

CRYOLIFE INC  
Form DEF 14A  
April 20, 2015

**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 under § 240.14a-12

**CRYOLIFE, INC.**

(Name of Registrant as Specified In Its Charter)

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

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No fee required.

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(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, 2015 at 10:00 a.m., Atlanta time, for the following purposes:

1. To elect as Directors the eight 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, by non-binding vote, the compensation paid to CryoLife's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion.
3. To approve certain amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan.
4. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm for the company for the fiscal year ending December 31, 2015.
5. 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 18, 2015, 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 Stockholder Meeting to be held on May 20, 2015.** 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 2014 Annual Report to Stockholders are available on our corporate website and may be accessed at [www.cryolife.com](http://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:

J. PATRICK MACKIN  
Chairman, President, and Chief Executive Officer

Date: April 20, 2015

A copy of CryoLife's 2014 Annual Report to Stockholders, which includes CryoLife's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, containing financial statements, is enclosed.

CRYOLIFE, INC. | 2015 Proxy Statement

**1655 ROBERTS BOULEVARD, NW**

**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, our, or us ) for CryoLife s Annual Meeting of Stockholders to be held on May 20, 2015 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 Roger T. Weitkamp, Assistant 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 18, 2015 will be eligible to vote at the meeting. CryoLife s stock transfer books will not be closed. At the close of business on March 18, 2015, CryoLife had outstanding a total of 29,567,386 shares of common stock, excluding a total of 1,229,619 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 20, 2015. 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 compensation paid to CryoLife s named executive officers, approval of certain amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive 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 compensation paid to CryoLife s named executive officers, for approval of certain amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive 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 Assistant 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 Assistant 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

1

CRYOLIFE, INC. | 2015 Proxy  
Statement

will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business. Broker non-votes will be disregarded with respect to all proposals. 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.

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 eight Directorships to be filled, this means that the eight individuals receiving the most votes will be elected. Abstentions and broker non-votes will therefore not be relevant to the outcome.

The advisory votes cast for the approval of the compensation paid to CryoLife's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion, must exceed the votes cast against the approval of such compensation in order for it to be approved. Accordingly, abstentions and broker non-votes will not be relevant to the outcome.

The affirmative vote of a majority of the votes cast, either for or against by the holders of the shares of common stock voting in person or by proxy at the meeting is required to approve the proposed amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan, in order to comply with the requirements of Florida law, the company's Bylaws, and applicable requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. Accordingly, abstentions and broker non-votes will not be relevant to the outcome.

The votes cast for the ratification of the appointment of Ernst & Young LLP as CryoLife'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 Ernst & Young LLP will have discretionary voting authority with respect to this matter; however, such brokers who do not receive voting instructions with respect to the election of Directors, the approval of the compensation paid to CryoLife's named executive officers, and the approval of certain amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive 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 top 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 Roger T. Weitkamp, Assistant 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.

2

CRYOLIFE, INC. | 2015 Proxy  
Statement

## 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 compensation paid to CryoLife's named executive officers, FOR approval of the proposed amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan, and FOR ratification of the independent registered public accounting firm.

3

CRYOLIFE, INC. | 2015 Proxy  
Statement

## PROPOSAL ONE ELECTION OF DIRECTORS

Directors of CryoLife elected at the Annual Meeting to be held on May 20, 2015, will hold office until the next Annual Meeting or until their successors are elected and have been qualified. As discussed at *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Separation Agreement with Steven G. Anderson* beginning on page 75, Steven G. Anderson, the company's former Executive Chairman of the Board, retired from the company and as a member of the Board as of April 9, 2015. Accordingly, he will not stand for reelection as a director at the Annual Meeting.

### Director Nominees

Each of the 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.

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 18, 2015, according to information received by CryoLife. None of the shares of stock noted below are subject to a pledge or similar arrangement.

Name of Nominee	Director Since	Age	Percentage of	
			Shares of CryoLife Stock Beneficially Owned <sup>(1)</sup>	Outstanding Shares of CryoLife Stock
			(#)	(%)
Thomas F. Ackerman	2003	60	75,000 <sup>(2)</sup>	*
James S. Benson	2005	75	70,000 <sup>(2)</sup>	*
Daniel J. Bevevino	2003	55	75,000 <sup>(2)</sup>	*
Ronald C. Elkins, M.D.	1994	78	89,500 <sup>(2)</sup>	*
Ronald D. McCall, Esq.	1984	78	163,162 <sup>(3)</sup>	*

J. Patrick Mackin	2014	48	280,832 <sup>(4)</sup>	*
Harvey Morgan	2008	73	66,250 <sup>(5)</sup>	*
Jon W. Salveson	2012	50	55,000 <sup>(2)</sup>	*

\* 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) Includes 10,000 shares of unvested restricted stock.
- (3) Includes 16,000 shares of common stock owned of record by Ms. Marilyn B. McCall, Mr. McCall's spouse, and 10,000 shares of unvested restricted stock.
- (4) Amount represents shares of unvested restricted stock and performance-based restricted stock subject to forfeiture that Mr. Mackin holds as of March 18, 2015. This amount does not include performance stock units granted in February 2015 (30,832 shares to be earned if underlying performance conditions are satisfied at target), which had not vested as of March 18, 2015, and will not vest within 60 days thereafter. For additional details regarding Mr. Mackin's equity awards, see *Grants of Plan-Based Awards – Employment Agreement with J. Patrick Mackin* beginning on page 55.
- (5) Includes 28,000 shares held by Ms. Suzanne B. Morgan, Mr. Morgan's spouse, and 10,000 shares of unvested restricted stock.

#### **Director Nominee Qualifications and Biographical Information**

**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 early-stage

drug discovery and development process, with a focus on *in vivo* biology, including research models and services required to enable *in vivo* drug discovery and development. 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 CDRH from 1978 to 1982. He served as a director and presiding director of Cytomedix from 2004 through 2013. 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 and medical device industries, from both an FDA and industry perspective; 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; and his experience as a director and committee chair.

**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 Respironics, 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, Respironics 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 Respironics, 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, and he currently serves as a director of one of the companies for which he provides services. 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 MBA 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.

**J. Patrick Mackin** assumed the position of President and Chief Executive Officer of CryoLife in September 2014, he was appointed to the CryoLife Board in October 2014, and he was appointed Chairman of the Board in April 2015. Mr. Mackin has more than 20 years of experience in the medical device industry. Prior to joining CryoLife, Mr. Mackin served as President of Cardiac Rhythm Disease Management, the largest operating division of Medtronic, Inc., from August 2007 to August 2014. At Medtronic, he previously held the positions of Vice President, Vascular, Western Europe and Vice President and General Manager, Endovascular Business Unit. Prior to joining Medtronic in 2002, Mr. Mackin worked for six years at Genzyme, Inc. serving as Senior Vice President and General Manager for the Cardiovascular Surgery Business Unit and as Director of Sales, Surgical Products division. Before joining Genzyme, Mr. Mackin spent four years at

Deknatel/Snowden-Pencer, Inc. in various roles and three years as a First Lieutenant in the U.S. Army. Mr. Mackin received an MBA from the Kellogg Graduate School of Management at Northwestern University and is a graduate of the U.S. Military Academy at West Point.

The Board has determined that Mr. Mackin should serve as Director of CryoLife because of his business acumen and substantial worldwide experience in the medical device industry. In addition, the Board believes that it is appropriate and useful to have the President and Chief Executive Officer of CryoLife serve as a member of the Board.

**Ronald D. McCall, Esq.** has served as a Director of CryoLife since January 1984. 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, the Board believes that his long-standing involvement with CryoLife provides him with a unique perspective on current issues facing the 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 served as a Managing Director of the investment banking firm Bentley Associates, L.P. from 2004 to December 31, 2012, 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 Board of Family Dollar Stores, Inc. (NYSE: FDO) and previously served on the Board of Cybex International, Inc. (Nasdaq: CYBI). Mr. Morgan received his undergraduate degree from The University of North Carolina at Chapel Hill and an MBA 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.

**Jon W. Salveson** has served as a Director of CryoLife since May 2012. Mr. Salveson is the Vice Chairman, Investment Banking and Chairman of the Healthcare Investment Banking Group at Piper Jaffray Companies (NYSE: PJC). He joined Piper Jaffray in 1993 as an associate, was elected Managing Director in 1999, and was named the Group Head of Piper Jaffray's international healthcare investment banking group in 2001. Mr. Salveson was appointed Global Head of Investment Banking and a member of the Executive Committee of Piper Jaffray in 2004, and has served in his present position as Vice Chairman, Investment Banking since July 2010. Mr. Salveson also serves on the Board of Sunshine Heart, Inc. (NASDAQ: SSH). Mr. Salveson received his undergraduate degree from St. Olaf College and an M.M.M. in finance from the Kellogg Graduate School of Management at Northwestern University.

The Board has determined that Mr. Salveson should serve as a Director of CryoLife because of his considerable experience in investment banking in the healthcare industry. Mr. Salveson has advised CryoLife in particular with respect to numerous transactions.

## **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 and revises them as appropriate.

### **Director Independence**

The Board has adopted certain categorical standards which provide that the following relationships 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:

6

CRYOLIFE, INC. | 2015 Proxy  
Statement



The Director is or was, within the preceding three years, employed by us, or an immediate family member of the Director is or was, within the preceding three years, employed by us, as an executive officer

The Director or an immediate family member of the Director received more than \$120,000 per year in direct compensation from us over any twelve-month period within the preceding three years, 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 is a current partner or employee of our present internal or external auditors or within the last three years was a partner or employee of a firm that was our internal or external auditor and personally worked on our audit within that time

An immediate family member of the Director is a current partner at our present internal or independent auditors, or an immediate family member of the Director is a current employee of our present internal or independent auditors who personally works on our audit, or within the last three years, an immediate family member of the Director was a partner or employee of a firm that was our internal or external auditor and personally worked on our audit within that time

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

The Director is a current executive officer or employee, or an immediate family member of the Director is a current executive officer, of another company that makes payments to or receives payments from us, for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues (Contributions to tax-exempt organizations are not considered payments for purposes of this standard, but we will disclose in our annual proxy statement any such contributions we make to any tax-exempt organization in which any independent director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year from us to the organization exceeded the greater of \$1 million or 2% of the tax-exempt organization's consolidated gross revenues. We have no such contributions to disclose at this time. The Board of Directors will consider the materiality of any such relationship in evaluating the independence of any such Director.)

In addition to qualifying as independent within the meaning of NYSE rules, each member of the Compensation Committee must be a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and at least two members of the Compensation Committee must be outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. In determining the independence of any Director who will serve on the Compensation Committee, the Board will consider all factors specifically relevant to determining whether such Director has a relationship with us that is material to the Director's ability to be independent from management in connection with the duties of a Compensation Committee member, including, but not limited to (i) the source of compensation of such Director, including any consulting, advisory, or other compensatory fee paid by us to the Director, and (ii) whether such Director is affiliated with us, one of our subsidiaries, or an affiliate of one of our subsidiaries.

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

7

CRYOLIFE, INC. | 2015 Proxy  
Statement

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

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 by us pursuant to an established CryoLife program will not be included in the amount of our contributions for this purpose

In connection with its annual review, and based on the information available to it, the Board determined that none of Messrs. Ackerman, Benson, Bevevino, McCall, and Morgan and Dr. Elkins has a material relationship with CryoLife, and that they each therefore 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.

Mr. Ackerman is the Executive Vice President and Chief Financial Officer of Charles River Laboratories International, Inc. CryoLife has made purchases from Charles River Laboratories relating to supplies for certain of its clinical trials in each of the last several years and anticipates doing so in the current year. The amount of these purchases falls within the categorical standards for commercial relationships described above that are not considered to be material relationships that would impair a Director's independence. The Board determined that Mr. Ackerman's relationship with Charles River Laboratories is not a material relationship that could impair his independence as it relates to his Director relationship with CryoLife. Purchases from Charles River Laboratories were made on an arm's-length basis. It is 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. In 2014, 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 Baptist Medical Center, along with the Integris SW Medical Center, paid CryoLife for tissue preservation services and BioGlue in 2014, 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 Right to Retain Advisors**

The Board has authorized the independent members of the Board, as a group, to retain their own advisors to the extent they deem it appropriate, subject to the approval of the Presiding Director.

### **Board Leadership Structure**

The President and Chief Executive Officer of CryoLife serves as the Chairman of the Board. The Board believes that this structure promotes fluid communication and coordination between the Board and management. Also, the Board believes that Mr. Mackin is well-suited to fill his management and Board roles, and that the Board benefits from his serving these dual roles.

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

8

CRYOLIFE, INC. | 2015 Proxy  
Statement

Preparing the agenda for each Board and committee meeting

Coordinating the activities of the non-employee and independent Directors

Determining appropriate schedules for Board meetings

Encouraging the non-employee and independent Directors to 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 non-employee and 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 non-employee and independent Directors and the CEO on sensitive issues

Evaluating, along with the members of the Compensation Committee and the Nominating and Corporate Governance Committee, the CEO's performance and meeting with the CEO 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

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

### **The Board's Role in 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 maintains an appropriate level of risk, commensurate with both the short-term and long-term goals of the company, and that we do not incentivize 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 or raise any questions or concerns to their supervisors, through the mail or online (including anonymously), or via a hotline. 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 its 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 registered public accounting firm, establishment and maintenance of our internal controls, 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.

As part of the Board's risk oversight function, the Compensation Committee has ongoing responsibilities with respect to our executive compensation policies and programs. The Compensation Committee and management have reviewed our compensation policies and practices as they relate to all CryoLife employees, with particular focus on the incentives they may create and any mitigating factors that may reduce the likelihood of excessive risk taking. The purpose of this review and assessment was to determine whether any of our compensation policies or practices present a material risk to our company. This assessment 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. The primary focus of the reviews was 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 these reviews 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 and/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 Compensation Committee, 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, Annual Meeting of Stockholders, and Attendance

During 2014, each Director attended, either in person or by telephone, at least 89% of the meetings of the Board of Directors and the 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.

The Board of Directors held twelve meetings during 2014. Board attendance at the Annual Meeting of Stockholders is encouraged, but not required. All of the then-current Board members attended the 2014 annual meeting.

### Standing Committees of the Board of Directors; Committee Assignments

During 2014, 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 2014, the Audit Committee met six times, the Compensation Committee met twelve times, the Nominating and Corporate Governance Committee met six times, the Regulatory Affairs and Quality Assurance Policy Committee met five times, and the Compensation Committee and the Nominating and Corporate Governance Committee met jointly once. These committees are described below, and the following table lists the members of each of the standing committees as of the date of this proxy statement:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Regulatory Affairs and Quality Assurance Policy Committee
J. Patrick Mackin, Chairman, President, and Chief Executive Officer <sup>(1)</sup>	ü			
Thomas F. Ackerman	ü			
James S. Benson			ü	Chair
Daniel J. Bevevino	ü	ü		
Ronald C. Elkins, M.D.		Chair		ü
Ronald D. McCall,		ü	Chair	ü

Presiding Director  
Harvey Morgan  
Jon W. Salvesson

**Chair**

ü

ü

- (1) Mr. Mackin was appointed to the Board in October 2014, and he was appointed Chairman of the Board in April 2015.

**Audit Committee** CryoLife's Audit Committee currently consists of three non-employee Directors: Mr. Morgan, Chairman, Mr. Ackerman, and Mr. Bevevino, each of whom served on the Audit Committee for all of 2014. Mr. Bevevino served as Chairman of the Audit Committee from January to May 2014, and Mr. Morgan assumed the role of Chairman in May 2014. 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 risk management and 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.

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* beginning on page 15; see the *Report of the Audit Committee* beginning on page 20.

**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. Bevevino, and Mr. McCall, each of whom served on the Compensation Committee for all of 2014. Each member of the Compensation Committee meets the independence requirements of Sections 303A.02(a)(i) and (ii) 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.

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:

Reviews and approves the corporate goals and objectives upon which the compensation of CryoLife's CEO 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

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, performance stock units, and other stock rights and cash incentives under CryoLife's stock and incentive plans

Approves or recommends severance arrangements for the CEO and other senior officers

Reviews and approves all provisions for clawback of incentive compensation awarded to officers and Directors

Reviews and approves CryoLife's peer companies and data sources used in evaluating executive and Director compensation competitiveness

Oversees CryoLife's submissions to stockholders and engagement with proxy advisory firms on matters of executive compensation

Oversees management's review and risk assessment of CryoLife's compensation program and policies. Pursuant to its charter, the Compensation Committee has the authority to delegate any of its decisions to a subcommittee of the Compensation Committee, provided that a full report of any action taken is promptly made to the full Compensation Committee. Except as prohibited by applicable law or rules of the New York Stock Exchange ( NYSE ), the Compensation Committee may delegate to a senior executive officer of CryoLife the authority to grant equity awards under CryoLife's stock and incentive plans, provided that such awards are not made to officers or Directors of CryoLife. The Compensation Committee has delegated authority to the CEO to allow him to grant restricted stock units to non-officer employees, subject to specified limitations regarding the size and terms of the grants, the duration of the delegated authority, and the manner in which the authority may be exercised.

The Compensation Committee consults with the CEO 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 arrangements, subject to approval by the Compensation Committee. Management develops bonus and equity compensation plans at the direction of the Compensation Committee and submits these plans to the committee for review and approval.

The Compensation 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 compensation consulting firm Pearl Meyer & Partners ( PM&P ) for evaluation of the compensation decisions made prior to June 2014 for executive officers and non-employee Directors. PM&P prepared an executive compensation study in October 2013 and updated the study in February 2014; the Compensation Committee evaluated these studies in connection with decisions regarding executive compensation it made in February 2014. Similarly, PM&P prepared a study of non-employee Director compensation in May 2014, which the committee evaluated in connection with decisions it made regarding Director compensation in May 2014.

