audited financial statements with U.S. generally accepted accounting principals. The independent auditors are also responsible for issuing a report on management's assessment and the effectiveness of the Company's internal control over financial reporting. The Audit Committee's responsibilities include oversight of these processes.

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In accordance with Statements on Auditing Standards (SAS) No. 61 (codification of Statements on Auditing Standards, AU§ 380), as amended by SAS 89 and SAS 90, and Rule 2-07, Communications with Audit Committees, of Regulation S-X, discussions were held with management and the independent auditors regarding the acceptability and the quality of the accounting principles used in the reports. These discussions included the clarity of the disclosures made therein, the underlying estimates and assumptions used in the financial reporting, and the reasonableness of the significant judgments and management decisions made in developing the financial statements. In addition, the Audit Committee has discussed with the independent auditors their independence from the Company and its management and the independent auditors provided the written disclosures and the letter required by Independence Standards Board Standard No. 1 and considered the compatibility of non-audit services with the auditors' independence.

The Audit Committee has also met and discussed with the Company's management, and its independent auditors, issues related to the overall scope and objectives of the audits conducted, the internal controls used by the Company and the selection of the Company's independent auditors. In addition, the Audit Committee discussed with the independent auditors, with and without management present, the specific results of audit investigations and examinations and the auditors' judgments regarding any and all of the above issues.

Pursuant to the reviews and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2006, for filing with the Securities and Exchange Commission.

Respectfully submitted,

THERMOGENESIS CORP. AUDIT COMMITTEE

Patrick McEnany, Chairman

George Barry

Dr. Hubert Huckel

Dr. Woodrow Myers

Directors of the Company

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Compensation Committee Report

The Compensation Committee oversees our compensation plans and policies, reviews and approves all decisions concerning principal executive officers' compensation, which are further approved by the Board, and administers our stock option and equity plans, including reviewing and approving stock option grants and equity awards under the plans. The Compensation Committee's charter reflects these various responsibilities, and the Compensation Committee and the Board periodically review and revise the charter in consultation with outside counsel. The Compensation Committee's membership is determined by the Board and is composed entirely of independent directors. The Compensation Committee meets at scheduled times during the year. The Committee Chairman reports on Compensation Committee actions and recommendations at Board meetings, where such actions are further ratified and approved. In addition, the Committee has the authority to engage the services of outside advisers, experts and others to assist the Committee.

Compensation Philosophy

The Compensation Committee emphasizes the important link between the Company's performance, which ultimately increases stockholder value, and the compensation of its executives. Therefore, the primary goal of the Company's executive compensation policy is to closely align the interests of the stockholders with the interests of the executive officers. In order to achieve this goal, the Company attempts to (i) offer compensation opportunities that attract and retain executives whose abilities and skills are critical to the long-term success of the Company and reward them for their efforts in ensuring the success of the Company, (ii) align the Company's compensation programs with the Company's long-term business strategies and objectives, and (iii) provide variable compensation opportunities that are directly linked to the Company's performance and stockholder value, including an equity stake in the Company. For several years, the Company has used three integrated components—Base Salary, Incentive Compensation and Stock Options—to achieve these goals.

Base Salary

The Base Salary component of total compensation is intended to compensate executives competitively within the industry and the marketplace. Base Salaries of the executive officers are established by the Compensation Committee based upon compensation data of comparable companies in the comparable markets, the executive's job responsibilities, level of experience, individual performance and contribution to the business. In the past, in making Base Salary decisions, the Committee exercised its discretion and judgment based upon regional and personal knowledge of industry practice and did not apply any specific formula to determine the weight of any one factor. In 2004, the Compensation Committee retained Pearl Meyer & Partners, and adjusted salaries as of July 1, 2004, based on the report and recommendations prepared by Pearl Meyer & Partners, which were ratified and approved by the Board.

Incentive Bonuses

The Incentive Bonus component of executive compensation is designed to reflect the Compensation Committee's belief that a portion of the compensation of each executive officer should be contingent upon the performance of the Company, as well as the individual contribution of each executive officer. The Incentive Bonus is intended to motivate and reward executive officers by allowing the executive officers to directly benefit from the success of the Company. The Compensation Committee has directed that a formal written incentive plan with specified key milestones critical to the Company's success be developed and implemented, and that the plan be weighted heavily towards achieving profitability before any bonus compensation would be earned. All executive employment contracts

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provide generally for a discretionary bonus of up to 35% of the executive's base salary, which is to be determined by the Compensation Committee based on individual performance criteria and Company achievement of profitability during the year. After further discussion of the increases in base salary in line with the report and recommendations, and a proposal made by management, any future bonus payouts were limited to a maximum of 25% of salary for the Company's principal executive officers, and may be paid in cash, restricted stock grants, or options.