In August 2014, the committee discontinued its consulting relationship with PM&P and appointed Towers Watson & Co. ( Towers Watson ) as its independent consultant for general executive compensation matters. Prior to this general engagement, the committee engaged Towers Watson to provide advice with respect to the design and reasonableness of the compensation package to be provided to Mr. Mackin upon his employment with the company.

Towers Watson prepared an executive compensation study in October 2014 and updated the study in February 2015; the Compensation Committee evaluated these studies in connection with decisions regarding executive compensation it made in February 2015. In addition, Towers Watson provided the committee with a compensation study and advice regarding executive chair compensation.

With respect to the work performed by both PM&P and Towers Watson as described in this section, the Compensation Committee conducted conflict of interest assessments and has determined that no conflict of interest existed at either firm.

***Nominating and Corporate Governance Committee*** CryoLife's Nominating and Corporate Governance Committee operates under a written charter that sets out the committee's functions and responsibilities. The Nominating and Corporate Governance Committee currently consists of three non-employee Directors: Mr. McCall, Chairman, Mr. Benson, and Mr. Morgan, each of whom served on the committee for all of 2014. Each of these individuals meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. The committee recommends potential candidates for the Board and 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, for 2014, it also evaluated the performance of the Executive Chairman, 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 regarding the development of and compliance

with the company's corporate governance guidelines.

***Regulatory Affairs and Quality Assurance Policy Committee*** CryoLife's Regulatory Affairs and Quality Assurance Policy Committee currently consists of four non-employee Directors: Mr. Benson, Chairman, Dr. Elkins, Mr. McCall, and Mr. Salveson, each of whom served on the Regulatory Affairs and Quality Assurance Policy Committee for all of 2014. Each of these individuals except Mr. Salveson meets the requirements of independence of Section 303A.02 of the current NYSE Listing Standards. The charter of the Regulatory Affairs and Quality Assurance Policy Committee

requires that a majority of its members be independent. 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:

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

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

#### **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

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

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 2016 annual meeting of stockholders is set forth below, but you should not rely on this summary as complete, and you are urged to read Article XIV in its entirety:

We must receive all required information no later than February 20, 2016, but no earlier than January 21, 2016, in order for it to be considered timely – see *Stockholder Proposals* on page 107 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

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 Nominating and Corporate Governance Committee may contact the candidate confidentially, and may require that the candidate:

Be available upon request to meet with the Nominating and Corporate Governance Committee and management with reasonable notice

Execute a non-disclosure agreement

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 Nominating and Corporate Governance 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, and the CEO's service on the governing body of any organization is subject to prior written authorization by the Board.

The Board and the Nominating and Corporate Governance Committee have no formal policy with respect to the consideration of diversity in Board membership; however, 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, the Board 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, the Board 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, the Board may also consider individuals with experience in accounting and financial reporting, investment banking, and corporate finance. 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. The Board evaluates itself as a whole, however, and does 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 2015 Annual Meeting from any CryoLife security holder or group of security holders beneficially owning in excess of 5% of CryoLife's outstanding common stock.

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 16.



## **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 CryoLife 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 <http://phx.corporate-ir.net/phoenix.zhtml?c=80253&p=irol-govConduct>

## **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 Audit Committee has approved it, the CEO or the Corporate Secretary will submit the transaction to the Audit Committee for ratification as soon as he or she becomes aware of it. If the Audit Committee does not ratify the transaction, it will 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 Audit Committee at its next regularly scheduled meeting.

When reviewing a related party transaction, the Audit Committee will 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

15

CRYOLIFE, INC. | 2015 Proxy  
Statement

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

Whether the terms are 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 to CryoLife

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 will submit the related party transaction for approval or ratification to the chair of the Audit Committee, who possesses delegated authority to act between Audit Committee meetings. The Chairman will report any action he or she has taken under this delegated authority to the Audit Committee at its next regularly scheduled meeting.

The Audit Committee, or the Chairman, will approve only those 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 Audit Committee's first meeting of each fiscal year, the Audit 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 will determine whether it is in, or not inconsistent with, the best interests of CryoLife and its stockholders to continue, modify, or terminate the related party transaction. See *Certain Transactions* on page 88 for a description of certain related party transactions.

### **Compensation Committee Interlocks and Insider Participation**

Dr. Elkins, Chairman, and Messrs. Bevevino and McCall served on the Compensation Committee of CryoLife's Board of Directors for all of fiscal 2014. None of our executive officers currently serve, or served during fiscal 2014, as a member of the Compensation Committee of any other company that has or had an executive officer serving as a member of our Board of Directors. None of our executive officers currently serve, or served during fiscal 2014, as a

member of the board of directors of any other company that has or had an executive officer serving as a member of our Board's Compensation Committee.

### **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 Chairmen, 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 Roger T. Weitkamp, Assistant 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 <http://phx.corporate-ir.net/phoenix.zhtml?c=80253&p=irol-govHighlights>

*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.*

**DIRECTOR COMPENSATION****Elements of Non-Employee Director Compensation****Annual Retainer and Committee Chair Fees**

Each of the non-employee Directors of CryoLife receives an annual cash retainer for service on the Board, service on Board committees, service as chair of Board committees, and service as Presiding Director, as applicable and as noted in the table below. CryoLife pays all cash retainers on a monthly basis. Currently, the Presiding Director is also the Chairman of the Nominating and Corporate Governance Committee, and he does not receive any additional compensation for his position as Chairman of that committee.

**2014 Board of Director Retainers**

<b>Annual Board Service</b>	\$40,000	
<b>Presiding Director</b>	\$25,000	
	<b>Committee Chair Retainer<sup>(1)</sup></b>	<b>Committee Membership Retainer</b>
Audit	\$15,000	\$7,500
Compensation	\$10,000	\$5,000
Nominating and Corporate Governance	\$7,500	\$3,750
Regulatory Affairs and Quality Assurance Policy	\$7,500	\$3,750

(1) Includes committee membership retainer

**Restricted Stock Grants**

A portion of the non-employee Directors' annual compensation is issued as restricted stock. The shares of restricted stock are issued each year following the annual meeting of stockholders, and all shares vest on the first anniversary of issuance. The Director will forfeit any unvested portion of the award if he or she ceases to serve as a Director for certain reasons described within the stock plan. In July 2014, the Compensation Committee granted 10,000 shares of restricted stock to each of the non-employee Directors. The size and terms of the grants are subject to annual reevaluation by the Compensation Committee. All equity grants to Non-Employee Directors in 2014 were made pursuant to the Second Amended and Restated 2009 Stock Incentive Plan.

**Fiscal 2014 Director Compensation**

The following table provides compensation information for the one-year period ended December 31, 2014, for each

person who was a member of our Board of Directors in 2014, other than J. Patrick Mackin and Steven G. Anderson:

Name	Fees Earned or Paid in Cash <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	Total
	(a)	(b)	(c)
Thomas F. Ackerman	47,500	99,500	147,000
James S. Benson	51,250	99,500	150,750
Daniel J. Bevevino	55,625	99,500	155,125
Ronald C. Elkins, M.D.	53,750	99,500	153,250
Ronald D. McCall, Esq.	65,000	99,500	164,500
Harvey Morgan	55,625	99,500	155,125
Jon W. Salvesson	43,750	99,500	143,250

(1) Amounts shown include annual retainer, committee chair and committee member retainers, and, for Mr. McCall, a Presiding Director retainer, earned by our Directors during 2014.

(2) The amount shown represents the aggregate grant date fair value of the 10,000 restricted shares granted to each of the non-employee Directors, as calculated in accordance with FASB ASC Topic 718. We issued the awards on July 30,

2014, and we valued them at \$9.95 per share, which was the closing price on the grant date. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2014 for assumptions we used in valuing restricted stock awards. The restricted stock represented here vests 12 months after the date of issuance; accordingly, these shares remained subject to vesting restrictions as of December 31, 2014.

J. Patrick Mackin, Chairman, President, and Chief Executive Officer, and Steven G. Anderson, former Executive Chairman, received no compensation in 2014 for their services as Directors of the company, other than their executive officer compensation detailed in the *Summary Compensation Table* on page 50.

### **Director Stock Ownership Requirements**

In February 2012, the Nominating and Corporate Governance Committee approved an increase in the non-employee Director stock ownership requirements from 24,000 to 30,000 shares. This increase was effective immediately for all non-employee Directors other than Mr. Salveson, and will be effective for him on the fifth anniversary of the day he joined the Board. All of the Directors currently already satisfy this standard. The Compensation Committee intends to reevaluate this requirement on an annual basis.



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## REPORT OF THE AUDIT COMMITTEE

The Board of Directors maintains an Audit Committee comprised of three 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 2014 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 2014, 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 Ernst & Young LLP, CryoLife's independent auditing firm, 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 2014, as well as Ernst & Young LLP's Reports of Independent Registered Public Accounting Firm included in CryoLife's Annual Report on Form 10-K for fiscal 2014 related to its audit of (i) CryoLife's consolidated financial statements and (ii) the effectiveness of CryoLife'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 2015.

The Audit Committee reviewed with Ernst & Young LLP, 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. Ernst & Young LLP also provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP's communications with the Audit Committee concerning independence. The Audit Committee discussed with Ernst & Young LLP that firm's independence from management and CryoLife.

The Audit Committee discussed with Ernst & Young LLP the overall scope and plans for its audit. The Audit Committee met with Ernst & Young LLP, 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 audit fees paid to Ernst & Young LLP for the year ended December 31, 2014, including audit-related fees paid in 2014 were \$547,000. See *Ratification of the Independent Registered Public Accounting Firm* beginning on page 105 for further details. The Audit Committee determined that the payments made to Ernst & Young LLP for non-audit services for 2014 were consistent with maintaining Ernst & Young LLP's independence. In accordance with its Audit Committee Charter, CryoLife's Audit Committee, or pursuant to delegated authority, its Chairman, 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.

20

CRYOLIFE, INC. | 2015 Proxy  
Statement

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 that the audited financial statements be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the Securities and Exchange Commission. The Audit Committee has selected Ernst & Young LLP as CryoLife's independent registered public accounting firm for fiscal 2015.

**Audit Committee**

HARVEY MORGAN, CHAIRMAN

THOMAS F. ACKERMAN

DANIEL J. BEVEVINO

21

CRYOLIFE, INC. | 2015 Proxy  
Statement

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## PROPOSAL TWO ADVISORY VOTE ON EXECUTIVE COMPENSATION

CryoLife seeks a non-binding vote from its stockholders to approve the compensation paid to our named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion. This vote is commonly referred to as a Say on Pay vote because it gives stockholders a direct opportunity to express their approval or disapproval to the company regarding its pay practices.

As discussed in detail in the Compensation Discussion and Analysis that follows, our executive compensation programs are designed to attract, retain, and motivate highly talented individuals who are committed to CryoLife's vision and strategy. We strive to link executives' pay to their performance and their advancement of CryoLife's overall performance and business strategies, while also aligning the executives' interests with those of stockholders and encouraging high-performing executives to remain with CryoLife over the course of their careers. We believe that the amount of compensation for our current named executive officers reflects extensive management experience, continued high performance, and exceptional service to CryoLife and our stockholders.

We invite you to consider the details of our executive compensation program as disclosed more fully throughout this proxy statement. Regardless of the outcome of this Say on Pay vote, CryoLife welcomes input from its stockholders regarding executive compensation and other matters related to the company's success generally. We believe in a corporate governance structure that is responsive to stockholder concerns, and we view this vote as a meaningful opportunity to gauge stockholder approval of our executive compensation policies. Given the information provided in this proxy statement, the Board of Directors asks you to approve the following advisory resolution:

**Resolved, that CryoLife's stockholders approve, on an advisory basis, the compensation paid to CryoLife's named executive officers, as disclosed in this proxy statement.**

**Required Vote** - The votes cast for this proposal must exceed the votes cast against it in order for it to be approved. Accordingly, abstentions and broker non-votes will not be relevant to the outcome. As previously disclosed and approved by the stockholders, the Board intends to submit a say on pay proposal annually until the next required vote on the frequency of say on pay votes, currently expected to take place at the company's 2017 Annual Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE COMPENSATION PAID TO CRYOLIFE'S NAMED EXECUTIVE OFFICERS**

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis ( CD&A ) describes the principles, objectives, and features of our executive compensation program, which is generally applicable to each of our corporate officers. However, the CD&A focuses primarily on the compensation program as applied to our chief executive officer and the other executive officers included in the Summary Compensation Table of this proxy statement (our named executive officers ). For 2014, our named executive officers were:

J. Patrick Mackin	President and Chief Executive Officer, effective September 2, 2014; Chairman of the Board, President, and Chief Executive Officer effective April 9, 2015
Steven G. Anderson	Chairman of the Board, President, and Chief Executive Officer until September 2, 2014; Executive Chairman, from September 2, 2014 until his retirement on April 9, 2015
D. Ashley Lee	Executive Vice President, Chief Operating Officer, and Chief Financial Officer
David M. Fronk	Vice President, Regulatory Affairs and Quality Assurance
Scott B. Capps	Vice President, Clinical Research
Bruce G. Anderson	Vice President, US Sales and Global Marketing
Jeffrey W. Burris	Vice President and General Counsel, until his separation from the company effective August 18, 2014

## EXECUTIVE SUMMARY

The Compensation Committee, referred to herein as the committee, generally considers and approves executive compensation at its February meeting. These compensation decisions take into account a variety of information and analyses, including prior-year company and individual executive performance, current-year performance expectations, any changes in roles and responsibilities, and competitive market data provided by the committee's independent consultant and by management.

### *2014 Say on Pay Vote and Program Decisions*

At CryoLife's annual meeting of stockholders on May 21, 2014, over 95% of the stockholders' votes cast were voted in favor of our named executive officers' 2014 compensation. This advisory vote indicated strong support for the executive compensation program.

The committee considered these 2014 advisory vote results as it evaluated its compensation policies and made compensation decisions subsequent to last year's annual meeting. Based in part on this consideration, together with the individual executives' and the company's actual and expected performance, as well as competitive market data provided by the committee's independent compensation consultant and by management, and after also considering recommendations from its consultant and management, the committee did not make significant changes to its

executive compensation policies during 2014. Following is a summary of the committee's significant 2014 and 2015 executive compensation decisions.

Officers generally received 2014 base salary merit increases of approximately 3%, with certain officers receiving slightly higher salary increases based primarily on market positioning considerations

Officers' 2014 target short-term incentive opportunities remained the same as for 2013

- i The committee retained for 2014 maximum payout levels with respect to the company performance components (adjusted revenue and adjusted net income) of the annual bonus program, as well as the

discretion to reduce payouts to target levels (regardless of whether or not the bonus formulas would have otherwise resulted in above-target payouts) if positive total stockholder return was not achieved

Officers' 2014 long-term incentive award levels, based on number of shares subject to awards granted, remained the same as for 2013

- i The committee retained for 2014 the use of performance stock units as part of a performance-based, long-term incentive mix (comprised of 1/3 stock options, 1/3 restricted stock, and, using target levels, 1/3 performance stock units)
- i The committee retained for 2014 the use of adjusted EBITDA over a one-year performance period as the metric for determining the number of shares to be awarded under the performance stock units

In conjunction with Mr. Mackin's employment as President and CEO and Mr. Anderson's appointment as Executive Chairman during 2014, the committee, with advice and benchmarking data and analyses from its independent compensation consultant, Towers Watson, determined the compensation to be provided to both Messrs. Mackin and Anderson.

For 2015,

- i Officers received base salary increases of either 0% or 3%, based on various considerations, including personal performance, company performance, and market positioning
- i Officers' 2015 target short-term incentive plan opportunities remained the same as for 2014; however, for 2015, unbudgeted costs related to executive staffing changes will be excluded from the adjusted net income component of the program
- i The total value of officers' long-term incentive award levels and the types of equity vehicles (stock options, restricted stock, and performance stock units) remained approximately the same as for 2014, but for 2015, that value was allocated equally among the equity vehicles based on estimated grant date fair value (whereas in 2014, officers were awarded an equal number of options, shares, and performance stock units)
- i The performance stock unit awards' design was changed from being based solely on performance against an adjusted EBITDA metric to being based 80% on adjusted EBITDA, 10% on target adjusted inventory levels, and 10% on target accounts receivable days sales outstanding
- i On April 9, 2015, Steven G. Anderson, the company's former Executive Chairman retired from the company and from service as a member of the Board, and he and the company entered into a separation agreement, the terms of which are discussed at *Potential Payments Upon Termination or*

*Change of Control Employment, Separation and Release, and Change of Control Agreements  
Separation Agreement with Steven G. Anderson beginning on page 75.*

***Pay-for-Performance Alignment***

The committee believes it has developed a compensation program that ensures that the interests of the company's executives are aligned with those of stockholders by rewarding corporate and individual performance at levels necessary to attain established business and individual performance goals. The key pay-for-performance aspects of the executive compensation program, excluding Mr. Mackin's new-hire compensation, are described below:

50% or more of each named executive officer's target total direct compensation is in the form of variable pay opportunities tied to individual and/or company performance and/or to stockholder value creation

Targets for short-term incentive opportunities are set at challenging levels that are designed to encourage business growth



Short-term incentive opportunities are tied significantly to adjusted revenue and adjusted net income performance, as defined below, both of which emphasize factors over which management is expected to have control and which are intended to incentivize management to achieve company performance that will further our strategic business plan and ultimately deliver value to our stockholders

Long-term incentive opportunities are equity-based and include stock options, which only provide value to executives if the stock price increases beyond the grant date price, and performance stock units, which are only earned if specified results for adjusted EBITDA, as defined below, are attained

Named executive officers are subject to minimum stock ownership requirements to ensure a strong alignment between executives and stockholders and to encourage a long-term view of performance

As described in detail in this proxy statement, in 2014, the executive compensation program effectively delivered pay-for-performance, as follows:

Our 2014 adjusted revenue and adjusted net income results were 96.8% and 85.6%, respectively, of target performance, which resulted in annual bonus payouts of 74.3% and 61.6%, respectively, of target award levels under those components of the bonus program

Our 2014 adjusted EBITDA was 87.3% of target performance, which resulted in shares earned under our performance stock units of 50% of the target award level

Throughout this proxy statement, we refer to adjusted revenue, adjusted net income, adjusted EBITDA, adjusted inventory, and accounts receivable days sales outstanding. These are non-GAAP financial measures that reflect adjustments to similar measures reported under U.S. GAAP. Appendix A to this proxy statement provides certain required information regarding these non-GAAP measures, including, for adjusted revenue, adjusted net income, and adjusted EBITDA (the measures relevant for 2014), a reconciliation to our audited U.S. GAAP financial statement measures for 2014, as presented in our 2014 Form 10-K filed on February 18, 2015.

## **ROLES AND RESPONSIBILITIES**

### ***Compensation Committee***

The committee determines and approves the compensation of CryoLife's executive officers, including the named executive officers. The committee is supported by the CEO, executive management, an independent compensation consultant, and outside legal counsel, who regularly attend committee meetings and provide input and information, as requested by the committee. The committee regularly meets in executive session without the CEO or any members of management present. Except as otherwise noted, all 2014 and 2015 compensation decisions were recommended by management and the independent compensation consultant and approved by the committee.

### ***Independent Compensation Consultant***

The committee has the authority to engage independent compensation consultants to assist the committee with its responsibilities. With respect to general executive compensation decisions made through May 2014, the committee engaged Pearl Meyer & Partners ( PM&P ) as its independent advisor. During May 2014, the committee appointed Towers Watson & Co. ( Towers Watson ) as its independent advisor to assist with the special project of formulating a compensation package for Mr. Mackin s offer of employment. In August 2014, the committee discontinued its consulting relationship with PM&P and appointed Towers Watson as its independent consultant for general executive compensation matters.

The compensation consultant reports directly to the committee, is directed by the committee, and provides no other services to CryoLife. The consultant generally performs an annual review of executive and non-employee Director compensation, analyzes the relationship between executive pay and company performance, benchmarks executive and Director compensation against such compensation provided by appropriate comparator companies and industry standards, informs the committee of emerging practices and trends, assists with special projects at the request of the

committee, and regularly attends committee meetings. Except as otherwise noted, all committee actions during 2014, and to date in 2015, were taken upon the recommendation of CryoLife senior management and following consultation with either PM&P or Towers Watson, as applicable, and committee deliberation and consideration, as appropriate.

## COMPENSATION PHILOSOPHY AND OBJECTIVES

The committee's compensation 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 encouraging excessive or inappropriate risk taking. Each primary component of compensation is intended to accomplish a specific objective, as summarized in the following chart:

Compensation Component	Primary Purpose	Form	Performance Linkage
Base Salary	Provide sufficiently competitive pay to attract and retain experienced and successful executives	Cash	Salary adjustments are based partially on individual executive performance and partially on other factors such as competitive market positioning and internal pay equity; in addition, company performance may impact the decision of whether or not any salary adjustments should be made
Short-Term Incentive	Encourage and reward individual contributions and aggregate company results with respect to meeting and exceeding short-term financial and operating goals, and incentivize executives to meet or exceed individual performance standards	Cash	Short-term incentive payouts are 100% performance-based, with 40% tied to adjusted revenue, 40% tied to adjusted net income, and 20% tied to individual executive performance
Long-Term Incentive	Encourage and reward long-term stockholder value creation, create and sustain a retention incentive, and facilitate long-term stock ownership among our executive team to	Performance Stock Units Stock	Performance stock units are not earned unless specific levels of company performance are achieved during the relevant performance period; stock options deliver <i>realizable value</i> to executives only if the stock price increases beyond the grant date

further align executive  
and stockholder  
interests

Options  
  
Restricted  
  
Stock

stock price; the *realizable value* of  
restricted stock awards is linked to  
CryoLife's stock price after the  
grant date

## COMPENSATION MIX

The committee approves the primary components of the executive compensation program and generally intends for it to provide more variable pay opportunities than fixed pay opportunities and to provide more long-term incentive opportunities than short-term incentive opportunities. These objectives result in a pay program that provides alignment between pay and performance. The following chart summarizes the target pay mix for the named executive officers for fiscal 2014:

### 2014 Target Total Direct Compensation

#### Mix Summary

Compensation Component	Mackin	Anderson, S.	Lee	Fronk	Capps	Anderson, B.	Burris
Salary(\$)	600,000 <sup>(6)</sup>	683,000	376,000	283,000	283,000	273,000	302,000
Short-Term Incentive (Target)(\$)	360,000 <sup>(6)</sup>	409,800	225,600	113,200	113,200	109,200	120,800
Long-Term Incentive (Grant Date Fair Value) <sup>(1)</sup> (\$)	N/A <sup>(6)</sup>	1,000,841	400,337	280,237	240,200	240,200	280,237
Target Total Direct Compensation(\$)	N/A <sup>(6)</sup>	2,093,641	1,001,937	676,437	636,400	622,400	703,037
% Fixed <sup>(2)</sup>	N/A <sup>(6)</sup>	33	38	42	44	44	43
% Variable <sup>(3)</sup>	N/A <sup>(6)</sup>	67	62	58	56	56	57

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% Short-Term Compensation <sup>(4)</sup>	N/A <sup>(6)</sup>	52	60	59	62	61	60
% Long-Term Compensation <sup>(5)</sup>	N/A <sup>(6)</sup>	48	40	41	38	39	40

26

CRYOLIFE, INC. | 2015 Proxy Statement

- (1) Long-term Incentive (Grant Date Fair Value) is based on a grant date closing share price of \$9.97 for both restricted stock and performance stock units, with performance stock units included at target levels, and a Black-Scholes option value of \$4.08.
- (2) Salary as a percentage of Target Total Direct Compensation.
- (3) Short-Term Incentive plus Long-Term Incentive as a percentage of Target Total Direct Compensation.
- (4) Salary plus Short-Term Incentive as a percentage of Target Total Direct Compensation.
- (5) Long-Term Incentive as a percentage of Target Total Direct Compensation.
- (6) Full-year salary and short-term incentive amounts shown for purposes of comparison; actual salary and target short-term incentive amounts were pro-rated for the period of Mr. Mackin's employment with the company during 2014 (\$197,727 and \$88,742, respectively). Mr. Mackin did not receive an annual grant of long-term incentives; he did, however, receive a new-hire bonus, as well as a stock option grant and a performance-based restricted stock award upon his commencement of employment in September 2014. These awards have not been included above due to their unique nature as negotiated, one-time inducement grants. These grants are more fully discussed at *Grants of Plan-Based Awards – Employment Agreement with J. Patrick Mackin* beginning on page 55.

#### **COMPENSATION BENCHMARKING**

As part of its decision-making process, the committee requests and reviews relevant and credible benchmark data regarding executive compensation levels, company performance, and the relative relationship between executive pay and company performance. However, the committee views this data as one of many inputs in its decision-making process, which also includes other assessments of the company's performance, assessments of each executive's performance, significant changes in roles and responsibilities, internal pay equity among executives, and retention considerations.

Each year, the committee reviews and considers an executive compensation study prepared by its independent compensation consultant, additional compensation survey data provided by management, and internal equity information. The executive compensation study is generally completed in the fourth quarter of the year and is used to inform the committee's decisions regarding the subsequent year's compensation. Accordingly, the relevant study and market information reviewed by the committee with regard to 2014 executive compensation was prepared in October 2013 and presented to the committee in the fourth quarter of 2013. We refer to this study, as updated in January 2014, as the 2013 Study. As in prior years, the 2013 Study assessed both the competitiveness of pay levels and the alignment of pay with company performance.

The company's 2014 compensation peer group, which is more particularly described below, had median revenues, based on the latest figures available at the time the 2013 Study was prepared, of \$130 million and median market capitalization of \$290 million. Survey data in the 2013 Study was drawn from five compensation surveys of U.S. biotech and healthcare companies with targeted revenues of \$150 million, in order to approximate the company's

annual revenue. With respect to all named executive officers included in the 2013 Study, the data in the study was an even blend of the 2014 peer group and the survey information. In each case, PM&P trended the compensation data forward to January 1, 2014 by a factor of 3.1%. We refer to the blended 2014 peer group and survey compensation data for all named executive officers as the 2014 Peer Group Information.

The following peer companies were used for the 2013 Study:

Peer Company	FYE Revenue <sup>(1)</sup> (\$)	
Merit Medical Systems, Inc.	394	<i>CryoLife's annual revenue was positioned near the median of the peer group's annual revenue, and the peer group included an equal number of companies that were larger and smaller than CryoLife based on annual revenues.</i>
Angiodynamics, Inc.	342	
Exactech, Inc.	224	
Alphatec Holdings, Inc.	196	
RTI Biologics, Inc.	178	
Abiomed, Inc.	158	<i>The committee believed that the pay practices of these companies provided a useful reference point for pay and performance comparisons at CryoLife.</i>
The Spectranetics Corp.	140	
Atrion Corp.	119	
Cardiovascular Systems, Inc.	104	
Vascular Solutions, Inc.	98	
Theragenics Corp.	83	
Anika Therapeutics, Inc.	71	
Atricure, Inc.	70	
Stereotaxis, Inc.	47	
<i>Median</i>	<i>130</i>	
<b>CryoLife</b>	<b>132</b>	

<sup>(1)</sup> Latest FYE revenue, in millions, at the time the peer group was developed.

The following survey sources were used in the 2013 Study:

Mercer U.S. Executive Compensation Database

Towers Watson Report on Top Management Compensation

Radford Global Life Sciences Survey (July 2013 edition)

Confidential Executive Compensation Survey

Confidential Long-Term Incentive Survey

Both the peer companies and survey sources were recommended by PM&P, the committee's independent compensation consultant at that time, and approved by the committee. In approving the peer group, the committee



considered the fact that each company operates in a similar industry, with significant research and development requirements, and is highly regulated. The committee also considered and reviewed the revenue size of each company and the overall median for the group, and concluded that it was within a reasonable range of CryoLife's historical, current, and projected revenues. Nonetheless, the committee reviews and considers changes to the peer group and survey sources in connection with each year's study. This is done to ensure that the peer group and survey sources continue to reflect the most appropriate reference points for CryoLife.

In May 2014, the committee retained Towers Watson to provide compensation consulting advice in connection with the Board's recruitment of, and negotiation of a compensation package for, Mr. Mackin. Towers Watson compiled and analyzed data and consulted with the committee regarding the following:

Assessment of Mr. Mackin's compensation at his then-current employer relative to target compensation for the company's CEO, as well as median CEO target compensation for the company's compensation peer group (for this exercise, Towers Watson used updated compensation data for the same peer group as PM&P used for the 2013 Study)

Valuation of equity awards that Mr. Mackin would forfeit upon terminating employment with his then-current employer

Evaluation of various compensation vehicles to deliver appropriate levels of compensation to Mr. Mackin efficiently, in a manner consistent with the committee's compensation philosophy, and that was reasonable relative to the company's compensation peer group

Assessment of the impact of various compensation levels and designs on the company's ratings with proxy advisory services

The committee evaluated the information and analysis provided by Towers Watson in determining the compensation package offered to, and ultimately accepted by, Mr. Mackin.

In September 2014, following the appointment of Mr. Steven Anderson as Executive Chairman and the associated amendment to his employment agreement, the committee commissioned Towers Watson to provide an analysis regarding market practice for compensation paid to comparable company executive chairs in order to assess the compensation to be paid to Mr. Anderson. Towers Watson compiled and analyzed data and consulted with the committee accordingly. The committee considered this analysis in evaluating Mr. Anderson's compensation in October 2014.

In early 2015, the committee commissioned Towers Watson to analyze market practice regarding compensation paid to comparable company executive chairs in order to assess the retirement benefits to be paid to Mr. Anderson. Towers Watson compiled and analyzed data and consulted with the committee accordingly. The committee considered this analysis in determining the benefits to be provided to Mr. Anderson under the Anderson Separation Agreement as described in further detail at *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Separation Agreement with Steven G. Anderson* beginning on page 75.

## 2014 COMPENSATION COMPONENTS

The primary components of CryoLife's executive compensation program are base salary, short-term incentives, and long-term incentives. CryoLife also provides executives with tax-deferred savings opportunities, participation in company-wide benefits programs, and limited perquisites. Mr. Mackin was provided with certain new-hire bonus and equity incentives, and Mr. Anderson is provided with a retirement benefit. For further details regarding these incentives and benefits, see *Grants of Plan-Based Awards – Employment Agreement with J. Patrick Mackin* beginning on page 55 and *Grants of Plan-Based Awards – Employment Agreement with Steven G. Anderson* beginning on page 56.

When reviewing and approving any changes to executive compensation levels, the committee generally requests, reviews, and considers the following primary information:

The performance of CryoLife, absolute and relative to industry peers

The performance of each individual executive

Internal equity among the executive team members

Changes in the roles and responsibilities of the executives, including promotions

Each executive's stock ownership level relative to the existing stock ownership guideline

The positioning of each executive's compensation relative to benchmark data provided by the committee's independent consultant and management

The extent of existing performance and retention incentives provided by outstanding equity awards

Any contractual guarantees or limitations

***2014 Base Salary***

The committee generally reviews base salary levels each February as part of its overall review and approval of the executive compensation program. Based on its review in late 2013 and early 2014, the committee approved the following with respect to base salaries for 2014 for the named executive officers other than Mr. Mackin:

### Comparison of 2014 and 2013 Base Salaries

	2014	2013	Increase
Executive	(\$)	(\$)	(%)
Anderson, S.	683,000	664,000	3%
Lee	376,000	365,000	3%
Fronk	283,000	275,000	3%
Capps	283,000	270,000	5%
Anderson, B.	273,000	265,000	3%
Burris	302,000	293,000	3%

Each of the named executive officers, other than Mr. Capps, received a 3% merit increase, which was based largely on cost-of-living considerations and satisfactory individual performance during 2013; Mr. Capps received a 5% increase, a portion of which reflected a market adjustment for his position, in addition to the factors discussed above.

#### Analysis

In arriving at its decision to approve salary increases for the named executive officers other than Mr. Mackin, the committee primarily relied on the recommendations of management and its independent compensation consultant, as well as its review of the 2013 Study, which indicated that the aggregate pay positioning against market benchmarks for the named executive officers was within a competitive range of the 50<sup>th</sup> percentile for each of the named executive officers, except Mr. Anderson, as set forth in the table below.

Mr. Mackin's annual base salary was determined as part of the overall compensation package offered under his employment agreement. Mr. Mackin's compensation package, including the base salary component, was evaluated and approved by the committee in consultation with its independent compensation consultant, Towers Watson. Towers Watson's analysis indicated that Mr. Mackin's base salary would approximate the 75<sup>th</sup> percentile of base salaries for the 2014 Peer Group.

### Comparison of 2014 Base Salaries

#### to Peer Median

Executive	2014 Base Salary	Peer Median <sup>(1)</sup>	CRY vs. Median	Primary Rationale
	(\$)	(\$)	(%)	
Mackin	600,000	530,000	113%	Near a competitive range of the 50 <sup>th</sup> percentile <sup>(2)</sup> ; level of salary required to retain top-quality CEO candidate
Anderson, S.	683,000	515,000	133%	Company founder with 40 years experience <sup>(3)</sup>

Lee	376,000	350,000	107%	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>
Fronk	283,000	300,000	94%	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>
Capps	283,000	295,000	96%	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>
Anderson, B.	273,000	275,000	99%	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>
Burriss	302,000	315,000	96%	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(4)</sup>

(1) Peer medians for named executive officers except Mr. Mackin were based on the 2014 Peer Group Information; for Mr. Mackin, Towers Watson determined the peer median for Mr. Mackin's base compensation using the 2014 Peer Group Information, updated to May 2014.

(2) Competitive range recommended by Towers Watson and agreed to by the committee as 90-110% of the peer group 50th percentile.

(3) Discussion regarding the composition of Mr. Anderson's pay, his cash-to-equity ratio, and the setting of his and the other officers' target total cash compensation, is presented below under *2014 Short-Term Incentives*.

(4) Competitive range recommended by PM&P and agreed to by the committee as 90-110% of the peer group 50th percentile.

**2014 Short-Term Incentives**

The committee generally establishes the short-term incentive program design, performance measures, and performance goals in the first quarter of each year as part of its overall review and approval of CryoLife's executive compensation program. For the 2014 short-term incentive program, the committee approved the following measures, weights, and performance goals:

**2014 Performance Goals**

<b>Performance Measure</b>	<b>Weight (%)</b>	<b>Threshold (\$)</b>	<b>Target (\$)</b>	<b>Maximum (\$)</b>
Adjusted Revenue	40	141,819,000	149,283,000	156,747,000
Adjusted Net Income	40	19,241,000	22,637,000	26,033,000
Individual Goals	20	-----Performance Rating = Meets or Exceeds -----		

See Appendix A to this proxy statement for further details regarding the adjusted revenue and adjusted net income performance measures and the reconciliation of those measures to revenue and net income as reported for purposes of U.S. GAAP.