Long-term Incentives

The Compensation Committee provides the Company's executive officers with Long-term Incentive compensation in the form of stock option grants under the Company's Amended 1994 Stock Option Plan and the Amended 1998 Equity Incentive Plan. The Compensation Committee believes that stock options provide the Company's executive officers with the opportunity to purchase and maintain an equity interest in the Company and to share in the appreciation of the value of the Company's Common Stock. The Compensation Committee believes that stock options directly motivate an executive to maximize long-term stockholder value. It is the Company's practice to grant options from time to time to executive officers at the fair market value of the Company's common stock on the date of grant. The Committee considers each option subjectively, considering factors such as the individual performance of the executive officer and the anticipated contribution of the executive officer to the attainment of the Company's long-term strategic performance goals. The number of stock options granted to other executives in prior years and the total number of options granted under the plans are also taken into consideration.

Chief Executive Officer Compensation

Under the terms of Mr. Coelho's employment agreement, he is entitled to receive an annual salary of not less than \$225,000, as may be increased by the Board annually upon review, and an annual bonus at the discretion of the Board of Directors of up to 35% of salary. In the last two years the Board increased the CEO salary to its current amount of \$360,000 annually, in order to bring the cash salary payment closer to competitive levels with other companies and industry benchmarks. The Board did not target the higher end of competitive salaries, given the current stage of the Company's development. The Board reviewed a number of quantitative factors and qualitative factors included in the Company's performance, new strategic relationships and distribution channels, including GE Healthcare, commercialization of new products, including the AXP, operating cash flow, working capital, and market value. The Board also took into consideration certain qualitative factors including the exceptional reputation of Mr. Coelho in the scientific and medical community related to the Company's products, ethical conduct, and tireless effort with extensive travel requirements around the world. During fiscal year 2006 the Board paid a \$50,000 cash bonus, the first cash bonus paid to Mr. Coelho in over 6 years.

In conclusion, the Compensation Committee believes that the Company's current compensation levels are consistent with Company goals.

Respectfully Submitted,
THERMOGENESIS CORP.
COMPENSATION COMMITTEE

Hubert Huckel, M.D., Chairman
Patrick McEnany
Woodrow Myers, M.D.

Independent Directors of the Company

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This table lists the aggregate cash compensation paid in the past three years for all services of the named Executive Officers of the Company.

SUMMARY COMPENSATION TABLE

(a) Name and Principal Position	(b) Year	Annual Compensation		(e) Other Annual Compensation (\$)	(f) Restricted Awards(s) (\$)	Long Term Compensation		(i) All Other Compensation (\$)
		(c) Salary (\$)	(d) Bonus (\$)			(g) Awards Securities Underlying Options/ SARs (#)	(h) Payouts LTIP Payout (\$)	
Philip H. Coelho, Chairman and Chief Executive Officer	2004	\$ 225,000	\$ 0	\$ 12,000 ⁽¹⁾	\$ 0	0	\$ 0	\$ 0
	2005	\$ 298,000	\$ 0	\$ 14,000 ⁽²⁾	\$ 0	0	\$ 0	\$ 0
	2006	\$ 312,000	\$ 50,000	\$ 3,000 ⁽³⁾	\$ 0	0	\$ 0	\$ 0
Kevin Simpson, President and Chief Operating Officer	2004	\$ 217,000	\$ 0	\$ 3,000 ⁽⁴⁾	\$ 0	0	\$ 0	\$ 0
	2005	\$ 230,000	\$ 0	\$ 8,000 ⁽⁵⁾	\$ 0	227,100 ⁽⁶⁾	\$ 0	\$ 0
	2006	\$ 230,000	\$ 39,000	\$ 0	\$ 0	75,000 ⁽⁷⁾	\$ 0	\$ 0
Matthew T. Plavan, Chief Financial Officer	2005	\$ 9,000	\$ 0	\$ 0	\$ 0	90,000 ⁽⁸⁾	\$ 0	\$ 0
	2006	\$ 181,000	\$ 0	\$ 37,000 ⁽⁹⁾	\$ 0	0	\$ 0	\$ 0
John Chapman, V.P of Scientific Affairs	2005	\$ 3,000	\$ 0	\$ 0	\$ 0	60,000 ⁽¹⁰⁾	\$ 0	\$ 0
	2006	\$ 158,000	\$ 15,000	\$ 0	\$ 0	0	\$ 0	\$ 0
Dennis Marr, V.P. Research and Development	2005	\$ 143,000	\$ 30,000	\$ 10,000 ⁽¹¹⁾	\$ 0	60,000 ⁽¹²⁾	\$ 0	\$ 0