For 2014, the performance measures and weights for the short-term incentive program remained the same as in 2013, with a 100% payout for performance at target levels and the following additional primary features:

## Adjusted revenues:

- i Threshold - 95% of target performance (60% payout)
- i Maximum - 105% of target performance (140% payout)

## Adjusted net income:

- i Threshold - 85% of target performance (60% payout)
- i Maximum - 115% of target performance (140% payout)

If total stockholder return for 2014, which was 3.2%, had been negative, the committee had discretion to reduce the actual payouts to target levels even if the adjusted revenue and/or adjusted net income formulas would otherwise have resulted in above-target payouts

Individual performance component that comprises 20% of the total award opportunity; earned for performance at meets or exceeds level of performance

The following tables show the award opportunities for the named executive officers as approved by the committee for the 2014 short-term incentive program:

**2014 Short-Term Incentive Opportunity Summary**

Executive	2014 Award Opportunity <sup>(1)</sup> (% of Salary)			2014 Award Opportunity (\$ Value)		
	Threshold	Target	Maximum	Threshold	Target	Maximum
Mackin <sup>(2)</sup>	41	60	79	246,000	360,000	474,000
Anderson, S.	41	60	79	278,700	409,800	540,900
Lee	41	60	79	153,400	225,600	297,800
Fronk	27	40	53	77,000	113,200	149,400
Capps	27	40	53	77,000	113,200	149,400
Anderson, B.	27	40	53	74,300	109,200	144,100
Burris	27	40	53	81,500	120,800	160,100

(1) The threshold, target, and maximum award opportunities as a percent of base salary were unchanged from 2013.

(2) Threshold, target, and maximum values shown for Mr. Mackin reflect his 2014 annualized short-term incentive opportunity for purposes of comparison; his actual 2014 short-term incentive opportunity (\$81,200 (threshold), \$119,300 (target), and \$157,500 (maximum)) was based on his pro-rated salary for the period of his employment with the

company during 2014 (approximately 20% of the year) as prescribed by his employment agreement.

31

CRYOLIFE, INC. | 2015 Proxy  
Statement



*Analysis Program Design*

In arriving at its decision to approve the 2014 short-term incentive program design, measures, and goals, the committee took into consideration the following factors and analyses:

A general satisfaction with the core plan design and its pay-for-performance orientation

A belief that adjusted revenue and adjusted net income are key to incentivizing management to achieve company performance that will further the company's strategic business plan and ultimately deliver value to stockholders, without encouraging excessive risk taking

The plan's similarity to the short-term incentive plan designs of peer companies

CryoLife's 2013 performance, and whether any performance improvements were required to achieve the 2014 goals

Recent historical payout levels that the committee believed indicated that performance goals over the last few years had been set at reasonably challenging, but attainable, levels

The resulting market competitiveness of target total cash compensation (i.e., base salary plus target short-term incentive opportunity), as set forth below:

**2014 Target Total Cash Compensation**

**as Compared to Peer Median**

<b>Executive</b>	<b>2014 Target Total Cash Compensation (\$)</b>	<b>CRY vs. Peer Median (\$)</b>	<b>CRY vs. Peer Median (%)</b>	<b>Primary Rationale</b>
Mackin	960,000 <sup>(2)</sup>	900,000 <sup>(3)</sup>	107%	Within a competitive range of the 50 <sup>th</sup> percentile
Anderson, S.	1,092,800	885,000	123%	Company founder with 40 years' experience <sup>(4)</sup>
Lee	601,600	520,000	116%	Dual role/contribution as COO and CFO <sup>(5)</sup>
Fronk	396,200	435,000	91%	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(6)</sup>

Capps	396,200	425,000	93% Within a competitive range of the 50 <sup>th</sup> percentile <sup>(6)</sup>
Anderson, B.	382,200	375,000	102% Within a competitive range of the 50 <sup>th</sup> percentile <sup>(6)</sup>
Burris	422,800	465,000	91% Within a competitive range of the 50 <sup>th</sup> percentile <sup>(6)</sup>

- (1) Based on data provided by the committee's independent compensation consultant (2013 Study for named executive officers other than Mr. Mackin).
- (2) Target Total Cash Compensation for Mr. Mackin does not include the signing bonus he received upon commencement of employment with the company, as it was a unique, one-time employment inducement bonus.
- (3) Peer median for Mr. Mackin based on the 2014 Peer Group discussed beginning on page 27, updated by Towers Watson to May 2014.
- (4) See the analysis below for additional discussion of the committee's rationale in allocating Mr. Anderson's cash and equity compensation.
- (5) See the analysis below for additional discussion of the committee's rationale in determining Mr. Lee's target total cash compensation.
- (6) Competitive range recommended by PM&P and agreed to by the committee as 90-110% of the peer group 50<sup>th</sup> percentile.

The committee sets short-term incentive opportunities, in conjunction with a review of base salaries, as part of executives' overall target total cash compensation. Following consideration of the short-term incentive program, the committee decided to carry forward for 2014 the design of the 2013 short-term incentive program, as it believed that the performance measures of adjusted revenue and adjusted net income used in the 2013 program would continue to motivate management to achieve increases in 2014 revenues and net income (as adjusted). The committee also believed that these goals would drive the personal performance of the named executive officers and provide appropriate incentives to satisfy employee retention goals.

As it did for 2013, in defining adjusted revenue, the committee chose to include the revenue sources that most closely related to CryoLife's ongoing operations. With respect to adjusted net income, the committee chose to include only those items over which it believed that management had control, while excluding items over which it believed that management had limited or no control, which might provide improper incentives, or which were volatile or difficult to predict. The use of these non-GAAP adjusted performance measures in the short-term incentive program was intended to focus management on factors that the committee and management believed would generate improvements in CryoLife's core business revenues and its operating profits and cash flow. (See Appendix A to this proxy statement for further details regarding the adjusted revenue and adjusted net income performance measures and the reconciliation of those measures to revenue and net income as reported for purposes of U.S. GAAP.) In addition, the committee determined that the short-term incentive program did not require an equity component, as the long-term incentive component of the executive pay program provides for sufficient and appropriate focus on the company's stock price.

The committee discussed management's recommended 2014 performance targets and payout opportunities with its independent compensation consultant and with management and determined that the recommended program design, targets, and payout opportunities were consistent with its desire to ensure that no short-term incentives would be paid unless challenging performance was achieved and then only at levels commensurate with such performance. The committee believed that the 2014 short-term incentive program target percentages provided each executive with an appropriate incentive potential given his position with and importance to CryoLife, and that they were appropriately sized based on the 2014 Peer Group Information and the internal pay equity information reviewed by the committee.

The short-term incentive program design provides for payout ranges of 60% to 140% of target for performance levels of 95% to 105% of target adjusted revenues and 85% to 115% of target adjusted net income; no payment for performance below the thresholds; and no additional payment for performance in excess of the maximums. The performance ranges are narrow, relative to the payout ranges, in order to focus executives on achieving business performance goals in a manner consistent with business plans and communicated guidance. The payout ranges are wide, relative to the performance ranges, in order to reinforce the pay-for-performance nature of the program (for both above-target and below-target performance) and to translate potentially slight differences in performance into meaningful incentives.

The program also permitted the committee to reduce payouts to target levels if 2014 total stockholder return had been negative. For 2014, the plan defined total stockholder return as the quotient of (i) the closing price of CryoLife common stock on December 31, 2014 minus the closing price of CryoLife common stock on December 31, 2013, plus cash dividends per share paid in 2014, divided by (ii) the closing price of CryoLife common stock on December 31, 2013. The 2014 total stockholder return was 3.2%.

The 2014 Peer Group Information indicated that target total cash compensation for 2014 was above the 75<sup>th</sup> percentile for Mr. Anderson, between the 50<sup>th</sup> and 75<sup>th</sup> percentiles for Mr. Lee, and within a competitive range of the 50<sup>th</sup> percentile for the other named executive officers. The committee approved Mr. Lee's target cash compensation above the 50<sup>th</sup> percentile because his responsibilities significantly exceed those of the positions utilized for comparison purposes, and his target total direct compensation (including the value of equity awards) remained only slightly above a competitive range of the 50<sup>th</sup> percentile. The committee approved Mr. Anderson's target total cash compensation because the desired pay mix for Mr. Anderson intentionally emphasized cash over equity compensation given his significant stock ownership. The committee also approved Mr. Mackin's pro-rated total target cash compensation as part of his overall compensation package, having determined, in consultation with Towers Watson, that total target cash was within a competitive range of the 50<sup>th</sup> percentile, as determined from Towers Watson's analysis of CEO compensation data from the 2014 Peer Group, as updated through May 2014.

The committee continued to use a meets or exceeds standard for determining payouts under the individual performance component of the short-term incentive, as it believes that this system simplifies the determination and minimizes the impact of subtle differences in performance. The committee also believes that the 2014 short-term

incentive program target payout percentages provided each executive with an appropriate incentive opportunity given his position with and importance to CryoLife.

*Analysis Plan Payout*

In arriving at its decision to approve the 2014 short-term incentive payouts in early 2015, the committee took into consideration the following:

33

CRYOLIFE, INC. | 2015 Proxy  
Statement

The actual performance results of CryoLife relative to the pre-determined performance goals

The committee also determined, after deliberation and consultation with Towers Watson, that it was appropriate to exclude from the adjusted net income calculation certain unbudgeted expenses associated with Mr. Mackin's recruitment and employment as CEO during 2014 including salary and bonus, equity compensation, attorneys' fees, and relocation expenses as such expenses were not anticipated at the time the plan was proposed and approved and were not within management's control

In connection with the individual performance bonus for each named executive officer other than the CEOs, the actual performance of each such officer

As part of the committee's joint review, with the Nominating and Corporate Governance Committee, of Messrs. Mackin's and Anderson's 2014 performance, the committee approved individual performance bonuses for Messrs. Mackin and Anderson based on the committee's subjective assessment of their performance as CEO. The committee also considered Mr. Anderson's performance in the role of Executive Chairman relative to the job duties set forth in his employment agreement for that role. The committee determined that both Messrs. Mackin's and Anderson's individual performances met or exceeded the committee's expectations.

The following tables show the performance results for 2014 and the actual amount of short-term incentive paid to each named executive officer:

#### 2014 Annual Incentive Program

##### Actual vs. Target Performance

Performance Measure	Weight (%)	Actual	Target	Performance	Payout
		Performance (\$)	Performance (\$)	% of Target (%)	% of Target (%)
Adjusted Revenue	40	144,494,000	149,283,000	96.8	74.3
Adjusted Net Income	40	19,374,000	22,637,000	85.6	61.6
Individual Goals	20	Executive-specific	Executive-specific	0 or 100	0 or 100

#### 2014 Annual Incentive Program

##### Actual<sup>(1)</sup> vs. Target Payout

Executive	Actual Payout	Target Payout	Payout % of Target
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	(\$)	(\$)	(%)
Mackin	88,742 <sup>(2)</sup>	119,300	74.4
Anderson, S.	304,723	409,800	74.4
Lee	167,754	225,600	74.4
Fronk	61,534	113,200	54.4
Capps	84,174	113,200	74.4
Anderson, B.	81,200	109,200	74.4
Burris	56,602 <sup>(2)</sup>	76,100	74.4

(1) Five of the six currently employed named executive officers received personal performance bonuses based on their individual performance for 2014. Mr. Burris's personal performance bonus was paid in accordance with the terms of his separation and release agreement. See *Potential Payments upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Separation and Release Agreement with Jeffrey W. Burris* beginning on page 77.

(2) Messrs. Mackin's and Burris's actual and target payout amounts reflect a pro-rated portion of their respective annual incentive opportunities based on their periods of employment during 2014.

These tables demonstrate how the short-term incentive program design effectively aligned performance and compensation, as the company's below-target performance with respect to the adjusted revenue and adjusted net income performance measures yielded payouts at only 74.3% and 61.6%, respectively.

**2014 Long-Term Incentives**

The committee generally determines the size, form, and provisions of any equity-based long-term incentive awards each February as part of its overall review and approval of CryoLife's executive compensation program. As it did for 2013, the committee granted equity awards to officers for 2014 in the form of stock options, restricted stock, and performance stock units, based on a fixed number of shares, with approximately one-third of the total shares granted allocated to each form. The committee allocated shares to performance stock units at their target numbers. See *Grants of Plan-Based Awards* beginning on page 54 for a description of the terms of the performance stock units; and see *Appendix A* for a description of the underlying performance measure of adjusted EBITDA.

In determining the size of the grants, the committee considered the company's share price and corresponding estimated grant date value of the grants, the number of shares subject to the grants, the number of shares outstanding, and the percentage of the outstanding shares to be granted to employees.

The following table sets forth the 2014 equity awards approved by the committee for each of the named executive officers except Mr. Mackin; the named executive officers each received the same number of awards in 2013:

<b>2014 and 2013</b>				
<b>Annual Equity Grant Level</b>				
	<b>Perf. Stock</b>	<b>Stock</b>	<b>Restricted</b>	
	<b>Units<sup>(1)</sup></b>	<b>Options<sup>(2)</sup></b>	<b>Stock<sup>(3)</sup></b>	<b>Total</b>
<b>Executive</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>	<b>(#)</b>
Mackin <sup>(4)</sup>	----- N/A -----			
Anderson, S.	41,667	41,667	41,667	125,001
Lee	16,667	16,666	16,667	50,000
Fronk	11,667	11,666	11,667	35,000
Capps	10,000	10,000	10,000	30,000
Anderson, B.	10,000	10,000	10,000	30,000
Burris	11,667	11,666	11,667	35,000

- (1) Reflects the target performance stock unit award level. The actual number of shares earned under the performance stock units was based on adjusted EBITDA performance for the applicable year. Earned shares vested/will vest 50% on the first anniversary of the award date, 25% on the second anniversary, and 25% on the third anniversary. The actual number of shares that could have been earned ranged from zero to 150% of target. The 2013 and 2014 target performance stock units were valued using grant date closing prices of \$6.01 and \$9.97, respectively. Based on 2013 and 2014 adjusted EBITDA performance, the named executive officers

earned 2013 and 2014 performance stock units at approximately 116.2% and 50%, respectively, of the target award levels.

- (2) Stock options vest 1/3 per year beginning on the first anniversary of the grant date. Stock options were valued using a Black-Scholes Option Pricing Model with values for the 2013 and 2014 awards of \$2.54 and \$4.08, respectively.
- (3) Restricted stock cliff vests on the third anniversary of the grant date. The restricted stock was valued using grant date closing stock prices for the 2013 and 2014 awards of \$6.01 and \$9.97, respectively.
- (4) Mr. Mackin did not receive an annual equity grant for 2014; he did, however, receive a new-hire stock option grant and a performance-based restricted stock award upon his commencement of employment in September 2014. Both of these awards are described at *Grants of Plan-Based Awards Employment Agreement with J. Patrick Mackin* beginning on page 55.

*Analysis Plan Design*

In approving the 2014 equity award levels, the committee considered the following primary factors:

The desire to have an even allocation among stock options, restricted stock, and performance stock units

The objective of achieving performance and retention incentives through the use of annual equity grants, especially given CryoLife's historical stock price volatility

The availability of shares under CryoLife's various stockholder-approved equity plans



The resulting positioning of target total direct compensation (i.e., salary, plus target short-term incentive value, plus long-term incentive value) against market benchmarks, as described below at *Target Total Direct Compensation*

The committee believed that the blend of stock options, restricted stock, and performance stock units appropriately balanced the performance, stockholder alignment, and retention objectives of CryoLife's long-term incentive program. The use of multiple award types is a prevalent practice among industry peers, and the use of performance stock units creates even stronger alignment between pay and performance. In addition, the annual grant frequency results in more continuous performance and retention strength by reflecting changes in the stock price year over year.

The committee determined that basing the size of equity grants on an analysis of the number of shares and the percentage of the outstanding shares continued to be appropriate at that time, in light of the company's share price, the annual grant rate and number, and the available share reserve. For 2014, the committee granted to the officers the same numbers of options, shares of restricted stock, and performance stock units as were granted in 2013. The committee has, however, continued to evaluate the merits of using numbers of options/shares/units, instead of a fixed value, to determine equity grants, and based on this evaluation, decided to adopt a value-based approach for 2015 equity grants, as described in *2015 Long-Term Incentives* beginning on page 45.

The committee determined vesting schedules for the 2014 equity awards in consultation with PM&P and believes that they provided the appropriate long-term incentive for continued employment with the company. The committee determined the terms of the performance stock unit grant based on input from management and in consultation with PM&P and believes that they provide similarly appropriate incentives. The committee believes that adjusted EBITDA is a reasonable proxy for CryoLife's earnings performance, and it also effectively measures areas of performance that drive the future growth of the company while allowing for adjustments to eliminate items that might provide improper incentives and items over which management has little or no control. The committee also believed that the adjusted EBITDA threshold and target performance levels were challenging, but expected the threshold and target levels to be achieved.

The performance stock units' design provides for shares to be earned in the range of 50% to 150% of target for performance levels of 85% to 115% of target adjusted EBITDA; no shares are earned for performance below the threshold; and no additional shares are earned for performance in excess of maximum performance. Shares are earned in tiers as set forth in the following table:

<b>EBITDA</b>	<b>Payout</b>
<b>Performance Tier</b>	<b>(% of Target)</b>
<b>(% of Target)</b>	<b>(% of Target)</b>
< 85.0	0
85.0 - 89.9	50
90.0 - 94.9	75

95.0 - 106.9                      100

107.0 - 115.0                      110-150  
 (ratable)

The committee adopted this tiered/ratable approach to address the variability and volatility inherent in some of the adjusted EBITDA inputs. The performance range is narrow, relative to the shares-earned range, in order to focus executives on achieving business performance goals in a manner consistent with business plans and communicated guidance. The shares-earned range is wide, relative to the performance range, in order to reinforce the pay-for-performance nature of the program (for both above-target and below-target performance) and to translate potentially slight differences in performance into meaningful incentives. This translation effect can be seen clearly by the difference in payouts under the PSUs in 2013 and 2014 that correspond to the relative performance in those two years.

*Target Total Direct Compensation*

In determining the individual components of the officers 2014 compensation (i.e., salary, target short-term incentive, and long-term incentive), the committee evaluated the resulting target total direct compensation against market benchmarks, as follows below, taking into account the committee's desire to have target total direct compensation generally within a competitive range of the company's peer group median. The following table summarizes the named

executive officers 2014 target total direct compensation; the positioning of that compensation relative to the peer group median; and the primary rationale for approving each named executive officer's compensation at the level shown:

**2014 Target Total Direct Compensation**

**Compared to Peer Median**

<b>Executive</b>	<b>2014 Target Total Direct Compensation Opportunity<sup>(1)</sup></b> <b>(\$)</b>	<b>Peer Median<sup>(2)</sup></b> <b>(\$)</b>	<b>CRY vs. Median</b> <b>(%)</b>	<b>Primary Rationale</b>
Mackin				N/A
Anderson, S.	2,093,641	1,690,000	124	Company founder with 40 years experience
Lee	1,001,937	860,000	117	Near a competitive range of the 50 <sup>th</sup> percentile
Fronk	676,437	650,000	104	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Capps	636,400	640,000	99	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Anderson, B.	622,400	550,000	113	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>
Burris	703,037	695,000	101	Within a competitive range of the 50 <sup>th</sup> percentile <sup>(3)</sup>

(1) Equity grant value based on a grant date closing stock price of \$9.97 for restricted stock and performance stock units, and a grant date Black-Scholes Option Value of \$4.08. Performance stock units are included at target award levels/values.

(2) Based on data provided by PM&P (the 2013 Study).

(3) Competitive range recommended by PM&P and agreed to by the committee as 85-115% of the peer group 50th percentile.

*Analysis PSUs Earned*

In arriving at its decision in February 2015 to certify the company's adjusted EBITDA performance with respect to the 2014 performance stock units, the committee took into consideration the company's actual adjusted EBITDA performance results relative to the pre-determined adjusted EBITDA performance goal. The following table presents the target, threshold, and maximum adjusted EBITDA performance levels associated with target, threshold, and maximum award opportunities under the 2014 performance stock unit grants. The table also provides the actual adjusted EBITDA performance level for 2014, as certified by the committee, together with the associated levels of shares that were earned.

**2014 Performance Stock Units**

**Actual vs. Target/Threshold/Maximum Performance**

Performance Measure	Target	Threshold	Maximum	Actual	Performance
	Performance	Performance	Performance	Performance	% of Target
	(\$)	(\$)	(\$)	(\$)	(%)
Adjusted EBITDA	23,225,000	19,740,000	26,709,000	20,282,000	87.3

**2014 Performance Stock Units**

**Actual vs. Target/Threshold/Maximum Payout**

Executive	Target	Threshold	Maximum	Actual	Payout
	Payout	Payout	Payout	Payout	% of Target
	(#)	(#)	(#)	(#)	(%)
Mackin	-----	-----	N/A	-----	N/A
Anderson, S.	41,667	20,834	62,501	20,834	50
Lee	16,667	8,334	25,001	8,334	50
Fronk	11,667	5,834	17,501	5,834	50

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Capps	10,000	5,000	15,000	5,000	50
Anderson, B.	10,000	5,000	15,000	5,000	50
Burris	11,667	5,834	17,501	N/A	N/A

Pursuant to the terms of the performance stock unit grants, 50% of the shares earned vested on February 26, 2015, 25% of the shares will vest on February 26, 2016, and the remaining 25% of the shares will vest on February 26,

2017, assuming the executive continues to be employed by the company on those dates. See Appendix A for further details regarding the adjusted EBITDA performance measure and the reconciliation of that measure to net income as reported for purposes of U.S. GAAP.

### ***Equity and Cash Incentive Plan***

In February 2015, the committee approved certain amendments to the Second Amended and Restated 2009 Stock Incentive Plan (the "Stock Incentive Plan"), to be renamed the CryoLife, Inc. Equity and Cash Incentive Plan (the "Equity and Cash Plan"), with such amendments contingent on shareholder approval, based on management's recommendation and in consultation with Towers Watson. The Equity and Cash Plan includes new provisions for cash-based incentive payments that comply with the requirements to be qualified performance-based compensation, and ensure the tax deductibility of such payments to certain named executive officers, under Section 162(m) of the Internal Revenue Code. The company intends to use this plan to provide tax-deductible annual short-term incentive bonus opportunities for 2015 and future years. Otherwise, the Equity and Cash Plan retains the terms of the Stock Incentive Plan as approved by shareholders in 2014. See *Appendix B* beginning on page B-1 for a discussion and full text of the Equity and Cash Plan.

### ***2014 Deferred Compensation***

The CryoLife, Inc. Executive Deferred Compensation Plan allows certain key employees of CryoLife, including the named executive officers, to defer receipt of some or all of their salaries and/or the cash portion of any bonus awarded pursuant to the short-term executive incentive plan. The plan's administrative committee, subject to ratification and approval of the committee, establishes the maximum and minimum percentages of bonus awards that plan participants may defer in each plan year. These percentages were from zero to 75% for base salary and the annual cash bonus for 2014. Plan participants establish their respective deferral amounts for their base salaries prior to the beginning of each calendar year, and prior to July for their short-term incentive compensation for that year, which is calculated and paid after the completion of the plan year.

The plan provides for tax-deferred growth of deferred compensation and, pursuant to the terms of the plan, CryoLife agrees to distribute to participants the deferred amounts, credited/debited with hypothetical gains and/or losses linked to the performance of investment options selected by participants from among the non-proprietary investment options available under the plan. The plan does not have investment options that provide for above-market or preferential earnings. Distribution of all deferred compensation, including any gains or losses, occurs upon death, disability, retirement, or termination. Also, a plan participant may elect to receive distributions while still employed by CryoLife if at least two years have elapsed from the plan year in which the deferred amounts would have otherwise been paid to the plan participant if not for the deferral. Distributions made while the plan participant is still employed by CryoLife and distributions made pursuant to termination will be paid in a lump sum to the plan participant. Plan participants may elect to receive the distribution in a lump sum, quarterly, in annual installments for a specified period, or via a combination thereof upon death, disability, or retirement. Hardship withdrawals during any plan year may be made upon the occurrence of an unforeseeable emergency for a particular plan participant or if a plan participant receives a hardship distribution under CryoLife's 401(k) plan. All deferred amounts and deemed earnings thereon are fully vested at all times. CryoLife has no current plans to match any contributions of any executive officer.

### ***2014 Perquisites***

It is CryoLife's policy not to provide perquisites to its officers without prior approval of the committee. To the extent that perquisites are incidental to a business-related expense, such as personal use of a business club, the named executive officers are generally required to reimburse CryoLife for any incremental cost of such personal benefit. Other than these incidental personal benefits, none of our executives receive any perquisites that are not also provided on a non-discriminatory basis to all full-time employees, except for Messrs. Mackin and Anderson, whose

compensation is discussed at *Employment and Change of Control Agreements* below, and except for supplemental disability insurance and airline club memberships provided to certain of the named executive officers. In keeping with CryoLife's practice with respect to all full-time employees, executive officers are also eligible to receive certain one-time benefits upon achieving employment milestones, including receiving \$5,000 towards a vacation and two weeks of additional vacation upon reaching 15 years of service with CryoLife, \$10,000 towards a vacation and two weeks of additional vacation upon reaching 20 years of service with CryoLife, and two weeks of additional vacation upon reaching 25 years of service with CryoLife.

CryoLife's supplemental disability insurance is designed, in conjunction with CryoLife's group disability benefits for most employees, to provide each of CryoLife's officers, except Messrs. Mackin, Steven Anderson, and Lee, with approximately 67% income replacement, calculated based on the most currently available salary and bonus information at the time of the annual policy renewal. For 2014, Messrs. Mackin's, Steven Anderson's, and Lee's income replacement level was approximately 40% (taking only salary replacement into account), 25%, and 46%, respectively. The supplemental insurance provides for a maximum monthly benefit of \$5,000 per officer, in addition to amounts paid by the generally available disability policy. The supplemental insurance provides for a benefit payment period of up to age 65. Disabilities that occur between the ages of 65 and 75 would have a benefit period of up to two years. Disabilities that occur after age 75 would have a benefit period of up to one year. The committee approved this supplemental insurance upon the recommendation of management and based on the committee's belief that this insurance was appropriate, cost effective, and consistent with the benefits provided by CryoLife's peers.

## **EMPLOYMENT, SEPARATION AND RELEASE, AND CHANGE OF CONTROL AGREEMENTS**

### ***Employment Agreement with J. Patrick Mackin***

In July 2014 the Board appointed Mr. Mackin as President and CEO, and the company and Mr. Mackin entered into an employment agreement (the "Mackin Agreement"), which became effective on September 2, 2014.

The Mackin Agreement addresses Mr. Mackin's role and responsibilities, his rights to compensation and benefits during active employment, the treatment of various employment termination scenarios (see *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Employment Agreement with J. Patrick Mackin* beginning on page 73), and various post-employment prohibitions regarding competing with the company, soliciting its employees and customers, and disclosing its confidential information. The Mackin Agreement extends automatically daily beginning on the second anniversary of the effective date, subject to earlier termination pursuant to the terms of the agreement, and has an initial three-year term.

In accordance with the Mackin Agreement, on September 2, 2014, Mr. Mackin commenced employment with the company and received an inducement bonus and inducement equity grants, in addition to a base salary and target cash bonus pro-rated for his period of employment with the company during 2014. The Mackin agreement also provided for Mr. Mackin's appointment or nomination to the company's Board of Directors. For details regarding the terms of the Mackin Agreement, see *Grants of Plan-Based Awards – Employment Agreement with J. Patrick Mackin* beginning on page 55.

### ***Analysis***

The committee believes that it is important to have an employment agreement with Mr. Mackin due to the criticality of his role, to provide him with certainty regarding the company's commitments, and the need to have clarity about the respective obligations and expectations of both the company and Mr. Mackin and to have those set forth in writing. The Board believed that Mr. Mackin should be appointed to the Board both because it was appropriate and useful to have the CEO serve as a member of the Board, and because of his business acumen and experience in the life sciences industry. Accordingly, Mr. Mackin was appointed to the Board on October 21, 2014.

As part of the Board's process of negotiating the Mackin Agreement with Mr. Mackin, the committee determined and recommended to the Board for approval the compensation package elements contained in the Mackin Agreement. In developing Mr. Mackin's compensation package, the committee consulted with Towers Watson, which performed



benchmarking analyses and advised the committee on the appropriateness of the various elements and the totality of Mr. Mackin's compensation package. Specifically, Towers Watson compiled and analyzed data and consulted with the committee regarding the following:

Assessment of Mr. Mackin's compensation at his then-current employer relative to target compensation for the company's CEO, as well as median CEO target compensation for the company's compensation peer group (the peer group used by PM&P for the 2013 Study)

Valuation of equity awards that Mr. Mackin would forfeit upon terminating employment with his then-current employer

Evaluation of various compensation vehicles to deliver appropriate levels of compensation to Mr. Mackin efficiently, in a manner consistent with the committee's compensation philosophy, and that is reasonable relative to the company's compensation peer group

Assessment of the impact of various compensation levels and designs on the company's ratings with proxy advisory services

The committee evaluated the information and analysis provided by Towers Watson in determining the compensation package offered to, and ultimately accepted by, Mr. Mackin. The committee adopted most of Towers Watson's recommendations with respect to Mr. Mackin's compensation package, but also declined to adopt certain recommendations based on budgetary and internal equity considerations.

### ***Employment Agreement with Steven G. Anderson***

In 2012, the committee and the Board approved an employment agreement (the "Anderson Agreement") with Steven G. Anderson, CryoLife's former Executive Chairman and former President and CEO, which became effective January 1, 2013, following the expiration of his prior employment agreement. The Anderson Agreement initially had a three-year term (through December 31, 2015) and retained the same quantitative level of base salary and retirement and change of control benefits as the prior agreement.

In addition, the Anderson Agreement provided that Mr. Anderson would receive certain compensation upon termination of his employment. The potential payments that could have resulted under each scenario are described at *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Employment Agreement with Steven G. Anderson* beginning on page 74.

In May 2014, the Board amended the Anderson Agreement to extend it through December 31, 2016. The Board amended the Anderson Agreement again in September 2014 to reflect Mr. Anderson's appointment as Executive Chairman and include attendant job responsibilities, following Mr. Mackin's commencement of employment and assumption of the roles of President and CEO. For details regarding the terms of the Anderson Agreement, see *Grants of Plan-Based Awards – Employment Agreement with Steven G. Anderson* beginning on page 56.

On April 9, 2015, Mr. Anderson retired from the company and from service as a member of the Board, and he entered into a separation agreement with the company (the "Anderson Separation Agreement"). For details regarding the benefits provided under this agreement, see *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Separation Agreement with Steven G. Anderson* beginning on page 75.

### ***Analysis***

The committee's primary goals with respect to its initial approval of the Anderson Agreement were to continue to provide for fair compensation, retirement, and change of control benefits to Mr. Anderson, while appropriately responding to the company's 2012 say on pay vote. In developing and negotiating the Anderson Agreement, the committee consulted with its independent compensation consultant, which prepared an analysis of potential terms and changes, as well as legal counsel and the consulting arm of Institutional Shareholder Services.

Following the consultation and review described above, the committee determined that continuation of the base salary, retirement, and change of control benefit levels contained in the agreement were reasonable and appropriate in order to achieve the committee's goals, as well as the Board's goal of retaining Mr. Anderson through 2015. The committee believed that the material terms of Mr. Anderson's employment agreement were appropriate, based on a review of CryoLife's peers and taking into consideration Mr. Anderson's position as the founder and CEO of CryoLife with

approximately forty years of experience and thirty years of service to the company.

The committee also believed that the retirement and death benefits provided for in the Anderson Agreement were appropriate in light of the fact that CryoLife does not provide any pension or similar retirement plan for Mr. Anderson. In approving the change of control benefit, the committee's goal was for Mr. Anderson to have certainty regarding his treatment following any change of control so that he would be able to address a potential takeover attempt without concern as to whether it might have negatively impacted him personally.

When the committee extended the term of the Anderson Agreement in May 2014, it determined that it was appropriate to continue Mr. Anderson's then-current compensation package. Following Mr. Mackin's commencement of employment with the company in September 2014, the committee determined that it was necessary to retain Mr. Anderson as Executive Chairman, at his then-current compensation. Towers Watson compiled and analyzed data and consulted with the committee regarding its analysis.

In entering into the Anderson Separation Agreement in April 2015, the committee determined that it was appropriate to provide Mr. Anderson the benefits described in that agreement in order to recognize Mr. Anderson's service and contribution to the company and to secure continued availability for advisory services, obtain a release of claims and a right of first refusal on certain block sales of company stock, and secure non-compete, non-solicitation, and non-disparagement covenants from Mr. Anderson.

#### ***Separation and Release Agreement with Jeffrey W. Burris***

Jeffrey W. Burris, the company's former Vice President and General Counsel, separated from employment with the company effective August 18, 2014, and he and the company entered into a Separation and Release Agreement (the Burris Agreement) that became effective on September 6, 2014. The Burris Agreement provides for the termination of Mr. Burris's employment, effective August 18, 2014.

The Burris Agreement provides that Mr. Burris has received or will receive payments that are described at *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Separation and Release Agreement with Jeffrey W. Burris* beginning on page 77.

#### ***Analysis***

The committee believes that it is appropriate to provide separation benefits under certain circumstances. Separation benefits are often appropriate for executive-level employees, in particular, as it may take them a significant period of time to identify and transition to another executive-level role outside the company. Continuation of salary and health and other benefits, as well as outplacement benefits, all assist with these transitions. In addition, a meaningful level of separation benefits is often required to obtain a release of claims and often valuable continued cooperation, non-compete, non-solicitation, and non-disparagement covenants from the departing employee. In Mr. Burris's case, the committee also wished to secure his continued availability, on a limited basis, to assist the company with the transition of his duties and certain ongoing legal matters. The committee determined that for these reasons, and in recognition of Mr. Burris's service to the company, the separation benefits noted above were appropriate.

#### ***Change of Control Agreements with Other Named Executive Officers***

CryoLife has entered into change of control agreements with each of the named executive officers other than Messrs. Mackin and Anderson. The material terms of those agreements are described in *Potential Payments upon Termination or Change of Control – Change of Control Agreements with Other Named Executive Officers* beginning on page 78. As described in *Separation and Release Agreement with Jeffrey W. Burris* above, Mr. Burris's change of control agreement was terminated by the Burris Agreement.

#### ***Analysis***

It is the committee's intent that provisions in the change of control agreements regarding an executive's termination in conjunction with 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 allowing 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 and enhance stockholder value.

The change of control agreements are double-trigger agreements, as they require both a change of control and termination of employment to have occurred before CryoLife is required to make payments pursuant to the agreements.

The committee approved a larger termination payment under the agreement for Mr. Lee than for the other executive officers based upon his senior officer status and his relatively greater ability to influence decisions regarding whether or not a change of control transaction should be pursued.

## **ADDITIONAL POLICIES AND PRACTICES**

### ***Clawback Policy***

The 2007 Executive Incentive Plan includes a clawback provision. This clawback allows CryoLife to recover bonus awards under the plan that were paid in the 12-month period prior to a significant financial statement restatement. The amounts may be recovered at the discretion of the committee and subject to applicable laws if the award was made on the basis of CryoLife having met or exceeded specific performance targets for performance periods affected by the restatement. In such an event, the committee may require participants to repay to CryoLife the difference between the bonus actually received by the participant and the amount of the recalculated bonus, using the restated financial results.

In addition, Mr. Mackin's employment agreement provides that if he fails to comply with certain post-employment protective covenants, he may be required to repay any portion of change of control or severance payments he has previously received from the company. Similarly, Mr. Anderson's employment agreement provides that in the event that CryoLife obtains a final, non-appealable judgment of a competent court declaring Mr. Anderson to have breached one or more of the non-compete or non-solicitation covenants contained in the agreement, he must repay such portions of his change of control and termination payment as the court shall order.

To the extent not addressed by the provisions above, the committee continues to consider the appropriate structure for additional clawback provisions. These additional clawback provisions would, in specified instances, require executive officers to return to CryoLife incentive compensation paid if such compensation is based upon financial results that turn out to have been materially inaccurate when published. The committee intends to adopt and disclose such a policy in compliance with and to the extent required by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

### ***Stock Ownership Guidelines***

CryoLife maintains stock ownership guidelines for executives that have been recommended and approved by the committee along with the Nominating and Corporate Governance Committee, and approved by the Board of Directors. The stock ownership guidelines were adopted in 2012 and required the following stock ownership levels for the named executive officers:

<b>Stock Ownership Guidelines Summary</b>				
<b>Executive</b>	<b>Required</b>	<b>Required</b>	<b>Owned</b>	<b>Compliance</b>
	<b>Shares<sup>(1)</sup></b>	<b>Value<sup>(1)</sup></b>	<b>Shares<sup>(2)</sup></b>	<b>Test</b>
	<b>(#)</b>	<b>(\$)</b>	<b>(\$)</b>	
				<b>Value of Owned Shares at Assumed</b>

			<b>Share</b>		<b>Price<sup>(3)</sup></b>	
			(\$)			
Mackin	420,000	2,100,000	30,832	320,344	N/A <sup>(4)</sup>	
Anderson, S.	420,000	2,100,000	1,429,643	14,853,986	Yes	
Lee	100,000	500,000	247,958	2,576,278	Yes	
Fronk	54,000	270,000	112,193	1,165,680	Yes	
Capps	53,000	265,000	89,621	931,162	Yes	
Anderson, B.	50,000	250,000	104,791	1,088,778	Yes	
Burris	58,000	290,000	-----N/A-----			

- (1) Policy requires the lesser of the noted Required Shares or Required Value.
- (2) Owned Shares calculated as of March 18, 2015 per the guidelines. Ownership includes owned shares, restricted stock grants, and performance stock units (at actual, earned levels) with respect to which performance criteria have been satisfied.

- (3) Actual Value of Owned Shares at Assumed Share Price calculated based on an assumed share price of \$10.39, the closing share price of CryoLife stock on March 18, 2015.
- (4) Per the ownership guidelines, Mr. Mackin has until September 2019 to comply with the noted share or value guidelines.

These guidelines became effective for all currently employed named executive officers on February 18, 2015. The shares to be counted towards ownership under the revised guidelines will include shares owned directly or indirectly through the CryoLife, Inc. Employees Stock Purchase Plan or by a person's spouse, as well as any other shares related to or underlying vested or unvested restricted stock or restricted/performance stock units held by such person but do not include shares held through any other form of indirect beneficial ownership or shares underlying unexercised options. The committee requires that the named executive officers hold 50% of the net after-tax shares received from option exercises and stock vesting until the executive is in compliance with the required minimum stock ownership level. As of March 18, 2015, all of the currently employed named executive officers were in compliance with the ownership levels set forth in the guidelines.

In February 2015, the Board's Nominating and Corporate Governance Committee approved an amendment to the ownership guidelines, based on a recommendation by the committee, that requires that an officer satisfy the guidelines within five years of being hired or promoted into a position subject to the guidelines. The amendment also provided that an officer who was already subject to the guidelines and who assumes a new position subject to a higher level of ownership under the guidelines will continue to be subject to the guidelines applicable to his or her prior position until the guidelines for the new position become effective.

#### ***Anti-Hedging Policy***

CryoLife executive officers are prohibited from trading in publicly traded options, puts, calls, straddles, or similar derivative securities of CryoLife at any time, whether or not issued directly by CryoLife or by any exchange, and may not engage in put or call transactions involving CryoLife's stock or purchase financial instruments designed to hedge or offset any decrease in the market value of CryoLife securities except for standard collars or prepaid forward transactions that have been pre-approved at least 90 days in advance by the independent Directors of the Board or a committee consisting solely of independent Directors and that are disclosed to stockholders on a Form 4 or by other means acceptable to the SEC. Furthermore, executive officers are prohibited from effecting short sales of the company's securities at any time. The committee and the Board intend to adopt and disclose a policy on hedging by employees and Directors with respect to CryoLife securities in compliance with and to the extent required by the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

#### ***Equity Grants/Inside Information***

The committee generally adheres to a policy of not granting equity-based compensation awards at times when insiders are in possession of material, non-public information. One notable exception to this policy is with respect to equity grants to new hires, which can be made as of the hire date, provided that management discloses to the committee at the time of grant any material, non-public information. In all other instances, if 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.

#### **2015 EXECUTIVE COMPENSATION ACTIONS**



***2014 Executive Compensation Study***

During 2014, as in prior years, the committee directed its independent consultant to conduct a review and assessment of the executive compensation program at CryoLife. The 2014 executive compensation study was prepared in October 2014, and considered by the committee when making 2015 compensation adjustments for executive officers and changes to program design. The 2014 Study assessed both the competitiveness of pay levels and the alignment of pay with company performance.

Survey data in the 2014 Study were drawn from (a) 2014 Towers Watson CDB General Industry Executive Compensation Database, 2014 Towers Watson CSR Top Management Compensation Survey, 2014 Mercer General Industry Executive Compensation Survey, and 2014 Radford Global Life Sciences Survey; and (b) proxy statement data from CryoLife's compensation peer group of 15 companies. At the time the 2014 Study was conducted, the 2015 peer group companies had median revenues of \$137 million and median market capitalization as of August 31, 2014 of \$500 million. With respect to the named executive officers included in the 2014 Study, market references reflected a blend of the General Industry, Life Sciences, and 2015 peer group data with weightings varying by executive role. We refer to the blended 2015 peer group and survey compensation data for all named executive officers as the 2015 Peer Group Information.

The following peer companies were used for the 2014 Study:

<b>Peer Company</b>	<b>FYE Revenue<sup>(1)</sup></b>	
Merit Medical Systems, Inc.	449	<i>Most of the same companies were used for the 2014 Study peer group and the 2013 Study peer group. However, Theragenics Corporation and Stereotaxis, Inc. were removed from, and Endologix, Inc., LeMaitre Vascular, Inc., and Rockwell Medical, Inc. were added to, the 2014 Study peer group.</i>
Angiodynamics, Inc.	351	
Exactech, Inc.	237	
Alphatec Holdings, Inc.	203	
RTI Biologics, Inc.	198	
Abiomed, Inc.	184	
Spectranetics Corp.	157	
Cardiovascular Systems, Inc.	137	
Endologix, Inc.	132	
Atrion Corp.	132	
Vascular Solutions, Inc.	109	<i>CryoLife's annual revenue is positioned near the median of the peer group's annual revenue, and the peer group includes seven companies that are larger, and eight that are smaller, than CryoLife based on annual revenues.</i>
AtriCure, Inc.	81	
Anika Therapeutics, Inc.	75	
LeMaitre Vascular, Inc.	64	
Rockwell Medical, Inc.	52	
<b>Median</b>	<b>137</b>	<i>The committee believes that the pay practices of these companies provide a useful reference point for pay and performance comparisons at CryoLife.</i>
<b>CryoLife</b>	<b>140</b>	

<sup>(1)</sup> Latest FYE revenue, in millions, as of companies' most recent fiscal year end.

### **2015 Base Salary**

The committee determined that it was appropriate to leave salaries at 2014 levels for 2015 for the named executive officers, other than Messrs. Capps and Bruce Anderson, whose 2015 salaries were increased by 3%.

### *Analysis*

Based on input from management and in consultation with Towers Watson, the committee approved continuation of 2014 base salaries for certain of the executives and a 3% increase for certain other executives, basing such approvals on cost of living and individual performance considerations, as well as a recognition that the company's 2014 business

performance did not meet plan in a number of respects.

***2015 Short-Term Incentives***

The committee approved the 2015 short-term incentive program (the Annual Plan ) in February 2015. The 2015 Annual Plan provides for the same performance measures (adjusted for projected changes in 2015 levels of adjusted revenue and adjusted net income), same design, and same target incentive opportunity as the 2014 program, except that the committee provided for the exclusion of unbudgeted 2015 executive severance and onboarding costs for purposes of the calculation of adjusted net income.

In March 2015, the committee approved a plan that we refer to as our Umbrella Plan for the primary purpose of ensuring tax deductible treatment for the company for awards made to certain key executives, including each of our named executive officers, under the 2015 Annual Plan. The 2015 Annual Plan operates within the Umbrella Plan so that cash bonuses to our named executive officers and other participants in our Umbrella Plan will qualify as performance-based compensation and therefore be tax deductible under Section 162(m) of the Internal Revenue Code ( Section

162(m) ), provided that the amendments to the Second Amended and Restated 2009 Stock Incentive Plan are approved at the Annual Meeting.

The Umbrella Plan establishes a threshold performance requirement that the company must meet in order for the participants to earn a bonus under the 2015 Annual Plan. For fiscal 2015, the company must achieve adjusted net income of at least \$8,554,000 in order for awards to be made under the Umbrella Plan. If the threshold performance requirement is met, each participant may be eligible under the plan to receive up to 140% of his or her target bonus under the 2015 Annual Plan. After the end of the fiscal year, though, the committee may, and likely will, exercise its discretion to adjust any amounts earned under the Umbrella Plan downward to the amounts earned under the 2015 Annual Plan, so that the entire amount paid to each of our named executive officers under the 2015 Annual Plan can be treated as performance-based compensation and, therefore, tax deductible under Section 162(m).

In conjunction with Steven G. Anderson's retirement from the company and pursuant to the terms of the Anderson Separation Agreement, Mr. Anderson will receive 25% of the bonus under the Annual Plan to which he would have been entitled had he remained employed by the company through December 31, 2015 and met or exceeded his individual performance objectives. For further details, see at *Potential Payments Upon Termination or Change of Control Employment, Separation and Release, and Change of Control Agreements Separation Agreement with Steven G. Anderson* beginning on page 75.

#### *Analysis*

Upon review and consideration, the committee continues to believe that the performance measures of adjusted revenue and adjusted net income used in the 2014 short-term incentive program will motivate management to achieve increases in 2015 revenues and net income and operating cash flow goals, as well as to drive personal performance and provide appropriate incentives to satisfy employee retention goals. As a result, the committee approved the adjusted revenue and adjusted net income measures (as adjusted for 2015 forecast results) that it used with respect to 2014 for use in the 2015 Annual Plan. For 2015, the committee approved the exclusion of unbudgeted 2015 costs associated with executive staff changes from the adjusted net income calculation for the same reasons it excluded Mr. Mackin's salary and on-boarding costs from the calculation of adjusted net income for purposes of the 2014 annual incentive program. See *2014 Compensation Components; 2014 Short-Term Incentives; Analysis Plan Payout* beginning on page 33.

The committee believes that 2015 adjusted revenue and adjusted net income threshold and target performance levels are challenging, but expects them to be achieved. The 2015 adjusted revenue and adjusted net income targets are within the range of 2015 product and service revenue guidance previously publicly announced by CryoLife.

The committee determined that it was appropriate to provide Mr. Anderson with the Annual Plan benefit noted above as part of his overall retirement package under the Anderson Separation Agreement in recognition of his service and contribution to the company and to secure continued availability for advisory services, obtain a release of claims and a right of first refusal on certain block sales of company stock, and secure non-compete, non-solicitation, and non-disparagement covenants from Mr. Anderson.

#### ***2015 Long-Term Incentives***

Based on input from management and in consultation with Towers Watson, the committee considered the long-term incentive program and determined to change the design of the 2015 program to have the mix of equity awards be based on an equal allocation of value, rather than a fixed number of options/stock/units, among stock options, restricted stock, and performance stock units, with approximately one-third of the value being granted allocated to each type of award. The committee allocates and values performance stock units at their target numbers.

The committee determined that the estimated grant date fair value of the awards to officers, except Steven Anderson, in 2015 should remain approximately the same as was granted in 2014. In order to determine the number of options, shares of restricted stock, and target performance shares to be used to deliver such grant date fair value, the committee directed management to determine the numbers of shares of restricted stock and target performance stock units using the closing share price of the company's stock as of market close on February 18, 2015, and to also determine the number of stock options using the estimated fair value of the options as of the same date. The numbers of options, shares, and target performance stock units, determined using the February 18, 2015 share price and option value, were granted on February 19, 2015. See *Plan-Based Awards* beginning on page 58 of this proxy statement for a description of the terms of the performance stock units. For 2015, the performance stock units are subject to three performance

measures: adjusted EBITDA, target adjusted inventory levels, and target accounts receivable - days sales outstanding ( DSO ), as further described under *Analysis*, below. See Appendix A for further details regarding the adjusted EBITDA, adjusted inventory, and accounts receivable - DSO performance measures and the reconciliation of those measures to the appropriate figures as reported under U.S. GAAP.

The committee did not grant 2015 equity awards to the company's Executive Chairman, Steven Anderson, as it determined, following its review of compensation benchmarking data and analysis provided by Towers Watson in October 2014 and consultation with Towers Watson in February 2015, that Mr. Anderson's 2015 base salary and target annual incentive provided him with appropriate and adequate compensation, and that the retention incentive provided by equity awards that applies to other officers is not similarly applicable to Mr. Anderson.

The following table provides the 2014 and 2015 equity awards to the named executive officers, as approved by the committee:

### Comparison of 2014 and 2015 Equity Grant Levels

Executive	2014 Grant Level				2015 Grant Level			
	Perf. Stock	Stock	Restricted	Total	Perf. Stock	Stock	Restricted	Total
	Units <sup>(1)</sup>	Options <sup>(2)</sup>	Stock <sup>(3)</sup>		Units <sup>(1)</sup>	Options <sup>(2)</sup>	Stock <sup>(3)</sup>	
(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	
Mackin	-----	-----	N/A <sup>(4)</sup>	-----	30,832	85,105	30,832	146,769
Anderson, S.	41,667	41,667	41,667	125,000	-----	-----	N/A	-----
Lee	16,667	16,666	16,667	50,000	12,333	34,042	12,333	58,708
Fronk	11,667	11,666	11,667	35,000	8,633	23,829	8,633	41,095
Capps	10,000	10,000	10,000	30,000	7,399	20,425	7,399	35,223
Anderson, B.	10,000	10,000	10,000	30,000	7,399	20,425	7,399	35,223
Burris	11,667	11,666	11,667	35,000	-----	-----	N/A	-----

(1)

Reflects the target performance stock unit award level. The actual number of shares earned under the performance stock units was based on adjusted EBITDA performance for 2014, and will be based on the following performance metrics for 2015: adjusted EBITDA, target adjusted inventory levels, and target accounts receivable days sales outstanding (80%, 10%, and 10% weightings, respectively). See *2014 Compensation Components; 2014 Long-Term Incentives; Analysis - PSUs Earned* beginning on page 37 for details regarding 2014 actual PSU payouts. Earned shares vested/will vest 50% on the first anniversary of the award date, 25% on the second anniversary, and 25% on the third anniversary. The actual number of shares that could have been/could be earned range from zero to 150% of target. We valued the 2014 and 2015 performance stock units using target share numbers and grant date closing prices of \$9.97 and \$11.00, respectively.

- (2) Stock options vest 1/3 per year beginning on the first anniversary of the grant date. Stock options were valued using a Black-Scholes Option Pricing Model with values for the 2014 and 2015 awards of \$4.08 and \$3.99, respectively.
- (3) Restricted stock cliff vests on the third anniversary of the grant date. We valued restricted stock using grant date closing stock prices for the 2014 and 2015 awards of \$9.97 and \$11.00, respectively.

- (4) Excludes Mr. Mackin's new-hire option grant and performance-based restricted stock award described at *Grants of Plan-Based Awards - Employment Agreement with J. Patrick Mackin* beginning on page 55.

In conjunction with Steven G. Anderson's retirement from the company and pursuant to the terms of the Anderson Separation Agreement, Mr. Anderson's outstanding, unvested equity awards (stock options, restricted stock awards, and performance stock units) vested as of April 9, 2015. Pursuant to the relevant plans and option award agreements, his outstanding options will remain exercisable until the earlier of their stated expiration date or April 9, 2018 (36 months following his retirement date). For further details, see at *Potential Payments Upon Termination or Change of Control - Employment, Separation and Release, and Change of Control Agreements - Separation Agreement with Steven G. Anderson* beginning on page 75.

#### *Analysis*

In approving the 2015 equity award levels, the committee considered the following primary factors:

The committee's intention to grant in 2015 approximately the same long-term incentive value as in 2014

The desire to have an even mix of value among stock options, restricted stock, and performance stock units

The objective of achieving performance and retention incentives through the use of annual equity grants, especially given CryoLife's stock price volatility

The availability of shares under CryoLife's various stockholder-approved equity plans

The company's share price and its effect on the value of equity awards if grants were to continue to be made based on a number of shares, as opposed to a predetermined value

The resulting positioning of target total direct compensation against market benchmarks, as follows:

### 2015 Target Total Direct Compensation

#### Compared to Peer Median

Executive	Target Total Direct Compensation <sup>(1)</sup> (\$)	Peer Median <sup>(2)</sup> (\$)	CRY vs. Median (%)	Primary Rationale
Mackin	1,977,873	1,850,000	107	Within a competitive range of the 50th percentile <sup>(3)</sup>
Anderson, S.	1,092,800	-----		N/A -----
Lee	1,008,754	910,000	111	Within a competitive range of the 50th percentile <sup>(3)</sup>
Fronk	681,204	650,000	105	Within a competitive range of the 50th percentile <sup>(3)</sup>
Capps	652,374	625,000	104	Within a competitive range of the 50th percentile <sup>(3)</sup>
Anderson, B.	637,954	555,000	115	Within a competitive range of the 50th percentile <sup>(3)</sup>

<sup>(1)</sup> Includes 2015 salary and target bonus based on percentage of salary. Equity grant value based on an grant date stock price of \$11.00 for performance stock units and restricted stock and a Black-Scholes Option Value of \$3.99 for stock options. Performance units are included at target award levels/values.



(2) Based on data provided by the committee's independent consultant (the 2014 Study); the 2014 Study did not include data regarding median compensation for the Executive Chair position.

(3) Competitive range recommended by Towers Watson and agreed to by the committee for target total direct compensation as 80-120% of the peer group 50th percentile.

The committee determined vesting schedules in consultation with Towers Watson and believes that such vesting provides the appropriate long-term incentive for executives' continued employment. The committee determined the terms of the performance stock unit grant based on input from management and in consultation with Towers Watson and believes that those terms provide similarly appropriate incentives. The committee believes that adjusted EBITDA is generally a reasonable proxy for CryoLife's performance, but allows for adjustments to eliminate items that might provide improper incentives and items over which management has little or no control. Based on feedback from management and Towers Watson, however, the committee determined that for 2015, adjusted EBITDA should represent only 80% of the performance stock unit award opportunity, 10% of the opportunity should be tied to achieving target adjusted inventory levels, and the remaining 10% of the opportunity should be tied to achieving target accounts receivable - days sales outstanding (DSO).

The committee believes that the adjusted EBITDA, target adjusted inventory, and target accounts receivable - DSO threshold and target performance levels are challenging, but expects them to be achieved. The 2015 adjusted EBITDA calculation methodology is consistent with the methodology used in 2014, and based on management's expectations, the target performance level is consistent with the range of 2015 earnings per share guidance previously publicly announced by CryoLife. (Based on 2014 adjusted EBITDA performance, the named executive officers earned performance stock units at approximately 50% of target.) See Appendix A for further details regarding the adjusted EBITDA, adjusted inventory, and accounts receivable - DSO performance measures and the reconciliation of those measures to the relevant U.S. GAAP measures.

The committee determined that it was appropriate to accelerate the vesting of Mr. Anderson's outstanding, unvested equity instruments as part of his overall retirement package under the Anderson Separation Agreement in recognition of his service and contribution to the company and to secure continued availability for advisory services, obtain a release of claims and a right of first refusal on certain block sales of company stock, and secure non-compete, non-solicitation, and non-disparagement covenants from Mr. Anderson.

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## TAX IMPACT OF COMPENSATION DECISIONS

### *Section 162(m)*

Section 162(m) of the Internal Revenue Code generally limits to \$1 million the amount of compensation, other than certain performance-based compensation, that CryoLife may deduct for federal income tax purposes in any given year with respect to the compensation of each of the named executive officers other than the Chief Financial Officer. CryoLife has structured its stock option and a portion of its performance stock unit grants to exempt them from the \$1 million aggregate compensation calculation, and the committee currently intends to continue this practice.

Historically, the committee had determined that the likelihood of executive officers' compensation exceeding the \$1 million dollar deductibility limit of Section 162(m) by a material amount was relatively low, and that any associated foregone tax benefit that would be associated with any such excess, was also not expected to be material to CryoLife. (For 2014, compensation of \$440,876 was determined to not be deductible as a result of Section 162(m).) As a result, the committee had not previously qualified compensation under the executive incentive plan and related bonus programs for exemption from the \$1 million deductibility limit of Section 162(m). However, in February 2015, the committee, in consultation with its compensation consultant, determined that it would be worthwhile to qualify compensation under the executive incentive plan and related bonus programs for exemption from the \$1 million deductibility limit of Section 162(m). Accordingly, the committee, after evaluating management's recommendation and following consultation with Towers Watson regarding the desirability of favorable tax treatment under Section 162(m), authorized certain amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan (the "Stock Incentive Plan") to add a cash incentive component and expand the types of performance measures available under the plan. These amendments are described in *Proposal Three Approval of Certain Amendments to the CryoLife, Inc. Second Amended and Restated 2009 Stock Incentive Plan* beginning on page 91. In addition, see *2015 Executive Compensation Actions 2015 Short-Term Incentives* beginning on page 44 for a discussion of the Umbrella Plan arrangement the committee adopted in March 2015 to ensure compliance with the deductibility requirements of Section 162(m).

The committee intends to separately consider the issue of deductibility under Section 162(m) with respect to all future executive bonus plans and other relevant compensation decisions. The application of Section 162(m) did not influence the committee's allocation of compensation among the various short and long-term compensation components during 2014 or 2015 to date.

### *Section 409A*

Since Section 409A of the Internal Revenue Code, which deals with deferred compensation arrangements, was enacted, the committee's policy has been to structure all executive compensation arrangements to comply, to the extent feasible, with the provisions of Section 409A so that the executives do not have to pay additional tax and CryoLife does not incur additional withholding obligations. The committee intends to continue this practice and has amended all of the named executive officers' currently outstanding employment agreements and/or change of control agreements in order to bring them into compliance with Section 409A.

## FORWARD-LOOKING STATEMENTS

Statements made in this proxy statement that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include those regarding future plans and intentions of the committee and/or Board related to compensation decisions, and expectations that certain performance targets for management will be attained. These future events may not occur as and when expected, if at all, and, together with the company's business, are subject to various risks and uncertainties. These risks and uncertainties include that the success of any of our products or services is subject to, among other things, market acceptance and regulatory approval and compliance. Competitors may develop or market products that are more effective or better received by the marketplace, and our recent strategic actions may not provide the expected benefits in a timely fashion, if at all. Actions taken by the FDA or other regulatory agencies could significantly delay anticipated revenues, increase the costs with respect to new and existing

services and products, and otherwise cause expectations regarding future revenues and profits to be revised materially downward. Along with risks specific to our business, management's ability to attain certain performance targets is subject to risks affecting the economy generally and other factors that are beyond our control. For additional risks impacting the company's business, see the Risk Factors section of the company's Annual Report on Form 10-K for the year ended December 31, 2014. The company does not undertake to update its forward-looking statements.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee reviewed and discussed the Compensation Discussion & Analysis with management. In reliance on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion & Analysis be included in CryoLife's Annual Report on Form 10-K for the year ended December 31, 2014, and CryoLife's 2015 proxy statement on Schedule 14A, for filing with the Securities and Exchange Commission.

### **Compensation Committee**

RONALD C. ELKINS, M.D., CHAIRMAN

DANIEL J. BEVEVINO

RONALD D. MCCALL

## SUMMARY COMPENSATION TABLE

The following table sets forth information with respect to each of the named executive officers—Messrs. Mackin and Steven G. Anderson, who each served during 2014 as Chief Executive Officer; Mr. Lee, our Chief Financial Officer, Messrs. Fronk, Capps, and Bruce G. Anderson, who were the three most highly compensated of the other executive officers of CryoLife employed at the end of fiscal 2014; and Mr. Burris, who would have been one of the three most highly compensated officers had he continued to be employed by the company at the end of fiscal 2014.

Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non- qualified Deferred Compensation Earnings	All Other Compen- sation
		(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(\$) (h)	(\$) (i)
Mackin, President Executive	2014	197,727 <sup>(2)</sup>	223,868 <sup>(3)</sup>	2,545,000 <sup>(4)</sup>	1,668,000 <sup>(5)</sup>	64,874 <sup>(6)</sup>	--	62,733 <sup>(7)</sup>
Anderson, Executive Former Chief Officer	2014	683,000	81,960 <sup>(8)</sup>	830,840 <sup>(9)</sup>	170,001 <sup>(10)</sup>	222,764 <sup>(11)</sup>	90,846 <sup>(12)</sup>	31,017 <sup>(13)</sup>
	2013	664,000	79,680 <sup>(14)</sup>	500,837 <sup>(15)</sup>	105,832 <sup>(16)</sup>	268,719 <sup>(17)</sup>	-- <sup>(18)</sup>	129,384 <sup>(19)</sup>
	2012	656,940	78,833 <sup>(20)</sup>	454,587 <sup>(21)</sup>	111,248 <sup>(22)</sup>	354,333 <sup>(23)</sup>	6,558 <sup>(24)</sup>	43,751 <sup>(25)</sup>
Lee	2014	376,000	45,120 <sup>(8)</sup>	332,340 <sup>(9)</sup>	67,997 <sup>(10)</sup>	122,634 <sup>(11)</sup>	--	18,497 <sup>(26)</sup>
Lee Chief Officer, Financial	2013	365,000	43,800 <sup>(14)</sup>	200,337 <sup>(15)</sup>	42,332 <sup>(16)</sup>	147,714 <sup>(17)</sup>	--	18,224 <sup>(27)</sup>
	2012	361,424	43,371 <sup>(20)</sup>	181,837 <sup>(21)</sup>	44,498 <sup>(22)</sup>	194,941 <sup>(23)</sup>	--	20,208 <sup>(28)</sup>

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Bank	2014	283,000	--	232,640 <sup>(9)</sup>	47,597 <sup>(10)</sup>	61,534 <sup>(11)</sup>	--	5,200 <sup>(29)</sup>
ent, Affairs	2013	275,000	22,000 <sup>(14)</sup>	140,237 <sup>(15)</sup>	29,632 <sup>(16)</sup>	74,194 <sup>(17)</sup>	--	5,100 <sup>(30)</sup>
	2012	269,400	21,552 <sup>(20)</sup>	127,287 <sup>(21)</sup>	31,148 <sup>(22)</sup>	96,871 <sup>(23)</sup>	--	5,000 <sup>(30)</sup>
ps	2014	283,000	22,640 <sup>(8)</sup>	199,400 <sup>(9)</sup>	40,800 <sup>(10)</sup>	61,534 <sup>(11)</sup>	--	5,113 <sup>(29)</sup>
ent, earch	2013	270,000	21,600 <sup>(14)</sup>	120,200 <sup>(15)</sup>	25,400 <sup>(16)</sup>	72,845 <sup>(17)</sup>	--	5,021 <sup>(30)</sup>
	2012	265,000	21,200 <sup>(20)</sup>	90,913 <sup>(21)</sup>	22,246 <sup>(22)</sup>	95,289 <sup>(23)</sup>	--	4,858 <sup>(30)</sup>
erson, nt, U.S. lobal	2014	273,000	21,840 <sup>(8)</sup>	199,400 <sup>(9)</sup>	40,800 <sup>(10)</sup>	59,360 <sup>(11)</sup>	--	3,453 <sup>(29)</sup>
urris,	2014	190,548 <sup>(31)</sup>	15,224 <sup>(32)</sup>	232,640 <sup>(9)</sup>	47,597 <sup>(10)</sup>	41,378 <sup>(33)</sup>	--	135,590 <sup>(34)</sup>
l nsel	2013	293,000	23,440 <sup>(14)</sup>	140,237 <sup>(15)</sup>	29,632 <sup>(16)</sup>	79,051 <sup>(17)</sup>	--	5,100 <sup>(30)</sup>
	2012	290,000	23,200 <sup>(20)</sup>	127,287 <sup>(21)</sup>	31,148 <sup>(22)</sup>	104,278 <sup>(23)</sup>	--	11,189 <sup>(28)</sup>

- (1) Messrs. Mackin and Bruce Anderson were not named executive officers of the company for fiscal year 2012 or 2013. Accordingly, this table only includes their compensation for fiscal year 2014.
- (2) Amount represents Mr. Mackin's annual base salary of \$600,000, prorated for the portion of the year he was employed by the company, which is the actual amount of salary paid to him for 2014.
- (3) Amount includes Mr. Mackin's signing bonus of \$200,000, which was paid in September 2014 upon his commencement of employment with the company, and the personal performance component of the prorated award paid pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan, which was paid 100% in cash in February 2015.
- (4) Amount reflects the aggregate grant date fair value of the new-hire, performance-based restricted stock award with respect to 250,000 shares of CryoLife common stock granted to Mr. Mackin upon his commencement of employment, as calculated in accordance with FASB ASC Topic 718. We issued the award on September 2, 2014, and we valued the award at \$10.18 per share, the fair market value on that date. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2014 for assumptions we used in valuing restricted stock awards.
- (5) Amount reflects the aggregate grant date fair value of the new-hire stock option award with respect to 400,000 shares of CryoLife common stock granted to Mr. Mackin upon his commencement of employment, as calculated in accordance with FASB ASC Topic 718. We issued the award on September 2, 2014. See Notes 1 and 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2014 for assumptions we used in valuing the stock option awards.
- (6) Amount represents the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan, prorated for the portion of the year Mr. Mackin was employed by the company; we paid this amount to Mr. Mackin in cash in February 2015.
- (7) Amount includes \$30,000 for payment of temporary housing and certain utilities, \$6,032 for payment of an automobile lease, and \$26,701 for reimbursement of legal fees associated with the negotiation of Mr. Mackin's employment agreement.
- (8) Amounts represent the personal performance component of the award paid pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan, which was paid 100% in cash in February 2015.
- (9) Amounts include the aggregate grant date fair value of the restricted stock awards granted in 2014, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 19, 2014, and we valued the awards at \$11.00 per share, the fair market value on that date. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2014 for assumptions we used in valuing restricted stock awards. For the number of shares of restricted stock granted to each named executive officer, see *Grants of Plan-Based Awards* on page 54.

These amounts also include the grant date fair value of the target number of performance stock unit awards granted in 2014, as calculated in accordance with FASB ASC Topic 718. We granted these awards on February 19, 2014, and we valued the awards at \$11.00 per share, the fair market value on that date, based on the target number of shares. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2014 for assumptions we used in valuing performance stock units. At the time of the grant, we believed that the probable outcome was the target level of performance. The number of shares of restricted stock that could be earned based on CryoLife's adjusted EBITDA performance for fiscal 2014 ranged from 0% to 150% of the target number of shares. Actual 2014 adjusted EBITDA performance resulted in the performance stock units being earned at 50% of target. For information on the target and maximum performance stock units awarded to each named executive officer, and the number of shares actually earned, see the *Grants of Plan-Based Awards* table and related footnotes. The following table shows the grant date fair value of each performance stock unit award based on probable outcome, or target level (which is reflected in column (e) above), and the value of the award at grant date assuming that the maximum level of performance conditions were achieved.

**Grant Date Fair Value of 2014 Performance Stock Units**

<b>Executive</b>	<b>Grant Date Fair Value at Target Level</b>	<b>Grant Date Fair Value at Maximum Level</b>
Mackin	N/A	N/A
Anderson, S.	\$415,420	\$623,130
Lee	\$166,170	\$249,255
Fronk	\$116,320	\$174,480
Capps	\$99,700	\$149,550
Anderson, B.	\$99,700	\$149,550
Burris	\$116,320	\$174,480

(10) Amounts represent the aggregate grant date fair value of the stock option awards granted in 2014, as calculated in accordance with FASB ASC Topic 718. The awards were issued on February 19, 2014. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2014 for assumptions we used in valuing the stock option awards.

(11)



Amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2015.

- (12) Amount represents the sum of the change in the actuarial present value from December 31, 2013, to December 31, 2014, of (a) Mr. Anderson's accumulated benefit under his post-employment medical plan, which is discussed further at *Post-Employment Medical Plan for Steven G. Anderson* under *Pension Benefits at December 31, 2014* on page 70 and (b) the change in the actuarial present value of Mr. Anderson's accumulated benefit under his retirement severance benefit, which is discussed further at *Retirement Severance Benefit* under *Pension Benefits at December 31, 2014* on page 71.
- (13) Amount includes company matching contributions of \$5,200 to Mr. Anderson's account under the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs, payment of premiums for a supplemental disability policy, and auto and gas expense reimbursement.

- (14) Amounts represent the personal performance component of the award made pursuant to the 2013 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2014.
- (15) Amounts include the aggregate grant date fair value of the restricted stock awards granted in 2013, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 12, 2013, and we valued the awards at \$6.01 per share, the fair market value on that date. See Notes 1 and 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing restricted stock awards.
- These amounts also include the grant date fair value of the target number of performance stock unit awards granted in 2013, as calculated in accordance with FASB ASC Topic 718. We granted these awards on February 12, 2013, and we valued the awards at \$6.01 per share, the fair market value on that date, based on the target number of shares. See Notes 1 and 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing performance stock units. At the time of the grant, we believed that the probable outcome was the target level of performance. The number of shares of restricted stock that could be earned based on CryoLife's adjusted EBITDA performance for fiscal 2013 ranged from 0% to 150% of the target number of shares. Actual 2013 adjusted EBITDA performance resulted in the performance stock units being earned at approximately 116.2% of target.
- (16) Amounts represent the aggregate grant date fair value of the stock option awards granted in 2013, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 15, 2013. See Note 15 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2013 for assumptions we used in valuing the stock option awards.
- (17) Amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2013 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2014.
- (18) For the period of December 31, 2012, to December 31, 2013, the sum of (a) the change in the actuarial present value of Mr. Anderson's accumulated benefit under his post-employment medical plan, which is discussed further at *Post-Employment Medical Plan for Steven G. Anderson* under *Pension Benefits at December 31, 2014* on page 70, and (b) the change in the actuarial present value of Mr. Anderson's accumulated benefit under his retirement severance benefit, which is discussed further at *Retirement Severance Benefit* under *Pension Benefits at December 31, 2014* on page 71, was negative. Accordingly, per applicable SEC regulations, no amount is provided.
- (19) Amount includes a one-time payment of \$100,000 in January 2013 associated with the termination of Mr. Anderson's prior employment agreement and the entry into a new employment agreement effective January 1, 2013. This amount also includes the company matching contribution of \$5,100 to Mr. Anderson's account under the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs, payment of premiums for a supplemental disability policy, and auto and gas expense reimbursement.
- (20) Amounts represent the personal performance component of the award that we made pursuant to the 2012 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February

2013.

(21) Amounts include the aggregate grant date fair value of the restricted stock awards granted in 2012, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 18, 2012, and we valued the awards at \$5.67 per share, the fair market value on that date. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2012 for assumptions we used in valuing restricted stock awards.

These amounts also include the grant date fair value of the target number of restricted performance stock unit awards granted in 2012, as calculated in accordance with FASB ASC Topic 718. We issued these awards on March 7, 2012, and we valued the awards at \$5.24 per share, the fair market value on that date, based on the target number of shares. See Notes 1 and 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2012 for assumptions we used in valuing performance stock units. At the time of the grant we believed that the probable outcome was the target level of performance. The number of shares of restricted stock that could be earned based on CryoLife's adjusted EBITDA performance for fiscal 2012 ranged from 0% to 150% of the target number of shares. The actual 2012 adjusted EBITDA performance resulted in the performance stock units being earned at approximately 125.2% of target.

(22) Amounts represent the aggregate grant date fair value of the stock option awards granted in 2012, as calculated in accordance with FASB ASC Topic 718. We issued the awards on February 18, 2012. See Note 16 of the Notes to Consolidated Financial Statements filed with CryoLife's annual report on Form 10-K for the year ended December 31, 2012 for assumptions we used in valuing the option awards.

(23) Amounts represent the adjusted revenue and adjusted net income performance components of the awards earned pursuant to the 2012 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2013.

(24) Amount represents the sum of the change in the actuarial present value from December 31, 2011, to December 31, 2012, of Mr. Anderson's accumulated benefit under his post-employment medical plan, which is discussed further at *Post-Employment Medical Plan for Steven G. Anderson* under *Pension Benefits at December 31, 2014* on page 70 and the change in the actuarial present value of Mr. Anderson's accumulated benefit under his retirement severance benefit, which is discussed further at *Retirement Severance Benefit* under *Pension Benefits at December 31, 2014* on page 71.

(25) Amount includes the company matching contribution of \$5,000 to the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs, payment of premiums for a supplemental disability policy, auto and gas expense reimbursement, and legal expenses incurred in negotiating Mr. Anderson's new employment agreement.

(26) Amount includes company matching contributions of \$5,200 to the CryoLife 401(k) plan. Also includes reimbursement of dues at certain private clubs and an airline club and payment of premiums for a supplemental disability policy.

(27)

Amount includes our matching contribution of \$5,100 to the CryoLife 401(k) plan. Also includes reimbursement of dues at certain private clubs and an airline club and payment of premiums for a supplemental disability policy.

- (28) Amount includes our matching contribution of \$5,000 to the CryoLife 401(k) plan, as well as reimbursement of dues at certain private clubs and an airline club, reimbursement of expenses related to estate planning services, and payment of premiums for a supplemental disability policy.
- (29) Amounts represent company matching contributions to the CryoLife 401(k) plan. Perquisites and other personal benefits were less than \$10,000 in the aggregate for each of these individuals and are not included.
- (30) Amounts represent our matching contributions to the CryoLife 401(k) plan. Perquisites and other personal benefits were less than \$10,000 in the aggregate for each of these individuals and are not included.

- (31) Amount represents Mr. Burris's annual base salary of \$302,000, prorated for the portion of the year he was employed by the company, which is the actual amount of salary paid to him for 2014.
- (32) Amount represents the personal performance component of the award paid pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan, which was paid 100% in cash in February 2015, prorated for the portion of the year Mr. Burris was employed by the company.
- (33) Amount represents the adjusted revenue and adjusted net income performance components of the award earned pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan, which we paid 100% in cash in February 2015, prorated for the portion of the year Mr. Burris was employed by the company.
- (34) Amount includes severance payments of \$100,667, outplacement benefits of \$15,000, payment for accrued but unused vacation, health insurance premium reimbursements, our matching contribution of \$3,997 to the CryoLife 401(k) plan, reimbursement of dues at a private club, and payment of premiums for a supplemental disability policy. Under his separation and release agreement, Mr. Burris is entitled to total severance payments of \$302,000 and health insurance premium reimbursements of up to \$24,029, contingent on his satisfying his obligations under the agreement.

GRANTS OF PLAN-BASED AWARDS<sup>(1)</sup>

Grant	Committee Action	Estimated Possible Payouts Under Equity Incentive Plan Awards			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Closing Market Price on Committee Action Date (\$/Sh)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Date (b)	Date	(\$)(c)	(\$)(d)	(\$)(e)	(#)(f)	(#)(g)	(#)(h)	(#)(i)	(#)(j)	(\$/Sh)(k)	Date
9/02/14 <sup>(2)</sup>	6/30/14	81,200	119,300	157,500							
9/02/14 <sup>(3)</sup>	6/30/14							250,000			
9/02/14 <sup>(4)</sup>	6/30/14								400,000	10.18	8.95
2/19/14 <sup>(5)</sup>	2/19/14	278,700	409,800	540,900							
2/26/14 <sup>(6)</sup>	2/26/14							41,667			
2/26/14 <sup>(7)</sup>	2/26/14								41,667	9.97	9.97
2/26/14 <sup>(8)</sup>	2/26/14				20,834	41,667	62,501				
2/19/14 <sup>(5)</sup>	2/19/14	153,400	225,600	297,800							
2/26/14 <sup>(6)</sup>	2/26/14							16,667			
2/26/14 <sup>(7)</sup>	2/26/14								16,666	9.97	9.97

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2/26/14 <sup>(8)</sup>	2/26/14			8,334	16,667	25,001			
2/19/14 <sup>(5)</sup>	2/19/14	77,000	113,200	149,400					
2/26/14 <sup>(6)</sup>	2/26/14						11,667		
2/26/14 <sup>(7)</sup>	2/26/14						11,666	9.97	9.97
2/26/14 <sup>(8)</sup>	2/26/14			5,834	11,667	17,501			
2/19/14 <sup>(5)</sup>	2/19/14	77,000	113,200	149,400					
2/26/14 <sup>(6)</sup>	2/26/14						10,000		
2/26/14 <sup>(7)</sup>	2/26/14						10,000	9.97	9.97
2/26/14 <sup>(8)</sup>	2/26/14			5,000	10,000	15,000			
2/19/14 <sup>(5)</sup>	2/19/14	74,300	109,200	144,100					
2/26/14 <sup>(6)</sup>	2/26/14						10,000		
2/26/14 <sup>(7)</sup>	2/26/14						10,000	9.97	9.97
2/26/14 <sup>(8)</sup>	2/26/14			5,000	10,000	15,000			
2/19/14 <sup>(5)</sup>	2/19/14	81,500	120,800	160,100					
2/26/14 <sup>(6)</sup>	2/26/14						11,667		
2/26/14 <sup>(7)</sup>	2/26/14						11,666	9.97	9.97
2/26/14 <sup>(8)</sup>	2/26/14			5,834	11,667	17,501			

- (1) This table provides detail regarding stock options and other equity awards that we granted during fiscal 2014, as well as bonus plan awards that we made for fiscal 2014. The table does not include the bonus opportunities, stock option grants, restricted stock grants, and restricted performance stock unit grants that we made in February 2015, as more particularly discussed with respect to each named executive officer at *2015 Executive Compensation Actions* beginning on page 43.
- (2) We granted this award to Mr. Mackin, effective upon the commencement of his employment with the company on September 2, 2014, pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan adopted by the Board on February 19, 2014. The award provided for a prorated bonus commensurate with the portion of the 2014 fiscal year that Mr. Mackin was employed by the company. The award also included a personal performance component that is not included in the possible payouts set forth above, as we do not communicate the specific personal performance goals at the time of grant. See *Annual Performance-Based Bonus Plans - 2014 Bonus Program* beginning on page 62 for a discussion of 2014 short-term incentive awards under the 2007 Executive Incentive Plan.
- (3) We issued these performance-based restricted shares to Mr. Mackin upon the commencement of his employment with the company on September 2, 2014. These shares will vest upon the third anniversary of the grant date, assuming Mr. Mackin's continued employment with the company and satisfaction of the performance criterion discussed below at *Grants of Plan-Based Awards -- Employment Agreement with J. Patrick Mackin* beginning on page 55.
- (4) We issued these stock options to Mr. Mackin upon the commencement of his employment with the company on September 2, 2014, pursuant to our Second Amended and Restated 2009 Stock Incentive Plan. The options will be incentive stock options to the extent that they so qualify. One-third of the options will become exercisable on each of the first three



anniversaries of the grant date, assuming Mr. Mackin's continuous employment. The exercise price of \$10.18 per share is equal to the closing price of the company's common stock on the NYSE on the date of issuance, September 2, 2014. The value of the options is based on an option value of \$4.17. These options have a seven-year term.

- (5) We granted this award pursuant to the 2014 short-term incentive program under the 2007 Executive Incentive Plan adopted by the Board on February 19, 2014. The award also included a personal performance component that is not included in the possible payouts set forth above, as we do not communicate the specific personal performance goals at the time of grant. See *Annual Performance-Based Bonus Plans - 2014 Bonus Program* beginning on page 62 for a discussion of 2014 short-term incentive awards under the 2007 Executive Incentive Plan.
- (6) We issued these restricted shares pursuant to our Second Amended and Restated 2009 Stock Incentive Plan. All shares vest on the third anniversary of the grant date, assuming continued employment with the company on each relevant vesting date.
- (7) We issued these stock options pursuant to our Second Amended and Restated 2009 Stock Incentive Plan. One-third of the shares became exercisable on the first anniversary of grant, and an additional one-third will become exercisable on each subsequent anniversary thereof until all shares of the option are exercisable on the third anniversary, assuming continuous employment. The exercise price of \$9.97 per share is equal to the closing price of the company's common stock on the NYSE on the date of issuance, February 26, 2014. The value of the options is based on an option value of \$4.08. These options have a seven-year term.
- (8) We issued these performance stock units pursuant to our Second Amended and Restated 2009 Stock Incentive Plan. Each performance stock unit represents the right to receive one share of the company's common stock, subject to adjustment up or down from the target level based upon the company's adjusted EBITDA performance for fiscal 2014. In regard to the restricted shares of common stock earned pursuant to this grant, 50% vested on the first anniversary of grant date, 25% will vest on the second anniversary of the grant date, and the remaining 25% will vest on the third anniversary of the grant date, assuming continued employment with the company on each relevant vesting date. See *2014 Long-Term Incentives* beginning on page 35 for further details regarding the 2014 performance stock units.

#### **Employment Agreement with J. Patrick Mackin**

In July 2014 the Board appointed Mr. Mackin as President and CEO, and the company and Mr. Mackin entered into an employment agreement (the Mackin Agreement). In accordance with the Mackin Agreement, on September 2, 2014, Mr. Mackin commenced employment with the company and received an annual base salary of \$600,000 for calendar 2014, pro-rated for the number of days that he was employed by the company in 2014. Thereafter, he is entitled to an annual base salary that is not less than his then current annual salary, subject to certain permitted reductions.

For calendar 2014, pursuant to the terms of the Mackin Agreement, Mr. Mackin also received an annual cash bonus (pro-rated for the number of days that he was employed by the company in 2014), with a target bonus equal to 60% of his pro-rated base salary, based upon performance metrics set by the Compensation Committee in accordance with the company's 2014 annual incentive plan. After 2014, Mr. Mackin is entitled to receive such bonuses as are set by the committee; provided that his bonus target percentage generally may not be reduced below its then current level. The Mackin Agreement also provides Mr. Mackin with certain customary benefits and perquisites, such as vacation, medical and life insurance, dues for up to two social and business clubs, and relocation expenses. He is also entitled to

a \$1,500 per month car allowance and up to \$30,000 in reimbursements for the costs of negotiating the Mackin Agreement.

The Mackin Agreement also provided that, within a reasonable time, Mr. Mackin would be appointed or nominated for election to the company's Board of Directors. Mr. Mackin was appointed to the Board on October 21, 2014.

The Mackin Agreement requires Mr. Mackin to enter into one or more separate agreements respecting confidential information, trade secrets, and inventions, and contains provisions regarding noncompetition, non-solicitation of employees, non-solicitation of customers and clients, and disparaging remarks. In addition, Mr. Mackin is subject to the company's policies, including its Code of Business Conduct, anti-hedging policy, securities trading policy, stock ownership guidelines, the clawback provisions of the company's 2007 Executive Incentive Plan, business and spousal travel policies, and the company employee handbook, as in effect from time to time.

In addition, the Mackin Agreement provides that Mr. Mackin will receive certain compensation upon termination of his employment under various circumstances. The potential payments that could result under each scenario are described at *Potential Payments Upon Termination or Change of Control – Employment, Separation and Release, and Change of Control Agreements – Employment Agreement with J. Patrick Mackin* beginning on page 73. As a result of the automatic extension provisions of the Mackin Agreement, the company would be required to make such termination payments at any time in the future if it were to terminate Mr. Mackin's employment other than for cause.

The Mackin Agreement provides for payment of a cash signing bonus and the grant of certain initial equity awards to Mr. Mackin, provided in part as an incentive and in part to compensate him for the value of cash and equity awards he forfeited upon his termination of employment with his prior employer. Specifically, the Agreement provides for the company to pay Mr. Mackin a cash signing bonus of \$200,000, subject to pro rata repayment by Mr. Mackin if his employment terminates prior to the first anniversary of his employment effective date for reasons other than death, disability, termination of employment by the company without cause, or by Mr. Mackin for good reason. Mr. Mackin's signing bonus was paid upon his commencement of employment in September 2014.

The Mackin Agreement also provided for a grant to Mr. Mackin, upon commencement of employment of a stock option for 400,000 shares of CryoLife common stock and a restricted stock grant for 250,000 shares of CryoLife common stock, with a performance condition. The grant date for Mr. Mackin's new-hire options and restricted stock award was September 2, 2014.

The Mackin Agreement provided that the new-hire options' exercise price per share was to be equal to fair market value on the grant date and have a term of seven years. The right to exercise the new-hire options was to vest annually in one-third increments commencing with the first anniversary of the employment effective date, provided that employment continues through each vesting date. The seven-year term will be subject to earlier termination provisions as follows:

36 months after termination of employment due to disability,

12 months after death,

36 months after normal or early retirement, and

promptly upon termination of employment by the company, unless such termination is due to disability, death, or normal or early retirement.

The new-hire options are subject to the company's Second Amended and Restated 2009 Stock Incentive Plan (the "Stock Incentive Plan") and the related grant agreement. To the extent the options so qualify, they will be incentive stock options.

The new-hire restricted stock award will cliff vest on the third anniversary of Mr. Mackin's employment effective date, provided that (a) his employment continues through such date, and (b) CryoLife achieves at least \$20 million in adjusted EBITDA over any four consecutive calendar quarters during the employment period, as determined by the Compensation Committee; provided, however, that if Mr. Mackin's employment (x) terminates by reason of death, disability, or termination by the company without cause prior to the third anniversary of the effective date and (y) prior to such termination CryoLife has achieved at least \$20 million in Adjusted EBITDA over any four consecutive calendar quarters during the employment period, the new-hire restricted stock award will instead vest on the same schedule as the new-hire options. The company's calculation of Adjusted EBITDA for purposes of the new-hire restricted stock award is described on page A-3 of Appendix A to its Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 8, 2014. The new-hire restricted stock award is subject to the terms of the Stock Incentive Plan and the related grant agreement.

The new-hire options and restricted stock award will fully vest upon a change in control, as such term is defined in the Mackin Agreement.

The Mackin Agreement provides that commencing January 1, 2015, Mr. Mackin is entitled to participate in annual long-term incentive opportunities as determined by the Compensation Committee consistent with those provided to similarly situated CryoLife executive officers and in accordance with CryoLife's plans and applicable award agreements. Benefits currently include participation in CryoLife's plan-based awards with other CryoLife executives for performance stock units, stock options, and restricted stock subject to continued employment and achievement of corporate/Board objectives set by the committee.

The Mackin Agreement also provides for a reduction of payments that would otherwise be made to Mr. Mackin pursuant to the terms of the agreement, if and to the extent that doing so would result in greater net after-tax payments than if such payments were made and resulted in the application of the excise tax under Section 4999 of the Internal Revenue Code. The Mackin Agreement is intended to comply with Section 409A of the Internal Revenue Code.

**Employment Agreement with Steven G. Anderson**

On October 23, 2012, CryoLife entered into a new employment agreement with our then Chairman of the Board, President, and Chief Executive Officer, Steven G. Anderson (the Anderson Agreement ) to replace Mr. Anderson's prior employment agreement, which was due to expire on December 31, 2012. The Anderson Agreement had a three-year

term that became effective January 1, 2013, and initially was due to expire on December 31, 2015. The Anderson Agreement provided for the following compensation:

An initial annual base salary of \$656,900, to be reviewed annually during the first quarter and increased by the Compensation Committee, as the committee determined appropriate; Mr. Anderson's base salary generally could not be reduced other than pursuant to a general wage reduction applicable to all of CryoLife's officers

Bonus compensation on terms and in amounts no less favorable than those contained in CryoLife's 2007 Executive Incentive Plan and the 2012 bonus program for Mr. Anderson

Reimbursement of monthly car payments, auto expenses, and dues at certain social and business clubs, subject to an annual limitation equal to 10% of Mr. Anderson's base salary

Enrollment in the standard CryoLife medical plan and contributory 401(k) plan

Life insurance coverage benefit, as with other employees, with a maximum benefit of \$175,175

30 vacation days each year, which could not be carried over to subsequent years

A one-time, lump sum cash payment of \$100,000 that CryoLife paid to Mr. Anderson in 2013; this payment was included in the "All Other Compensation" column of the Summary Compensation Table above for 2013

The Anderson Agreement provided that Mr. Anderson would receive certain compensation upon termination of his employment for reasons other than cause. Specifically, the Anderson Agreement provided that CryoLife would pay Mr. Anderson \$1,985,000 upon the expiration of the term of the agreement or termination of his employment during the term of the Anderson Agreement for any of the following reasons:

By CryoLife, other than for cause

Mr. Anderson's death

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